

Hearing Date: January 15, 2004 at 10:00 a.m.
Objections Due: January 9, 2004 at 4:00 p.m.

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

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

**MOTION OF THE DEBTORS PURSUANT TO SECTION
365(a) OF THE BANKRUPTCY CODE AND BANKRUPTCY
RULE 6006 FOR AN ORDER AUTHORIZING THE REJECTION OF A
CERTAIN UNEXPIRED LEASE OF NONRESIDENTIAL REAL PROPERTY**

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 section 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 September 30, 2003, the Debtors served more than 100,000 business customers in major markets throughout the United States. As of September 30, 2003, the Debtors employed approximately 2,912 people, of which approximately 98 employees were covered by collective bargaining agreements.

6. As of September 30, 2003, the Debtors had approximately \$284.1 million of unrestricted cash on hand. As of September 30, 2003, the Debtors' consolidated books and records reflected assets totaling approximately \$1.226 billion and liabilities totaling approximately \$1.455 billion. For the nine months ending September 30, 2003, the Debtors, on a consolidated basis, reported revenues of approximately \$589.4 million and net losses of approximately \$275.6 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-four (34) of the Debtors' unexpired leases of nonresidential real property. By this Motion, the Debtors seek Court approval to (a) reject the King of Prussia Lease (as defined below) pursuant to section 365(a) of the Bankruptcy Code.

The King of Prussia Lease

8. In September, 2000, Allegiance Telecom Company Worldwide (“ATCW”), a Debtor in these chapter 11 cases, entered into that certain commercial property lease, with ASP Valley Forge, L.P. (“ASP Valley Forge ”), as landlord, which governs the premises (the “King of Prussia Premises”) located at 1018 W. 9th Avenue, Suite 202, King of Prussia, Pennsylvania, a copy of which is annexed hereto as Exhibit “A” (the “King of Prussia Lease”). The monthly lease payment under the King of Prussia Lease is \$14,309. The King of Prussia Lease is set to expire on July 31, 2007. The Debtors no longer need to conduct any business on the King of Prussia Premises and, by December 31, 2003, the Debtors will have surrendered the King of Prussia Premises to ASP Valley Forge. Based on the foregoing, the Debtors have determined that the King of Prussia Lease is burdensome to the Debtors’ estates and should be rejected, pursuant to section 365(a) of the Bankruptcy Code, effective as of December 31, 2003 (i.e., the date by which the Debtors will have surrendered the King of Prussia Premises).

Applicable Law

9. 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).

10. 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).

The Rejection of the King of Prussia Lease is in the Best Interests of the Estates

11. 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 King of Prussia Lease is burdensome and provides no economic value to their estates. As noted above, the Debtors no longer have a need for the King of Prussia Premises. Moreover, the Debtors do not believe that they would be able to assign the King of Prussia Lease because the terms of the King of Prussia Lease are above market. 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 King of Prussia Lease during these chapter 11 cases, the Debtors believe that any attempt to market and assign the King of Prussia 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 King of Prussia Lease will realize monthly savings of approximately \$14,309 and annual savings of approximately \$171,708 to the Debtors' estates. Accordingly, the Debtors submit that the decision to reject the King of Prussia Lease is a product of the Debtors' sound business judgment and the rejection of

the King of Prussia 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 King of Prussia Lease effective as of December 31, 2003, which will be the date by which the Debtors will have surrendered the King of Prussia Premises to ASP Valley Forge.

Waiver of Memorandum of Law

12. 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

13. 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) ASP Valley Forge; 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.

14. 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 reject the King of Prussia
Lease effective as of December 31, 2003 and grant such other relief as is just and proper.

Dated: New York, New York
December 12, 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

LEASE

{1018 W. 9th Ave.}

This Lease is made as of June, 2000, between ASP Valley Forge, L.P., a Pennsylvania limited liability partnership ("Landlord") and Allegiance Telecom Company Worldwide ("Tenant").

ARTICLE ONE

Definitions, Schedules and Addenda

1.1 DEFINITIONS:

a. **Project** shall mean such portions of Valley Forge Park Place, located in King of Prussia, Montgomery County, Pennsylvania, as may, from time to time, be owned by Landlord.

b. **Building** shall mean that certain building commonly known as 1018 W. 9th Avenue, located within the Project.

c. **Leased Premises** shall mean a portion of the second floor of the Building designated as Suite 202 and comprising approximately 6296 rentable feet of leaseable area of the Building, as described in Schedule 1.

d. **Tenant's Square Footage** shall mean approximately 6296 rentable square feet; **Total Square Footage of the Building** shall mean approximately 76,354 rentable square feet; **Total Square Footage of the Project** shall mean approximately 152,843 rentable square feet.

e. **Lease Commencement Date** shall mean August 1, 2000, which may be adjusted pursuant to Paragraph 4.2 of this Lease; **Lease Expiration Date** shall mean Sept 30, 2007; **Lease Term** shall mean the period between the Lease Commencement Date and the Lease Expiration Date. July 31

f. **Base Rent** shall mean that set forth in the table below and shall be payable in monthly installments during the Lease Term.

	<u>Annual Base</u>	<u>Monthly Base</u>
<u>Months</u>	<u>Rent</u>	<u>Rent</u>
1 through 12	\$141,660.00	\$11,805.00
13 through 24	\$144,808.00	\$12,067.33
25 through 36	\$147,956.00	\$12,329.67
37 through 48	\$151,104.00	\$12,592.00
49 through 60	\$154,252.00	\$12,854.33
61 through 72	\$157,400.00	\$13,116.67
73 through	\$160,548.00	\$13,379.00
Expiration Date		

- g. **Tenant's Estimated Share of Operating Costs** shall mean 8.25%.
- h. **Tenant's Pro Rata Share of the Building** shall mean 8.25% , and **Tenant's Pro Rata Share of the Project** shall mean 4.12%, both of which shall be subject to adjustment based on changes to the rentable area of the Leased Premises, the Building, and/or the Project.
- i. **Deposit** shall mean \$26,758.00. **Prepaid Rent** shall mean \$n/a.
- j. **Permitted Purpose** shall mean general office use, and no other purpose.
- k. **Managing Agent** shall mean The Flynn Company whose address is 1621 Wood Street, Philadelphia, PA 19103.
- l. **Broker of Record** shall collectively mean The Flynn Company, Smith Mack Company, and Gola Real Estate Corp.
- m. **Landlord's Mailing Address:**
- ASP Valley Forge, L.P.
c/o AMRESKO Management, Inc.
700 North Pearl Street, Suite 2400
Dallas, Texas 75201-7424
Attention: Joel McCarty
- n. **Tenant's Mailing Address:**
- c/o Allegiance Telecom Company Worldwide
Four Westbrook Corporate Center, Suite 400
West Chester, IL 60154
Attn: Patricia E. Koide, S.V.P

1.2 SCHEDULES AND ADDENDA: The schedules and addenda listed below are incorporated into this Lease by reference unless lined out. The terms of schedules, exhibits and typewritten addenda, if any, attached or added hereto shall control over any inconsistent provisions in the paragraphs of this Lease.

- a. **Schedule 1:** Description of Leased Premises/Floor Plan
- b. **Schedule 2:** Rules and Regulations
- c. **Schedule 3:** Work Letter
- d. **Schedule 4:** Certificate of Acceptance

ARTICLE TWO

Leased Premises

2.1 LEASE OF PREMISES: In consideration of the Rent and the provisions of this Lease, Landlord leases to Tenant and Tenant accepts from Landlord the Leased Premises.

2.2 PRIOR OCCUPANCY: Tenant, its agents, employees, or contractors shall be permitted to enter the Leased Premises prior to the Lease Commencement Date to construct the Leasehold Improvements in accordance with the provisions of this Lease. If Tenant completes the Leasehold Improvements, occupies the Leased Premises and begins to conduct its business on the Leased Premises prior to the Lease Commencement Date, all covenants and conditions of the Lease shall be binding on the parties and Tenant shall be obligated to pay Landlord Base Rent in the amounts specified in paragraph 1.1.f and Tenant's Pro-Rata Share of Excess Operating Costs, as defined in paragraph 3.3.b, from the first day of such occupancy. A prorated monthly installment shall be paid for the fraction of the month if Tenant's occupancy of the Leased Premises commences on any day other than the first day of the month.

2.3 TENANT'S RIGHT TO EXTEND LEASE TERM:

a. Tenant is hereby granted the option to extend the term of this Lease at the then fair market rental for one (1) period of five (5) years, provided that: (i) no event has occurred as of the date of the extension which with the giving of notice, passage of time or both would constitute an Event of Default by Tenant under this Lease; (ii) no Event of Default (beyond the expiration of any applicable cure period) of Tenant exists at the time of giving of notice or exercise of the option; and (iii) Tenant has given written notice of extension to Landlord as provided in the following subparagraph.

b. Tenant must give Landlord at least six (6) months prior written notice of Tenant's election to extend. Not more than twelve (12) months prior to the then applicable Lease Expiration Date Tenant may make written request to Landlord that Landlord determine the fair market rental rate for the Premises. Within thirty (30) days of Tenant's written request, Landlord must give written notice to Tenant as to the fair market rental rate for the Premises. Tenant shall have fifteen (15) days after receiving notice of Landlord's determination of such rate to give written notice to Landlord whether Tenant agrees with such determination. In the event Tenant disagrees with Landlord's determination of the fair market rental rate for the Premises, Tenant may request the determination of the fair market rental rate be submitted to an appraiser. If the parties agree on a single appraiser, then the appraiser's conclusion shall be binding on the parties. If the parties are unable to agree within ten (10) days on a single appraiser, such appraisal shall be conducted in accordance with the following: each party shall designate in writing, within fifteen (15) days after any such notice, the name of an appraiser who holds an M.A.I. designation or its equivalent and who is familiar with the office rentals in the area of the Project. Within thirty (30) days after the designations, as aforesaid, the two (2) appraisers chosen shall each make their decision as to the fair market rental rate for the Premises. Should such appraisers disagree as to the fair market rental rate for the Premises but should the higher determination of fair market rental rate for the Premises be within ten (10%) percent of the lower determination, the average of the amounts determined by the two (2) appraisers shall be deemed the fair market rental rate for the Premises. In the event the two (2) appraisers are in excess of ten (10%) percent apart, and, in the further event, Landlord and Tenant cannot mutually agree as to the fair market rental rate for the Premises within ten (10) days after receipt of the determination by such two (2) appraisers, the two (2) appraisers shall appoint a third appraiser of equal qualification who shall determine fair market rental rate for the Premises within fifteen (15) days of appointment. The average of the amounts determined by the two (2) appraisers whose determinations of fair market rental are the closest in dollar amount of the three (3) appraisals shall be deemed to be the fair market rental rate for the Premises during the

extension term. Each party shall pay the cost of the its own appraiser, and in the event a third appraiser is appointed, the cost of such appraiser excluding fees of counsel for Landlord and Tenant, shall be divided equally between the parties.

ARTICLE THREE Payment of Rent

3.1 RENT: Tenant shall pay each monthly installment of Base Rent in advance on the Lease Commencement Date and on the first calendar day of each month thereafter, together with each monthly installment of Tenant's Pro Rata Share of Operating Costs. Monthly installments for any fractional calendar month at the beginning of the Lease Term shall be prorated based on the number of days in such month. The Base Rent payable thereafter shall be payable as though the Lease Commencement Date was the first day of the first full month following the Lease Commencement Date. Base Rent, together with all other amounts payable by Tenant to Landlord, shall be sometimes referred to collectively as "Rent". Tenant shall pay all Rent, without deduction or setoff, to Landlord or Managing Agent at a place specified by Landlord. Rent not paid when due shall bear interest until paid, at the rate of 1.5% per month, or at the maximum rate allowed by law, whichever is less, from the date when due and such interest shall continue to accrue after any judgment is entered against Tenant. Tenant shall also pay a processing charge of three percent (3.0%) of each late payment of Rent.

3.2 DEPOSIT; PREPAID RENT: {Prepaid Rent - n/a}. The Deposit shall be paid by Tenant to Landlord upon execution of this Lease by Tenant by delivery of cash (check or wire transfer of immediately available funds) in the amount of \$26,758.00. Landlord may, but is not obligated to, apply a portion of the Deposit to cure any default hereunder and Tenant shall pay on demand the amount necessary to restore the Deposit in full within ten (10) days after notice by Landlord. Provided that no event of default has occurred under this Lease, one-half of the Deposit shall be refunded to Tenant, without interest unless otherwise required by law, within five (5) business days after the first anniversary of the Lease Commencement Date.

3.3 OPERATING COSTS: Tenant shall pay Tenant's Pro Rata Share of any Project and Building Operating Costs as follows:

a. "Project Operating Costs" shall mean all reasonable and actual expenses relating to the operation and maintenance of the exterior and common areas of the Project, including but not limited to: real estate taxes and assessments; utilities for common areas and all utilities other than the Utility Services which are separately chargeable to Tenant; insurance premiums and (to the extent used) deductibles; maintenance, repairs and replacements; refurbishing and repainting; cleaning, and other services; equipment, tools, materials and supplies; property management including management fees; security; employees and contractors; resurfacing and restriping of walks, drives and parking areas; signs, directories and markers; parking lot lighting; landscaping; and snow and rubbish removal. Without limiting the foregoing and notwithstanding any provision hereof to the contrary, "Project Operating Costs" shall also include any and all obligations of Landlord to any neighboring or other property owner for the maintenance, repair, replacement, operation, and/or management of any roadways, parking areas, landscaped areas, water, sanitary sewer, storm drainage, or other site improvement or facilities which benefit the Project and may be in common between the Project and the property owned by such neighboring or other property owner. In the event that any expense relating to the exterior or common areas of the Project benefits only a portion of the Project, which portion includes the

Building. Landlord may, at Landlord's option, equitably adjust such expense to reflect the portion of the Project so benefited. "Building Operating Costs" shall mean all reasonable and actual expenses relating to the exterior of the Building and common areas of the Building, if any, including but not limited to: utilities not separately chargeable to other tenants; maintenance, repairs and replacements; refurbishing and repainting; cleaning, janitorial and other services; equipment, tools, materials and supplies; and signs, directories and markers. In the event that any expense relating to the exterior of the Building or common areas of the Building, if any, benefits only a portion of the Building, which portion includes the Leased Premises, Landlord may, at Landlord's option, equitably adjust such expense to reflect the portion of the Building so benefited..

"Operating Costs" shall mean Project and Building Operating Costs. Operating Costs shall not include expenses for legal services, real estate brokerage and leasing commissions, Landlord's federal and state income taxes, income tax accounting, interest, depreciation, general corporate overhead, or capital improvements to the Building or Project except (a) for capital improvements (i) installed for the purpose of reducing or controlling energy, maintenance or other Operating Cost, or (ii) required by any governmental or other authority having or asserting jurisdiction over the Building or the Project which are not required on the date of this Lease or not provided for in the current budget for the Operating Costs of the Project, and (b) as otherwise expressly provided in this Lease. If any expense which would otherwise constitute an Operating Cost for the calendar year during which such expense is paid relates to one or more calendar years other than or in addition to the calendar year during which such expense is paid, such expense will be proportionately allocated to the Operating Costs for each calendar year to which such expense is related. Similarly, with respect to capital expenditures to replace existing equipment and machinery necessary to the day to day operation of the Building or Project or common usage Building or Project components and systems, such capital expenditures shall be amortized on a monthly basis over the useful life (not to exceed 120 months) thereof on a straight-line basis at an interest rate not to exceed twelve percent (12.0%) per annum, provided however, with respect to items of the type described in clause (a), the amount included in Operating Costs in any year shall not exceed the annual savings which were reasonably projected to result from that expenditure at the time it was made and the amount recoverable by Landlord as Operating Costs in the year during which any such expenditure is made and each year of the Lease Term thereafter occurring shall equal the sum of all such amortization payments payable during each such year. In the event that the Building is not fully leased during any calendar year, Landlord may make appropriate adjustments to the Building Operating Costs, using reasonable projections, to adjust such costs to an amount that would normally be expected to be incurred if the Building were 95% leased, and such adjusted costs shall be used for purposes of this Paragraph 3.3.

Notwithstanding any provision to the contrary herein, Operating Costs shall also not include:

- (i) The cost of repair to the Building and/or Project, including the Premises, to the extent the cost of the repairs is reimbursed by insurance or condemnation proceeds, covered by warranty or otherwise reimbursed by third parties other than as a part of Operating Costs;
- (ii) All items and services for which Tenant or any other tenants in the Building reimburses Landlord other than through Operating Costs (or is so obligated to

reimburse Landlord) and all items and services supplied selectively to any tenant without reimbursement, provided that, any item or service supplied selectively to Tenant shall be paid for by Tenant;

- (iii) Advertising and marketing costs, including, without limitation, leasing commissions, attorneys' fees in connection with the negotiation and preparation of letters, deal memos, letters of intent, leases, subleases and/or assignments, space planning costs, and other costs and expenses incurred in connection with the lease, sublease and/or assignment negotiations and transactions with present or prospective tenants of the Building and/or the Project or their successors;
- (iv) The cost of improving or renovating space for tenants or space vacated by any lessee (including Tenant), including, without limitation, architects', engineers' and space planners' fees and expenses, and costs of permits and inspections;
- (v) The cost of utilities charged to individual tenants (including Tenant) including any and all costs for Tenant's electrical usage and HVAC usage, and payroll, material and contract costs of other services charged to tenants (including Tenant);
- (vi) The depreciation of the Building and/or the Project;
- (vii) Any payments of any kind due and payable under any mortgage, deed of trust or other financing affecting the Building and/or the Project or under any ground lease or master lease, including, without limitation, any principal, interest, points and fees on debt or amortization payments, and late payment penalties and interest on any real property mortgages or deeds of trust and ground lease payments, and other costs of financing or refinancing the Building and/or Project;
- (viii) Legal, accounting, consulting and other related expenses associated with the enforcement of leases, disputes with lessees or prospective lessees, or the defense of Landlord's title to the Building and/or the Project;
- (ix) Landlord's general corporate overhead and general administrative expenses not related to the operation of the Building and/or the Project, including costs of preparing limited liability company, partnership or other tax returns, or financial statements not related to the operation of the Building and/or the Project, and all compensation to executives, members, officers or partners of Landlord or to persons who are executives, officers or members of partners of Landlord or to any other person at or above the level of building manager, other than the building manager of the Building or the project manager of the Project except a management and accounting cost recovery fee not to exceed four percent (4.0%) of the gross rents of the Project for the calendar year;
- (x) Unless required to be charged by Landlord pursuant to any law or regulation, any compensation paid to clerks, attendants or other persons in commercial concessions, including parking facilities operated by Landlord and other costs directly related to the operation of such commercial concessions including bookkeeping, parking insurance, parking management fees, tickets, striping and

uniforms, and all other costs directly related to the installation, operation and maintenance of such commercial concessions;

- (xi) Governmental fines or penalties assessed as a result of Landlord's failure to make payments in a timely manner or to comply with any law or regulation;
- (xii) Except for making repairs or keeping permanent systems in operation while repairs are being made, rentals and other similar expenses incurred in leasing HVAC systems, elevators or other equipment ordinarily considered to be of a capital nature, except equipment not affixed to the Building and/or the Project which is used in providing janitorial or maintenance services;
- (xiii) {Intentionally deleted};
- (xiv) Cost of compliance with laws relating to Hazardous Materials or substances which are incurred (a) as a result of Landlord's negligence or intentional acts in the course of construction of the Building, including the selection and use of building materials which Lessor should have known were Hazardous Materials at the time of their installation, or (b) as a result of the presence of Hazardous Materials in the soil or groundwater under the Building and/or the Project on or before the date of execution of this Lease;
- (xv) Costs of purchasing, installing, and replacing artwork in excess of \$1,000.00 per year;
- (xvi) Liability covered by insurance carried by Landlord the premiums for which are included in Operating Costs, or which would have been covered by insurance otherwise required to be carried by Landlord under this Lease but for failure to insure as a result of Landlord's intentional acts or omissions or negligence (but not as a result of commercial impracticability of obtaining such insurance);
- (xvii) Expenses resulting directly from the willful misconduct or gross negligence of Landlord or any of its employees, agents, independent contractors;
- (xviii) {Intentionally deleted};
- (ixx) Any bad debt loss, rent loss or reserves for bad debts or rent loss and reserves for Operating Costs or capital improvements;
- (xx) The cost of goods or services paid to Landlord, or to any subsidiary or affiliate of Landlord, to the extent such costs exceed the costs of comparable goods or services delivered or rendered by unaffiliated third parties;
- (xi) Costs arising from Landlord's charitable or political contributions;
- (xxi) {Intentionally deleted};
- (xxiii) Costs for which Landlord has been compensated by a management fee, including labor, office rent, supplies, and improvements in the Building and/or the Project;

- (xixv) Costs arising from repairs for construction defects or design defects in the Building (including, without limitation, any building systems) or in lessee improvements installed by Landlord;
- (xxv) The cost of the original Building construction or any subsequent additions to the Building;
- (xxvi) {Intentionally deleted};
- (xxvii) Legal expenses, accounting expenses, other professional fees and other transactional costs arising out of the ownership, sale, syndication or financing of the Building or any interest therein, or the construction of improvements;
- (xxviii) Costs of disputes between Landlord and any third party regarding matters unrelated to the Building and/or the Project;
- (ixxx) Costs of disputes between Landlord and any employee, agent or contractor of Landlord or with any mortgagee or ground lessor;
- (xxx) Any amounts payable by Landlord in respect of any indemnification obligation;
- (xxxi) If Landlord leases any portions of the Project for kiosks or other uses, then Landlord shall not include any items of expense, or the increased amount of any items of expense, attributable to such leasing or the operation of such tenant;
- (xxxii) Costs of installing, maintaining or operating any specialty service such as an athletic club, recreational club or luncheon club; and
- (xxxiii) If Landlord fails to carry any of the insurance required to be carried by Landlord pursuant to the terms of this Lease, any cost which would have been covered by such insurance coverage.

b. Tenant shall pay, in equal monthly installments, Tenant's Pro Rata Share of any estimated Project and Building Operating Costs for each calendar year which falls (in whole or in part) during the Lease Term (prorated for any partial calendar year at the beginning or end of the Lease Term), which are in excess of the Building Operating Costs for calendar year 2000 and such amount shall be Tenant's Estimated Share of Operating Costs. No more than two (2) times during any twelve (12) month period, based on actual and projected Operating Cost data, Landlord may adjust its estimate of Operating Costs upward or downward. Within thirty (30) days after notice to Tenant of a revised estimate of Operating Costs, Tenant shall remit to Landlord a sum equal to any shortage of the amount that should have been paid to date for the then current calendar year based on the revised estimate, and all subsequent monthly estimated payments shall be based on the revised estimate.

c. As soon as possible, after the first day of each year Landlord shall compute the actual Project and Building Operating Costs for the prior calendar year, and shall give notice thereof to Tenant. Within thirty (30) days after receipt of such notice, Tenant shall pay any

deficiency between estimated and actual in Tenant's Pro Rata Share of any Operating Costs for the prior calendar year (prorated for any partial calendar year at the beginning or end of the Lease Term). In the event of overpayment by Tenant, Landlord shall apply the excess to the next payment of Rent when due, until such excess is exhausted or until no further payments of Rent are due, in which case, Landlord shall pay to Tenant the balance of such excess, as the same may be adjusted based on the actual Project and/or Building Operating Costs for the then current calendar year, within thirty (30) days after Landlord has given notice of such actual Operating Costs to Tenant in accordance with the first sentence of this Paragraph. Tenant or its representatives shall have the right, upon reasonable notice, to audit Landlord's books and records with respect to the Operating Costs at the management office during normal business hours at any time within one hundred fifty (150) days following the delivery by Landlord to Tenant of the notice of actual Operating Costs. Such audit shall be conducted either by employees of Tenant or by a CPA firm employed by Tenant. If such audit discloses a liability for a refund to tenant in excess of seven percent (7%) of Tenant's Pro Rata Share of Operating Costs previously reported, the cost of such audit, not to exceed the greater of (i) \$2,000.00 or (ii) the amount of the excess charge, shall be borne by Landlord and shall be applied to the next payment of Rent when due.

3.4 TAXES: In addition to Base Rent and other sums to be paid by Tenant hereunder, Tenant shall (to the extent not paid directly by Tenant) reimburse Landlord, as additional Rent, on demand, any taxes payable by Landlord (a) upon, measured by, or reasonably attributable to the cost or value of Tenant's equipment, fixtures and other personal property located in the Leased Premises or by the cost or value of any leasehold improvements made to the Leased Premises by Tenant or Landlord, regardless of whether title to such improvements is held by Tenant or Landlord; (b) upon or measured by the monthly rental payable hereunder, including, without limitation, any gross receipts tax or excise tax, but excluding federal, state or local taxes computed on the basis of the net income of any owners of any interest in the Project and any inheritance or estate taxes imposed upon or assessed against the interest of any person in the Project; (c) upon or with respect to the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy by Tenant of the Leased Premises or any portion thereof; (d) upon this Lease or any document to which Tenant is a party creating or transferring an interest or an estate in the Leased Premises (other than upon the recordation of this Lease (or a memorandum hereof) by Landlord or any mortgagee of the Building). * Notwithstanding any provision to the contrary herein, Tenant shall be in no manner responsible for the payment of any, or a portion of any, transfer taxes incurred by Landlord in the sale or transfer of the Building and/or the Project.

ARTICLE FOUR Improvements

4.1 CONSTRUCTION CONDITIONS: Landlord shall provide to Tenant an improvement allowance of up to \$15.00 for each rentable square foot of the leased premises ("Construction Allowance") to defray a portion or all costs of preparing the Premises for occupancy and use by Tenant. Landlord shall pay the Construction Allowance directly to the contractors and material men performing the work of constructing the improvements described in the work letter attached hereto as Schedule 3 (the "Improvements"). In the event that the cost of the Improvements exceeds or is reasonably estimated by Landlord to exceed the Allowance, Tenant shall pay the additional cost to Landlord within fifteen (15) days after receipt of Landlord's written demand and Landlord shall provide documentation of the actual costs of the work to Tenant promptly after

completion of the work. In the event that the cost of the Improvements is less than the Construction Allowance, Landlord shall apply the difference to the first month's Rent when due, and in the event that the difference is in excess of the first month's Rent, Landlord shall apply the excess to the next payment of Rent when due, until such excess is exhausted. Landlord's approval of Tenant's plans for the Improvements shall create no responsibility or liability on the part of Landlord for their completeness, design sufficiency, or compliance with laws, rules, and regulations of governmental agencies or authorities. Subject to the completion of the work described in Schedule 3, Tenant acknowledges that it has inspected and accepts the Building and the Leased Premises in their present, "as-is" condition, in the configuration described in Schedule 1, and as suitable for the purpose for which the Leased Premises are leased. Tenant further acknowledges that no representations as to the repair of the Leased Premises, nor promises to alter, remodel or improve the Leased Premises have been made by Landlord, unless such are expressly set forth in this Lease Agreement.

4.2 COMMENCEMENT OF POSSESSION: If for any reason whatsoever Landlord is unable to deliver possession of the Leased Premises to Tenant within thirty (30) days of the scheduled Lease Commencement Date, Landlord and Landlord's agents, officers, employees, or contractors shall not be liable for any damage, loss, liability or expense caused thereby, and this Lease shall not become void or voidable, provided however, that Tenant shall have the right to (a) terminate and cancel this Lease if Landlord does not deliver possession for a further period of fifteen (15) days after receipt of Tenant's written demand; or (b) extend the Lease Commencement Date until such time that the Landlord can deliver possession. Within ten (10) days after Landlord's request therefor, Tenant shall execute and deliver to Landlord a letter in the form attached as Schedule 4, acknowledging the Lease Commencement Date and certifying that the Improvements have been substantially completed and that Tenant has examined and accepted the Leased Premises. If Tenant fails to deliver such letter, Tenant shall conclusively be deemed to have made such acknowledgment and certification by occupying the Leased Premises.

ARTICLE FIVE

Project Services

5.1 PROJECT SERVICES: Landlord shall furnish (i) Utility Services (defined below and subject to Tenant's obligation to pay for electric service) to the Leased Premises and any HVAC units that serve the Leased Premises, (ii) Maintenance Services (defined below), and (iii) Parking (defined below).

a. Electric Service shall mean all electricity used or consumed by Tenant at the Premises. Tenant shall be solely (and, to the extent permitted by the applicable utility company, directly) responsible for and promptly pay all charges for Electric Service with respect to the Leased Premises. In the event that any Electric Service is provided through Landlord (rather than by direct metering and billing by the utility company), then Tenant shall pay Landlord for the cost of such service on a monthly basis as reasonably determined by Landlord.

b. "Utility Services" mean gas, electricity, water, and other utilities used or consumed. Landlord shall maintain and repair those systems necessary to provide such Utility Services (other than (i) those systems located within the Leased Premises and serving the Leased Premises exclusively, the repair and maintenance of which shall be performed by Tenant at Tenant's sole cost and expense and (ii) those systems located outside of the Leased

Premises and serving the Leased Premises exclusively, the repair and maintenance of which shall be performed by Landlord at Tenant's sole cost and expense, but, except as provided in Section 5.2, shall not be liable to Tenant for interruption in or curtailment of any utility service, nor shall such interruption or curtailment constitute a constructive eviction or grounds for rental abatement (except to the extent Landlord may receive proceeds from rental abatement insurance for the Leased Premises) in whole or in part.

c. "Maintenance Services" shall mean the maintenance and repair of all common areas of the Building and the Project, including (a) all utility systems (except for special installations by Tenant) including the plumbing, sprinkler, HVAC, electrical and mechanical lines and equipment associated therewith, and the parking facilities; (b) the exterior and interior and exterior structure of the building including the roof, exterior walls, bearing walls, support beams, foundation, columns, exterior doors and windows and lateral support to the Building and parking facilities; (c) the interior walls, ceilings, floors and floor coverings (including carpets and tiles) of the common areas of the Building; (d) the exterior improvements to the land, including ditches, shrubbery, landscaping; and (e) the common areas located within or outside the Building including elevators, pipes, ducts, conduits, wires and appurtenances thereto, common entrances, corridors, doors and windows, loading dock, stairways and lavatory facilities and the parking facilities and access ways thereof.

d. "Parking" means the nonexclusive access, in common with all other tenants in the Project, to parking areas, driveways, walkways and service areas appurtenant to the Building. Landlord shall have the right at any time and from time to time to change the size, location, elevation or nature of the common parking areas, including the right to locate additional structures thereon and to close portions thereof, but at all times shall maintain parking ratios in accordance with applicable building codes then in effect. Landlord reserves the right, at its discretion, to designate reserved parking spaces and areas and, if Landlord requests, Tenant shall cause its employees and invitees to park in designated areas within a reasonable walking distance from the Building. Tenant's right to use the Building's parking areas shall be allocated on a nonexclusive basis in proportion to that portion of the Building leased by Tenant as the same may be adjusted for changes in the rentable area of the Building.

e. Utility Services, Maintenance Services, and Parking described above shall be collectively referred to as "Project Services." Project Services which are necessary for the use of the Leased Premises such as electricity and elevator service shall be available on a 24 hours a day, seven days a week basis; provided, however, Landlord may charge Tenant for after hours (regular service hours being 8:00 a.m. to 6:00 p.m. weekdays, and 8:00 a.m. to noon on Saturdays, holidays excepted) HVAC service which is requested by Tenant at \$40.00 per hour. The costs of Landlord's obligations with respect to Project Services (which does not include the cost of Utility Services billed directly to Tenant) shall be a part of Operating Costs. Tenant shall be responsible for all other services required in connection with its use of the Leased Premises

5.2 INTERRUPTION OF SERVICES: Landlord does not warrant that any of the Project Services will be free from interruption. Any Project Service may be suspended by reason of accident or of necessary repairs, alterations, or improvements, or by strikes or lockouts, or by reason of operation of law, or causes beyond the reasonable control of Landlord). To the extent that any interruption in or curtailment of any of the Project Services results from Landlord's failure to perform its obligations under this Lease, and such renders more than twenty-five percent (25%) of the Leased Premises unusable or materially interrupts Tenant's business for

more than seventy-two (72) consecutive hours during business days, Rent shall be abated until such time that Tenant can resume its business activities in proportion to the reduction of the area of the Premises usable by the Tenant.

ARTICLE SIX Tenant's Covenants

6.1 USE OF LEASED PREMISES: Tenant agrees to:

a. Permitted Usage: Use the Leased Premises for the Permitted Purpose only and for no other purpose.

b. Compliance with Laws: Comply with the provisions of all recorded covenants, conditions and restrictions and all building, zoning, fire and other governmental laws, ordinances, regulations or rules now in force or which may hereafter be in force relating to Tenant's use and occupancy of the Leased Premises, the Building, or the Project and all requirements of the carriers of insurance covering the Project. In the event that a building, zoning, fire, or other governmental law, ordinance, regulation, or rule is enacted or otherwise becomes applicable to the Leased Premises after the date hereof (regardless of the cause thereof or the reason therefor) and such law, ordinance, regulation, or rule requires that alterations or improvements be made to the Leased Premises in order to comply therewith, Tenant shall, at Tenant's expense and subject to Paragraph 6.1(e), make such alterations or improvements as may be required by such law, ordinance, regulation, or rule, in which event Landlord's approval thereof shall not be unreasonably withheld, conditioned, or delayed. Landlord shall make any alterations or improvements to the Building as may be so required.

c. Nuisances or Waste: Not do or permit anything to be done in or about the Leased Premises, or bring or keep anything in the Leased Premises that may increase Landlord's fire and extended coverage insurance premium, damage the Building or the Project, constitute waste, constitute an immoral purpose, or be a nuisance, public or private, or menace or other disturbance to tenants of the Project.

d. Hazardous Substances: (i) comply with all Environmental Laws (hereinafter defined); (ii) not cause or permit any Hazardous Materials to be treated, stored, disposed of, generated, or used in the Leased Premises, the Building, or the Project, provided, however, that Tenant may store, use or dispose of products customarily found in offices and used in connection with the operation and maintenance of property if Tenant complies with all Environmental Laws and does not contaminate the Leased Premises, Project or environment; (iii) promptly after receipt, deliver to Landlord any communication concerning any past or present, actual or potential violation of Environmental Laws, or liability of either party for Environmental Damages. "Environmental Laws" mean all applicable present and future statutes, regulations, rules, ordinances, codes, permits or orders of all governmental agencies, departments, commissions, boards, bureaus, or instrumentalities of the United States, states and their political subdivisions and all applicable judicial, administrative and regulatory decrees and judgments relating to the protection of public health or safety or of the environment. "Hazardous Materials" mean substances (A) which require remediation under any Environmental Laws; or (B) which are or become defined as a "hazardous waste", "hazardous substance", pollutant or contaminant under any Environmental Laws; or (C) which are toxic,

explosive, corrosive, flammable, infectious, radioactive, carcinogenic or mutagenic; or (D) which contain petroleum hydrocarbons, polychlorinated biphenyls, asbestos, asbestos containing materials or urea formaldehyde.

e. Alterations and Improvements: Make no alterations or improvements to the Leased Premises (other than those, if any, to be performed by Tenant pursuant to Schedule 3 hereto) or cosmetic changes for decorative purposes solely) without the prior written approval of Landlord and Landlord's mortgagee, if any which approval shall not be unreasonable withheld, conditioned or delayed. Any such alterations or improvements by Tenant shall be done in a good and workmanlike manner, at Tenant's expense, by a licensed contractor approved by Landlord in conformity with plans and specifications approved by Landlord. If requested by Landlord, Tenant will post a bond or other security reasonably satisfactory to Landlord to protect Landlord against liens arising from work performed for Tenant. Landlord's approval of the plans and specifications for Tenant's alterations or improvements shall create no responsibility or liability on the part of Landlord for their completeness, design sufficiency, or compliance with all laws, rules, and regulations of governmental agencies or authorities. However, Tenant may, without Landlord's consent but with written notice to Landlord, make or cause to be made minor alterations to the Leased Premises, such minor alterations being those having a cost of less than Twenty-five Thousand Dollars (\$25,000), which do not require a building permit of any nature, and which do not affect the Building structure or partition walls or systems except for (i) relocation of supply and return vents; (ii) relocation of lights and switches; (iii) relocation of duplex receptacles of 20 amps or less, or (iv) addition of duplex receptacles of 20 amps or less in numbers that will not cause the total number of devices on a branch circuit to be more than the maximum allowed under local building code. Tenant hereby indemnifies and holds Landlord harmless for any claims, loss, costs, or damages incurred or suffered by Landlord in connection with any alterations and improvements made by Tenant.

f. Liens: Keep the Leased Premises, the Building and the Project free from liens arising out of any work performed, materials furnished or obligations incurred by or for Tenant. If, at any time, a lien or encumbrance is filed against the Leased Premises, the Building, or the Project as a result of Tenant's work, materials or obligations, Tenant shall promptly discharge such lien or encumbrance. If such lien or encumbrance has not been removed within thirty (30) days from the date it is filed, Tenant agrees to deposit with Landlord cash or a bond, which shall be in a form and be issued by a company acceptable to Landlord in its sole discretion, in an amount equal to 150% of the amount of the lien, to be held by Landlord as security for the lien being discharged.

g. Rules and Regulations: Observe, perform and abide by all the rules and regulations promulgated by Landlord from time to time. Schedule 2 sets forth Landlord's rules and regulations in effect on the date hereof.

h. Signage: Obtain the prior written approval of the Landlord before placing any sign or symbol in doors or windows or elsewhere in or about the Leased Premises, or upon any other part of the Building, or Project including building directories which approval shall not be unreasonably withheld, conditioned or delayed. Any signs or symbols which have been placed without Landlord's approval may be removed by Landlord. All signs and symbols shall be kept in good condition and repair and in proper operating order at all times. Upon expiration or termination of this Lease, all signs installed by Tenant shall be removed by Tenant and any damage resulting therefrom shall be promptly repaired (which repair shall include, without

limitation, the repainting and/or replacement, as the case may be, of such portions of the Building's fascia surface as may be necessary to return such fascia surface to the same (or a better) condition than its condition as of the date hereof). At Landlord's option, such removal and repair may be done by Landlord and the reasonable cost charged to Tenant as Rent. All reasonable costs incurred by Landlord or Tenant with respect to the design, construction, and/or installation of such signage, including the application for or issuance of any permits or any similar charges, shall be the responsibility of Tenant. In the event that any other tenant of the Building is identified on a monument or similar sign on the Building or the Project or has any signage within the lobby or other common areas of the Building, Landlord shall, at Tenant's cost, identify Tenant on such monument sign or provide such signage to Tenant within the lobby or other common areas of the Building.

i. Restrictions of Record: In the event that the Building or the Leased Premises now or hereafter are subject to and encumbered by any declaration of covenants, reciprocal easements, or declaration of an owner's association, Landlord shall provide copies thereof to Tenant and Tenant shall comply with the terms and conditions thereof; provided, however, such compliance shall not materially or adversely impair Tenant's use of the Leased Premises for the Permitted Use nor result in any additional cost to Tenant (other than as a component of Operating Costs).

6.2 INSURANCE:

a. Tenant shall, at its own expense, procure and maintain during the Lease Term: (i) fire and extended casualty insurance covering Tenant's trade fixtures, merchandise and other personal-property located in the Leased Premises, in an amount not less than one hundred percent (100%) of their actual replacement cost, and (ii) worker's compensation insurance in at least the statutory amounts, and (iii) commercial general liability insurance with respect to the Leased Premises and Tenant's activities in the Leased Premises and in the Building and the Project, providing bodily injury and broad form property damage coverage with a maximum \$5,000 deductible, or such other amount approved by Landlord in writing, and minimum coverage as follows:

1. \$1,000,000 with respect to bodily injury or death to any one person;
2. \$5,000,000 with respect to bodily injury or death arising out of any one occurrence;
3. \$1,000,000 with respect to property damage or other loss arising out of any one occurrence.

Nothing in this Paragraph 6.2 shall prevent Tenant from obtaining insurance of the kind and in the amounts provided for under this paragraph under a blanket insurance policy covering other properties as well as the Leased Premises, provided, however, that any such policy of blanket insurance (i) shall specify the amounts of the total insurance allocated to the Leased Premises, which amounts shall not be less than the amounts required by subparagraphs a. through c. above, and (ii) such amounts so specified shall be sufficient to prevent any one of the assureds from becoming a coinsurer within the terms of the applicable policy, and (iii) shall, as to the

Leased Premises, otherwise comply as to endorsements and coverage with the provisions of this paragraph.

Tenant's insurance shall be with a company that has a rating equal to or greater than Best's Insurance Reports classification of A, Class X or its equivalent, as such classification is determined as of the Lease Commencement Date. Landlord and Landlord's mortgagee, if any, shall be named as "additional insureds as their interests may appear" under Tenant's insurance, and such Tenant's insurance shall be primary and noncontributing with Landlord's insurance. Tenant's insurance policies shall contain endorsements requiring thirty (30) days notice to Landlord and Landlord's mortgagee, if any, prior to any cancellation, lapse or nonrenewal or any reduction in amount of coverage.

Tenant shall deliver to Landlord as a condition precedent to its taking occupancy of the Leased Premises certificates of insurance (with respect to the liability policy) and evidence of insurance or equivalent (with respect to the property policy), or certified copies of either of the policies.

b. Landlord shall secure and maintain throughout the term of this Lease insurance (the cost of which shall be a Building Operating Cost) in amounts and form within Landlord's sole discretion:

1. Fire insurance with extended coverage endorsements attached in an amount sufficient for Landlord to not be deemed a co-insurer of the Building (with any deductible being the responsibility of Landlord);
2. Comprehensive Public Liability Insurance (including bodily injury and property damage insurance) for the Project (not including the Leased Premises or other tenant occupied space);
3. Rental Abatement Insurance against abatement of loss of rent in case of fire or other casualty.
4. Landlord may, but is not obligated to (A) purchase such other insurance (i) customarily purchased, from time to time, by the owners and managers of buildings comparable to the Building in the King of Prussia, Pennsylvania area and/or (ii) required from time to time by Landlord's lender and (B) in either case, treat the cost thereof as a Building Operating Cost. Landlord may charge Tenant with any excess cost of the insurance described in this subparagraph due to the particular use of the Leased Premises by Tenant.

6.3 REPAIRS: Tenant, at its sole expense, agrees to maintain the interior of the Leased Premises in a neat, clean and sanitary condition except for such maintenance services specifically imposed upon Landlord by the provisions of this Lease. If Tenant fails to maintain or keep the Leased Premises in good repair and such failure continues for five (5) days after written notice from Landlord and such failure is of a nature that can reasonably be cured within five (5) days and Tenant has not proceeded to diligently cure or if Tenant proceeds to cure within the five (5) days and fails to diligently proceed with such cure to completion within the time reasonably required for such cure, or if such failure results in a nuisance or health or safety risk, Landlord may perform any such required maintenance and repairs and the reasonable cost

thereof shall be payable by Tenant as Rent within 30 days of receipt of an invoice from Landlord.

6.4 ASSIGNMENT AND SUBLETTING: Tenant shall not assign, mortgage, pledge, or encumber this Lease, or permit all or any part of the Leased Premises to be subleased without the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed. Any transfer of this Lease by merger, consolidation, reorganization or liquidation of Tenant, or by operation of law, or change in ownership of or power to vote the majority of the outstanding voting stock of a corporate Tenant, or by change in ownership of a controlling partnership interest in a partnership Tenant, shall constitute an assignment for the purposes of this paragraph. Notwithstanding the foregoing, Tenant shall have the right to assign or sublease part or all of the Leased Premises to any of its subsidiaries, affiliates or any parent corporation of Tenant or to a successor entity of equal or greater net worth than Tenant with prior written notice to Landlord provided that (i) if Tenant continues to exist as a separate entity, then Tenant shall continue to be primarily liable on its obligations as set forth in this Lease; (ii) any such assignee or sublessee shall assume and be bound by all covenants and obligations of Tenant herewith; (iii) the proposed assignee or sublessee is, in Landlord's good faith judgment, compatible with other tenants in the Building and seeks to use the Leased Premises only for the Permitted Purpose; and (iv) such use would not result in a material change in the number of personnel working in, or members of the general public visiting, the Leased Premises.

In addition to other reasonable bases, Tenant hereby agrees that Landlord shall be deemed to be reasonable in withholding its consent, if: (a) such proposed assignment or sublease is for a term of less than the whole of the remaining Lease Term or such proposed sublease is for a portion of the Leased Premises which is not, in Landlord's sole but reasonable judgment, independently leaseable; or (b) such proposed assignment or sublease is to any party who is then a tenant of the Building or the Project if Landlord has comparable area; or (c) Tenant is in default under any of the terms, covenants, conditions, provisions and agreements of this Lease at the time of request for consent or on the effective date of such subletting or assignment; or (d) the proposed subtenant or assignee is, in Landlord's good faith judgment, incompatible with other tenants in the Building, or seeks to use any portion of the Leased Premises for a use not consistent with other uses in the Building, or is financially incapable of assuming the obligations of this Lease; or (e) the proposed assignee or sublessee or its business is subject to compliance with additional requirements of the law (including related regulation) commonly known as the "Americans with Disabilities Act" beyond those requirements which are applicable to the Tenant, unless the proposed assignee or sublessee shall: (i) first deliver plans and specifications for complying with such additional requirements and obtain Landlord's consent thereto, and (ii) comply with all Landlord's conditions for or contained in such consent, including without limitation, requirements for security to assure the lien-free completion of such improvements. Tenant shall submit to Landlord the name of a proposed assignee or subtenant, the terms of the proposed assignment or subletting, the nature of the proposed subtenant's business and such information as to the assignee's or subtenant's financial responsibility and general reputation as Landlord may reasonably require.

No subletting or assignment (except as permitted in Section 6.4 (i), even with the consent of Landlord, shall relieve Tenant of its primary obligation to pay the Rent and to perform all of the other obligations to be performed by Tenant hereunder. The acceptance of Rent by Landlord from any other person or entity shall not be deemed to be a waiver by Landlord of any provision of this Lease or to be a consent to any assignment, subletting or other transfer. Consent to one

assignment, subletting or other transfer shall not be deemed to constitute consent to any subsequent assignment, subletting or transfer.

In lieu of giving any consent to a sublet or an assignment of all the Leased Premises, Landlord may, at Landlord's option, elect to terminate this Lease by giving written notice to Tenant within thirty (30) days after Tenant's request for approval. In the case of a proposed subletting of a portion of the Leased Premises, which is susceptible of configuration as a separately demised premises, Landlord may, at Landlord's option, elect to terminate the Lease with respect to that portion of the Leased Premises being proposed for subletting. The effective date of any such termination shall be the proposed effective date of any proposed assignment or subletting. The foregoing provisions shall not apply to any assignment or subletting for which Landlord does not have a right of approval.

Twenty-five percent (25%) of any proceeds in excess of Base Rent and Tenant's Pro Rata Share of Operating Costs, after netting out commission, reasonable legal fees and standard tenant improvement costs which is received by Tenant pursuant to an assignment or subletting consented to by Landlord, less reasonable brokerage commissions actually paid by Tenant, and less other costs incurred by Tenant in connection with making the space available for lease, shall be remitted to Landlord as extra Rent within ten (10) days of actual receipt by Tenant (for example, after receipt of each month's payment of rent or after receipt of a lump sum payment). For purposes of this paragraph, all money or value in whatever form received by Tenant from or on account of any party as consideration for an assignment or subletting shall be deemed to be proceeds received by Tenant pursuant to an assignment or subletting.

6.5 ESTOPPEL CERTIFICATE: From time to time and within twenty (20) days after request by Landlord, Tenant shall execute and deliver a certificate to any proposed lender or purchaser, or to Landlord, together with a true and correct copy of this Lease, certifying with any appropriate exceptions, (i) that this Lease is in full force and effect without modification or amendment, (ii) the amount of Rent payable by Tenant and the amount, if any, of Prepaid Rent and Deposit paid by Tenant to Landlord, (iii) the nature and kind of concessions, rental or otherwise, if any, which Tenant has received or is entitled to receive, (iv) that Tenant has not assigned its rights under this Lease or sublet any portion of the Leased Premises, (v) that Landlord has performed all of its obligations due to be performed under this Lease and that there are no defenses, counterclaims, deductions or offsets outstanding or other excuses for Tenant's performance under this Lease, (vi) that such proposed lender or purchaser may rely on the information contained in the certificate, and (vii) any other fact reasonably requested by Landlord or such proposed lender or purchaser.

ARTICLE SEVEN

Landlord's Reserved Rights

7.1 REPLACEMENT PREMISES: Landlord shall have the right, at any time but only once during the term of this Lease, upon giving Tenant ninety (90) days written notice, to relocate at Landlord's expense the Leased Premises elsewhere in the Project, provided that Tenant's Square Footage shall be approximately the same, space shall be on the second or third floor, have approximately the same linear footage of window exposure. Landlord hereby agrees to pay the reasonable and necessary expenses of the move (including cabling, business cards, stationary, signage, notification to Tenant's clients) and of building out the relocation space to a level of fit and finish comparable to the Premises.

7.2 ADDITIONAL RIGHTS RESERVED TO LANDLORD: Without notice and without liability to Tenant or without effecting an eviction or disturbance of Tenant's use or possession, Landlord shall have the right to (i) grant utility easements or other easements in, or replat, subdivide or make other changes in the legal status of the land underlying the Building or the Project as Landlord shall deem appropriate in its sole discretion, provided such changes do not substantially interfere with Tenant's use of the Leased Premises for the Permitted Purpose; (ii) enter the Leased Premises at reasonable times and at any time in the event of an Emergency (hereinafter defined) to inspect, alter or repair the Leased Premises or the Building and to perform any acts related to the safety, protection, reletting, sale or improvement of the Leased Premises or the Building; (iii) change the name or street address of the Building or the Project (provided that in the event of such a name change, Landlord will reimburse Tenant for the reasonable costs to procure new stationary and business cards of the type used by Tenant at the time of the name change); (iv) install and maintain signs on and in the Building and the Project, subject to Paragraph 6.1(h) hereof; and (v) make such rules and regulations as, in the sole judgment of Landlord, may be needed from time to time for the safety of the tenants, the care and cleanliness of the Leased Premises, the Building and the Project and the preservation of good order therein. Landlord shall give Tenant thirty (30) days prior notice of its intention to change or make rules and regulations that effect Tenant's occupancy of the Leased Premises. Landlord shall enforce all rules and regulations reasonably and in a non-discriminatory manner. For purposes of this Lease, "Emergency" shall mean imminent danger to a person or property.

ARTICLE EIGHT

Casualty and Untenantability

8.1 CASUALTY AND UNTENANTABILITY: If the Building is made substantially untenable or if Tenant's use and occupancy of twenty-five (25) percent or more of the Leased Premises are substantially interfered with due to damage to the common areas of the Building or if the Leased Premises are made wholly or partially untenable by fire or other casualty, Landlord may, by notice to Tenant within thirty (30) days after the damage, terminate this Lease. Such termination shall become effective as of the date of such casualty.

If the Leased Premises are made partially or wholly untenable by fire or other casualty and this Lease is not terminated as provided above, Landlord shall restore the Leased Premises to the condition they were in on the Lease Commencement Date, not including any personal property of Tenant or alterations performed by Tenant (other than those, if any, performed by Tenant pursuant to **Schedule 3** hereto).

If the Landlord does not terminate this Lease within such thirty (30) day period, as provided above, and Landlord fails within 180 days thereafter to restore the damaged common areas, thereby eliminating substantial interference with Tenant's use and occupancy of the Leased Premises, or fails to restore the Leased Premises to the condition they were in on the Lease Commencement Date, not including any personal property or alterations performed by Tenant (other than those, if any, performed by Tenant pursuant to **Schedule 3** hereto), Tenant may terminate this Lease as of the end of such 180 day period, provided that Tenant provides Landlord with ten (10) business days prior written notice thereof. In the event that, prior to the end of such ten (10) business day period, Landlord completes such restoration, Tenant's termination notice shall be deemed rescinded, and this Lease shall continue in full force and effect as though such notice had not been given.

In the event of termination of this Lease pursuant to this paragraph, Rent shall be prorated on a per diem basis and paid to the date of the casualty, except to the extent that the Leased Premises shall be tenantable, in which case Rent shall be payable to the date of the lease termination with respect to such tenantable portion of the Leased Premises. If the Leased Premises are untenable and this Lease is not terminated by Landlord, Rent shall abate on a per diem basis from the date of the casualty until the Leased Premises are ready for occupancy by Tenant. If part of the Leased Premises are untenable, Rent shall be prorated on a per diem basis and apportioned in accordance with the part of the Leased Premises which is reasonably usable or which is used by Tenant until the damaged part is ready for Tenant's occupancy. Notwithstanding the foregoing, if any damage was proximately caused by an intentional act or material omission of Tenant, its employees, agents, contractors, licensees, or invitees, then, in such event, Tenant agrees that Rent shall not abate or be diminished during the term of this Lease.

ARTICLE NINE Condemnation

CONDEMNATION: If all or any part of the Leased Premises shall be taken under power of eminent domain or sold under imminent threat to any public authority or private entity having such power, this Lease shall terminate as to the part of the Leased Premises so taken or sold, effective as of the date possession is required to be delivered to such authority. In such event, Base Rent shall abate in the ratio that the portion of Tenant's Square Footage taken or sold bears to Tenant's Square Footage. If a partial taking or sale of the Leased Premises, the Building or the Project (i) substantially reduces Tenant's Square Footage resulting in a substantial inability of Tenant to use the Leased Premises for the Permitted Purpose, or (ii) renders the Building or the Project not commercially viable to Landlord in Landlord's reasonable opinion, either Tenant in the case of (i), or Landlord in the case of (ii), may terminate this Lease by notice to the other party within thirty (30) days after the terminating party receives written notice of the portion to be taken or sold. Such termination shall be effective one hundred twenty (120) days after notice thereof or when the portion is taken or sold whichever is sooner. All condemnation awards and similar payments shall be paid and belong to Landlord, except any amounts awarded or paid specifically to Tenant for removal and reinstallation of Tenant's trade fixtures, personal property or Tenant's moving costs. In the event of any taking of less than the whole of the Project, the Building or the Leased Premises which does not result in a termination of this Lease, Landlord, at its expense, and regardless of whether or not any award or awards shall be sufficient for the purpose, shall proceed with reasonable diligence to repair, alter and restore the remaining parts of the Project, the affected Building and the Premises therein to substantially their former condition to the extent that the same may be feasible and so as to constitute a complete and tenantable Project, Building and Leased Premises.

ARTICLE TEN Waiver and Indemnity

10.1 WAIVER AND INDEMNITY: Except for those claims arising from Landlord's breach of this Lease, negligence or willful misconduct, Tenant, to the extent permitted by law, waives all claims it may have against Landlord, and against Landlord's agents and employees for any damages sustained by Tenant, or by any other person, resulting from any cause arising at any time. Tenant agrees to hold Landlord harmless and indemnified against claims and liability for

injuries to all persons and for damage to or loss of property occurring in or about the Leased Premises or the Building, due to Tenant's breach of this Lease or any act of negligence or default under this Lease by Tenant, its contractors, agents, employees, licensees and invitees. Tenant agrees to indemnify, defend, reimburse and hold Landlord harmless against any Environmental Damages incurred by Landlord arising from Tenant's breach of Paragraph 6.1 (d) of this Lease. "Environmental Damages" means all claims, judgments, losses, penalties, fines, liabilities, encumbrances, liens, costs and reasonable expenses of investigation, defense or good faith settlement resulting from violations of Environmental Laws by Tenant, and including, without limitation: (i) damages for personal injury and injury to property or natural resources; (ii) reasonable fees and disbursement of attorneys, consultants, contractors, experts and laboratories; and (iii) costs of any cleanup, remediation, removal, response, abatement, containment, closure, restoration or monitoring work required by any Environmental Law and other costs reasonably necessary to restore full economic use of the Leased Premises or Project.

10.2 WAIVER OF SUBROGATION: Tenant and Landlord release each other and waive any right of recovery against each other for loss or damage to the waiving party or its respective property, which occurs in or about the Leased Premises, the Building, or the Project, whether due to the negligence of either party, their agents, employees, officers, contractors, licensees, invitees or otherwise, to the extent that such loss or damage would be covered by the fire and extended coverage insurance policies required to be maintained by the waiving party hereunder. Tenant and Landlord agree that all policies of insurance obtained by either of them in connection with the Leased Premises shall contain appropriate waiver of subrogation clauses.

10.3 LIMITATION OF LANDLORD'S LIABILITY: The obligations of Landlord under this Lease do not constitute personal obligations of the individual partners, shareholders, directors, officers, employees or agents of Landlord, and Tenant shall look solely to Landlord's interest in the Building and to no other assets of Landlord for satisfaction of any liability in respect of this Lease. Tenant will not seek recourse against the individual partners, shareholders, directors, officers, employees, or agents of Landlord or any of their personal assets for such satisfaction. Notwithstanding any other provisions contained herein, Landlord shall not be liable to Tenant, its contractors, agents or employees for any consequential damages or damages for loss of profits.

10.4 LIMITATION OF TENANT'S LIABILITY: The obligations of Tenant under this Lease do not constitute personal obligations of the individual shareholders, directors, officers, employees or agents of Tenant. Notwithstanding any other provisions contained herein, Tenant shall not be liable to Landlord, its contractors, agents or employees for any consequential damages.

ARTICLE ELEVEN

Tenant's Default and Landlord's Remedies

11.1 TENANT'S DEFAULT: It shall be an "Event of Default" if Tenant shall (i) fail to pay any monthly installment of Base Rent or Tenant's Pro Rata Share of Operating Costs, or any other sum payable hereunder within ten (10) days after written notice thereof to Tenant by Landlord; (ii) fail to maintain any of the insurance coverages specified in Paragraph 6.2, and such violation or failure shall continue for five (5) business days after written notice thereof to Tenant by Landlord; (iii) violate or fail to perform any of the other conditions, covenants or agreements herein made by Tenant, and such violation or failure shall continue for thirty (30) days after

written notice thereof to Tenant by Landlord; provided, however, if such violation or failure is of a nature that it cannot reasonably be cured within fifteen (30) days, it shall not be an Event of Default if Tenant commences to cure within such fifteen (30) day period and diligently prosecutes such cure to completion within the time reasonably required for such; (iv) make a general assignment for the benefit of its creditors or file a petition for bankruptcy or other reorganization, liquidation, dissolution or similar relief; (v) have a proceeding filed against Tenant seeking any relief mentioned in (iv) above; (vi) have a trustee, receiver or liquidator appointed for Tenant or a substantial part of its property and such is not dismissed within thirty (30) days; or (vii) abandon or vacate the Leased Premises and any portion of Rent is delinquent;

11.2 REMEDIES OF LANDLORD: Upon the occurrence of any Event of Default, Landlord shall have all rights and remedies available at law or in equity and additionally, and at any time thereafter, may exercise any one or more of the following specific remedies:

(a) Termination of Lease. Landlord may terminate this Lease, without any right by Tenant to reinstate its rights by payment of rent due or other performance of the terms and conditions hereof. Upon such termination Tenant shall immediately surrender possession of the Leased Premises to Landlord and Landlord shall immediately become entitled to receive from Tenant damages equal to the difference between the aggregate rentals reserved for the balance of the term, and the fair rent value of the Leased Premises for that period, determined as of the date of such termination; provided, that the amount of such damages shall be discounted at the rate of 6% per annum for the period from the date of payment by Tenant to Landlord to the date of expiration of the term of the Lease.

(b) Acceleration. To accelerate the whole or any part of the rent for the entire unexpired balance of the term of this Lease reduced to present value using an interest factor of 8% and further reduced by the amount of rent received by Landlord from any replacement tenant of the Leased Premises, as well as all other charges, payments, costs and expenses herein agreed to be paid by Tenant, and any rent or other charges, payments, costs and expenses if so accelerated shall, in addition to any and all installments of rent already due and payable and in arrears, and any other charge or payment herein reserved, included or agreed to be treated or collected as rent and any other charge, expense or cost herein agreed to be paid by Tenant which may be due and payable and in arrears, be deemed due and payable as if, by the terms and provisions of this Lease, such accelerated rent and other charges, payments, costs and expenses were on that date payable in advance.

(c) Reletting.

(A) With or without terminating this Lease, as Landlord may elect, Landlord may reenter and repossess the Leased Premises, or any part thereof, and (subject to any then existing sublease) lease them to any other person or entity upon such terms as Landlord shall deem reasonable, for a term within or beyond the Term of this Lease. Any such reletting prior to termination shall be for the account of Tenant. Tenant shall remain liable for (X) all Minimum Annual Rent and additional rent which would be payable under this Lease by Tenant in the absence of such expiration, termination or repossession, less the net proceeds, if any, of any reletting effected for the account of Tenant, and for (Y) all of Landlord's expenses in connection with such reletting (including, without limitation, all repossession costs, reasonable brokerage commissions, legal expenses, reasonable alteration costs, and reasonable expenses of preparation for such reletting).

(B) If the Leased Premises are at the time of the occurrence of the Event of Default sublet or leased by Tenant to others, and Tenant has not been released of its obligations pursuant to the provisions of this Lease, Landlord may, as Tenant's agent, collect rents due from any subtenant or other Tenant and apply such rents to the rent and other amounts due hereunder without in any way affecting Tenant's obligation to Landlord hereunder. Such agency, being given for security, is hereby declared to be irrevocable.

(d) Confession of Judgment for Possession.

The following provisions (A), (B), and (C) may only be exercised by Landlord upon the occurrence of the Event of Default described in Section 11.1 (i):

(A) Tenant, in consideration for the execution of this Lease by Landlord and for the covenants and agreements on the part of Landlord herein contained, and fully comprehending the relinquishment of certain rights including rights of pre-judgment notice and hearing, hereby expressly authorizes any attorney of any Court of Record to accept service of process for, to appear for, and to confess judgment against Tenant in any and all actions brought hereunder by Landlord against Tenant to recover possession from time to time of the Leased Premises (and Tenant agrees that upon the entry of each judgment for said possession a writ of Possession or other appropriate process may issue forthwith).

(B) In any action for ejectment, Landlord shall first cause to be filed in such action an affidavit made by it or someone acting for it setting forth the facts necessary to authorize the entry of judgment, of which facts such affidavit shall be conclusive evidence, and if a true copy of this Lease be filed in such action, it shall not be necessary to file the original as a warrant of attorney, any rule of court, custom or practice to the contrary notwithstanding.

(C) If proceedings shall be commenced by Landlord to recover possession under the Acts of Assembly, either at the end of a term or for non-payment of rent, Tenant expressly waives all rights to notice in excess of five (5) days required by any Act of Assembly, including the Act of April 3, 1938, the Act of December 14, 1863, and the Act of April 6, 1951, P. L. 69, Article 5, Leased 50, and agrees that in either or any such case, five (5) days notice shall be sufficient. Without limitation of or by the foregoing, the Tenant hereby waives any and all demands, notices of intention and notice of action or proceedings which may be required by law to be given or taken prior to any entry or re-entry by summary proceedings, ejectment or otherwise, by Landlord, except as hereinbefore expressly provided with respect to the five (5) days notice, and provided further that this shall not be construed as a waiver by Tenant of any other notices to which Tenant is entitled under the Lease.

11.3 No expiration or termination of this Lease term pursuant to subparagraph (a) above or by operation of law or otherwise (except as expressly provided herein), and no repossession of the Leased Premises or any part thereof pursuant to subparagraph (c) above or otherwise shall relieve Tenant of its liabilities and obligations hereunder, all of which shall survive such expiration, termination or repossession, and Landlord may, at its option, sue for and collect rent and other charges due hereunder at any time and from time to time as and when such charges accrue.

11.4 The parties hereby waive trial by jury in any action, proceeding, or counterclaim brought by either of them against the other on any matters arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, Tenant's use or occupancy of the Leased Premises, and/or any claim of injury or damage. In the event Landlord commences any proceedings for non-payment of Minimum Annual Rent or additional rent, Tenant will not interpose any counterclaim of any nature or description in any such proceedings. This shall not be construed, however, as a waiver of Tenant's right to assert any such claims in any separate action brought by Tenant.

11.5 Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future law in the event this Lease is terminated or Tenant is evicted or dispossessed by reason of violation by Tenant of any of the provisions of this Lease.

11.6 No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy herein or by law provided, but each shall be cumulative and in addition to every other right or remedy given herein or now or hereafter existing at law or in equity or by statute.

ARTICLE TWELVE

Termination

12.1 SURRENDER OF LEASED PREMISES: On expiration of this Lease, if no Event of Default exists, Tenant shall surrender the Leased Premises in the same condition as when the Lease Term commenced, ordinary wear and tear or damage from casualty excepted. Except for furnishings, trade fixtures and other personal property installed at Tenant's expense and not affixed to the Leased Premises, all alterations, additions or improvements, whether temporary or permanent in character, made in or upon the Leased Premises, either by Landlord or Tenant, shall be Landlord's property and at the expiration or earlier termination of the Lease Term shall remain on the Leased Premises without compensation to Tenant, except if requested by Landlord, Tenant, at its expense and without delay, shall remove any alterations, additions or improvements made to the Leased Premises by Tenant designated by Landlord to be removed, and repair any damage to the Leased Premises or the Building caused by such removal. If Tenant fails to repair the Leased Premises, Landlord may complete such repairs and Tenant shall reimburse Landlord for the reasonable costs of such repair and restoration. Landlord shall have the option to require Tenant to remove all of its property. If Tenant fails to remove such property as required under this Lease, Landlord may dispose of such property (by sale or otherwise) in its sole discretion without any liability to Tenant, and further may charge the reasonable cost of any such disposition to Tenant and/or offset the same against any proceeds from the sale of such property.

12.2 HOLDOVER TENANCY: If Tenant shall holdover after the Lease Expiration Date, Tenant shall be deemed a tenant at sufferance. During such tenancy, Tenant agrees to pay to Landlord, monthly in advance, an amount equal to one and one half (1 1/2) times the Rent which would otherwise become due (based on Base Rent and Tenant's Pro Rata Share of Operating Costs payable for the last full calendar month of the Lease Term, together with all other amounts payable by Tenant to Landlord under this Lease), and to be bound by all of the terms, covenants and conditions herein specified. Upon Tenant's surrender of the Leased Premises as provided herein, such portion of the Rent paid which may be allocable to the period following such surrender may, in addition to all other rights and remedies hereunder, at law, in equity, or

otherwise, be credited by Landlord to any other amounts owed to or damages incurred by Landlord as a result of such holdover or otherwise or, if no such amounts are owed or damages have been incurred, refunded to Tenant. If Landlord relets the Leased Premises or any portion thereof to a new tenant and the term of such new lease commences during the period for which Tenant holds over, and Landlord has given Tenant written notice of the new lease during the period for which Tenant holds over and Tenant fails to vacate the Leased Premises within thirty (30) days after receipt of Landlord's notice, Landlord shall also be entitled to recover from Tenant all costs and expenses, attorneys fees, damages or loss of profits incurred by Landlord as a result of Tenant's failure to deliver possession of the Leased Premises to Landlord when required under this Lease. Nothing contained in this Paragraph 12.2 shall be deemed or otherwise construed to limit Landlord's rights to recover damages from Tenant under any other provision of this Lease, and the rights and remedies contained in this Paragraph 12.2 shall be cumulative with respect to each other and with respect to any and all other rights and remedies of Landlord hereunder, at law, in equity, or otherwise.

ARTICLE THIRTEEN

Miscellaneous

13.1. QUIET ENJOYMENT: If and so long as Tenant pays all Rent and keeps and performs each and every term, covenant and condition herein contained on the part of Tenant to be kept and performed. Tenant shall quietly enjoy the Leased Premises without hindrance by Landlord.

13.2. ACCORD AND SATISFACTION: No receipt and retention by Landlord of any payment tendered by Tenant in connection with this Lease shall constitute an accord and satisfaction, or a compromise or other settlement, notwithstanding any accompanying statement, instruction or other assertion to the contrary unless Landlord expressly agrees to an accord and satisfaction, or a compromise or other settlement, in a separate writing duly executed by Landlord. Landlord will be entitled to treat any such payments as being received on account of any item or items of Rent, interest, expense or damage due in connection herewith, in such amounts and in such order as Landlord may determine at its sole option.

13.3. SEVERABILITY: The parties intend this Lease to be legally valid and enforceable in accordance with all of its terms to the fullest extent permitted by law. If any term hereof shall be invalid or unenforceable, the parties agree that such term shall be stricken from this Lease to the extent unenforceable, the same as if it never had been contained herein. Such invalidity or unenforceability shall not extend to any other term of this Lease, and the remaining terms hereof shall continue in effect to the fullest extent permitted by law, the same as if such stricken term never had been contained herein.

13.4. SUBORDINATION AND ATTORNMENT: Tenant acknowledges that this Lease is subject and subordinate to all leases in which Landlord is lessee and to any mortgage or deed of trust now in force against the Building and to all advances made or hereafter to be made thereunder, or any amendments or modifications thereof. Tenant also agrees that this Lease shall be subject and subordinate to any future ground leases in which Landlord is lessee and to any future mortgage or deed of trust hereafter in force against the Building and to all advances made or hereafter to be made thereunder, or any amendments or modifications thereof (all such existing and future leases, mortgages and deeds of trust referred to collectively as "Superior Instruments"). Tenant also agrees that if the holder of any Superior Instrument elects to have this Lease superior to its Superior Instrument and gives notice of its election to Tenant, then this

Lease shall be superior to the lien of any such lease, mortgage or deed of trust and all renewals, replacements and extensions thereof, whether this Lease is dated before or after such lease, mortgage or deed of trust. If requested in writing by Landlord or any first mortgagee or ground lessor of Landlord, Tenant agrees to execute a reasonable subordination agreement required to further effect the provisions of this paragraph.

In the event of any transfer in lieu of foreclosure or termination of a lease in which Landlord is lessee or the foreclosure of any Superior Instrument, or sale of the Building pursuant to any Superior Instrument, Tenant shall attorn to such purchaser, transferee or lessor and recognize such party as landlord under this Lease, provided such party acquires and accepts the Leased Premises subject to this Lease. The agreement of Tenant to attorn contained in the immediately preceding sentence shall survive any such foreclosure sale or transfer.

Notwithstanding any provision to the contrary herein, as a condition to the subordination of this Lease, Landlord shall be required to provide Tenant with a non-disturbance agreement in favor of Tenant from the present or future holder of any Superior Instrument. Such non-disturbance agreement in favor of Tenant shall provide that, so long as Tenant is paying the Rent due under this Lease and is not otherwise in default under this Lease, its right to possession and the other terms of this Lease shall remain in full force and effect.

13.5 ATTORNEY'S FEES: If the services of an attorney are required by any party to secure the performance under this Lease or otherwise upon the breach or default of the other party to this Lease, or if any judicial remedy is necessary to enforce or interpret any provision of this Lease, the prevailing party shall be entitled to reasonable attorney's fees, costs and other expenses, in addition to any other relief to which such prevailing party may be entitled.

13.6 CONSTRUCTION: This Lease shall be construed according to the laws of the state in which the Leased Premises are located. Notwithstanding the drafting of this Lease by Landlord, this Lease shall not be construed against Landlord. Except as otherwise provided herein, to the extent that any provision hereof is subject to the consent or approval of Landlord, such consent or approval may be withheld or conditioned in Landlord's sole, absolute, and subjective discretion.

13.7 BINDING EFFECT; GENDER: This Lease shall be binding upon and inure to the benefit of the parties and their successors and assigns. It is understood and agreed that the terms "Landlord" and "Tenant" and verbs and pronouns in the singular number are uniformly used throughout this Lease regardless of gender, number or fact of incorporation of the parties hereto.

13.8 TIME: Time is of the essence of this Lease.

13.9 ENTIRE AGREEMENT: This Lease and the schedules and addenda attached set forth all the covenants, promises, agreements, representations, conditions, statements and understandings between Landlord and Tenant concerning the Leased Premises and the Building and the Project, and there are no representations, either oral or written between them other than those in this Lease. This Lease shall not be amended or modified except in writing signed by both parties. Failure to exercise any right in one or more instances shall not be construed as a waiver of the right to strict performance or as an amendment to this Lease.

13.10 NOTICES: Any notice or demand provided for or given pursuant to this Lease shall be in writing and served on the parties at the addresses listed in Paragraph 1.1 (n) and Paragraph 1.1 (o). Any notice shall be either (i) personally delivered to the addressee set forth above, in which case it shall be deemed delivered on the date of delivery to said addressee; or (ii) sent by registered or certified mail/return receipt requested, in which case it shall be deemed delivered three (3) business days after being deposited in the U.S. Mail; (iii) sent by a nationally recognized overnight courier, in which case it shall be deemed delivered one (1) business day after deposit with such courier; or (iv) sent by telecommunication ("Fax") during normal business hours in which case it shall be deemed delivered on the day sent, provided an original is received by the addressee after being sent by a nationally recognized overnight courier within one (1) business day of the Fax. The addresses and Fax numbers listed in Paragraphs 1.1 (n) and 1.1 (o) may be changed by written notice to the other parties, provided, however, that no notice of a change of address or Fax number shall be effective until the date of delivery of such notice. Copies of notices are for informational purposes only and a failure to give or receive copies of any notice shall not be deemed a failure to give notice.

13.11 HEADINGS: The headings on this Lease are included for convenience only and shall not be taken into consideration in any construction or interpretation of this Lease or any of its provisions.

13.12 BROKERAGE COMMISSIONS: Tenant and Landlord each represents to the other that no broker or agent was instrumental in procuring or negotiating or consummating this Lease other than Broker of Record whose compensation shall be paid (directly or indirectly) by Landlord, and Tenant and Landlord each agree to defend, indemnify and hold harmless the other party against any loss, cost, expense or liability for any compensation, commission, fee or charge, including reasonable attorney's fees, resulting from any claim of any other broker, agent or finder claiming under or through the indemnifying party in connection with this Lease or its negotiation.

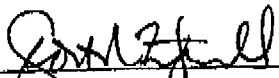
13.13 WAIVER OF JURY TRIAL: LANDLORD AND TENANT EACH HEREBY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY CLAIM, ACTION, PROCEEDING OR COUNTERCLAIM BY EITHER PARTY AGAINST THE OTHER ON ANY MATTERS ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT AND/OR TENANT'S USE OR OCCUPANCY OF THE LEASED PREMISES.

13.14 {INTENTIONALLY OMITTED}


SUBMISSION OF THIS INSTRUMENT FOR EXAMINATION OR SIGNATURE BY TENANT DOES NOT CONSTITUTE A RESERVATION OF OR OPTION FOR LEASE, AND IT IS NOT EFFECTIVE AS A LEASE OR OTHERWISE UNTIL EXECUTION AND DELIVERY BY BOTH LANDLORD AND TENANT.

For value received and intending to be legally bound hereby, this Lease is executed by the authorized representatives of the Landlord and Tenant as of the date first written above.

LANDLORD: ASP Valley Forge, L.P., a Pennsylvania limited partnership

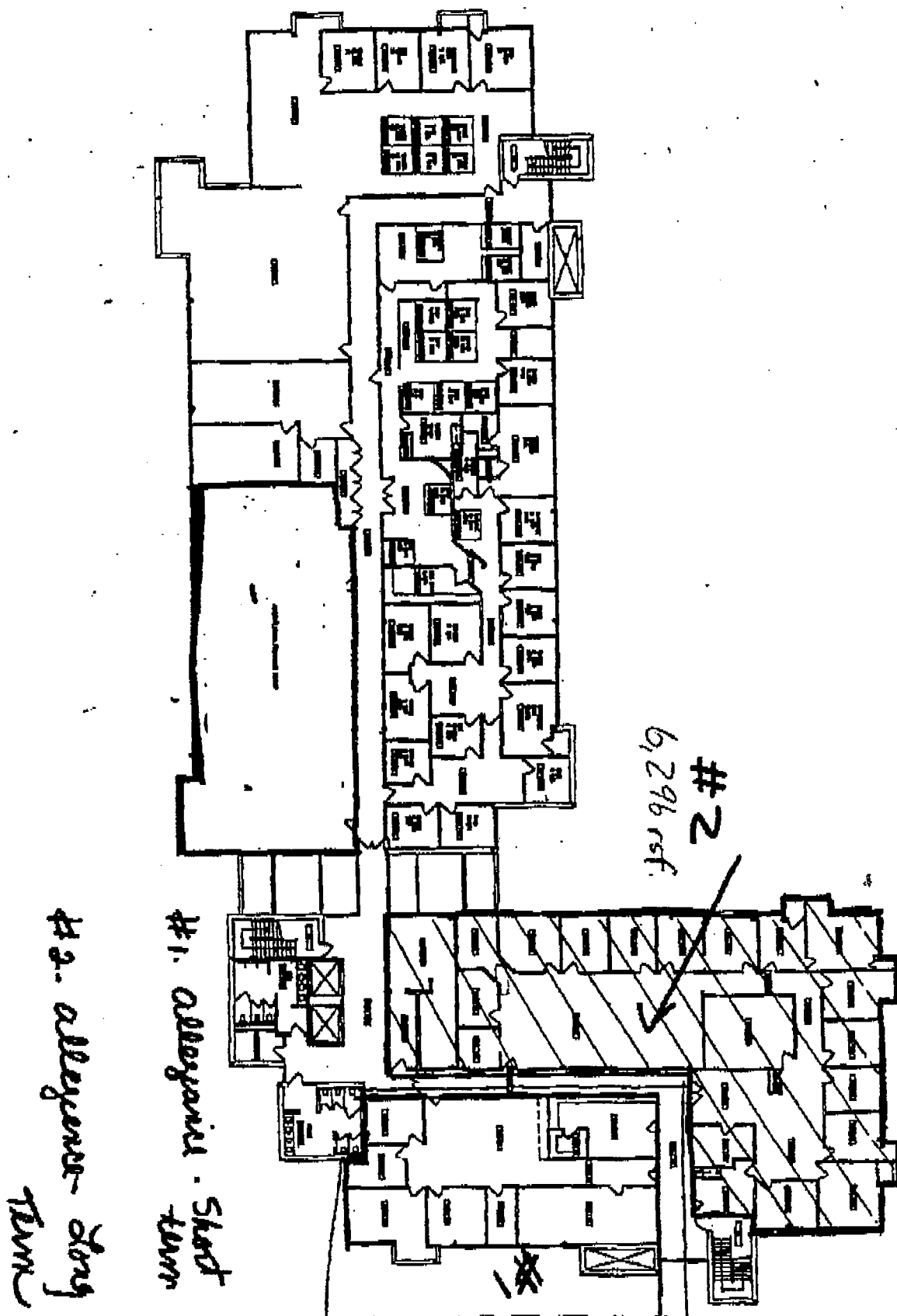
By: 
Name and Title: Scott R. Fitzgerald
Vice President

TENANT: Allegiance Telecom Company Worldwide

By: 
Name and Title: Patricia E. Koide
Senior Vice President

SCHEDULE 1
DESCRIPTION OF THE PREMISES/FLOOR PLAN

1018 W. 9th Ave. - 2nd Fl. Short wing.



SCHEDULE 2
RULES AND REGULATIONS

1. The sidewalks, entrances, halls, corridors, elevators, and stairways of the Building and Project shall not be obstructed or used as a waiting or lounging place by tenants, and their agents, servants, employees, invitees, licensees and visitors. All entrance doors leading from any Leased Premises to the hallways are to be kept closed at all times.
2. In case of invasion, riot, public excitement or other commotion, Landlord also reserves the right to prevent access to the Building during the continuance of same. Landlord shall in no case be liable for damages for the admission or exclusion of any person to or from the Building.
3. Landlord will furnish Tenant with two keys to each door lock on the Leased Premises, and Landlord may make a reasonable charge for any additional keys and access cards requested by any tenant. No tenant shall have any keys made for the Leased Premises; nor shall any tenant alter any lock, or install new or additional locks or bolts, on any door without the prior written approval of Landlord that shall not be unreasonably withheld. If Landlord approves any lock alteration or addition, Tenant shall supply Landlord with a key for any such lock or bolt. Tenant, upon the expiration or termination of its tenancy, shall deliver to Landlord all keys and access cards in Tenant's possession for all locks and bolts in the Building.
4. No tenant shall cause any unnecessary labor by reason of such tenant's carelessness or indifference in the preservation of good order and cleanliness of the Leased Premises. Tenants will see that (i) the windows are closed, (ii) the doors securely locked, and (iii) all water faucets and other utilities are shut off (so as to prevent waste or damage) each day before leaving the Leased Premises. In the event tenant must dispose of crates, boxes, etc. which will not fit into office waste paper baskets, it will be the responsibility of tenant to dispose of same. In no event shall tenant set such items in the public hallways or other areas of the Building or garage facility, excepting tenant's owned Leased Premises, for disposal.
5. No iron safe or other heavy or bulky object shall be delivered to or removed from the Building, except by experienced safe men, movers or riggers approved in writing by Landlord. All damage done to the Building by the delivery or removal of such items, or by reason of their presence in the Building, shall be paid to Landlord, immediately upon demand, by the tenant by, through, or under whom such damage was done. There shall not be used in any space, or in the public halls of the Building, either by tenant or by jobbers or others, in the delivery or receipt of merchandise, any hand trucks, except those equipped with rubber tires.
6. Tenant shall not cover or obstruct any skylights, windows, doors and transoms that reflector admit light into passageways or into any other part of the Building.
7. The toilet rooms, toilets, urinals, wash bowls and water apparatus shall not be used for any purpose other than for those for which they were constructed or installed, and no sweepings, rubbish, chemicals, or other unsuitable substances shall be thrown or placed therein. The expense of any breakage, stoppage or damage resulting from violation(s) of this rule shall be borne by the tenant by whom, or by whose agents, employees, invitees, licensees or visitors, such breakage, stoppage or damage shall have been caused.

8. No sign, name, placard, advertisement, or notice visible from the exterior of any Leased Premises, shall be inscribed, painted, or affixed by any tenant on any part of the Building or Project without the prior written approval of Landlord which approval shall not be unreasonably conditioned, withheld or delayed. All signs or letterings on doors, or otherwise, approved by Landlord shall be inscribed, painted or affixed at the sole cost and expense of the Tenant, by a person approved by Landlord.
9. No signaling, telegraphic or telephonic instruments or devices, or other wires, instruments or devices, shall be installed by Tenant in connection with any Leased Premises without the prior written approval of Landlord, which approval shall not be unreasonably conditioned, withheld or delayed. Such installations, and the boring or cutting for wires, shall be made at the sole cost and expense of the tenant and under control and direction of Landlord. Landlord retains, in all cases, the right to require (i) the installation and use of such electrical protecting devices that prevent the transmission of excessive currents of electricity into or through the Building, (ii) the changing of wires and of their installation and arrangement underground or otherwise as Landlord may direct, and (iii) compliance on the part of all using or seeking access to such wires with such rules as Landlord may establish relating thereto. All such wires used by tenants must be clearly tagged at the distribution boards and junction boxes and elsewhere in the Building, with (i) the number of the Leased Premises to which said wires lead, (ii) the purpose for which said wires are used, and (iii) the name of the company operating same.
10. Tenant, their agents, servants or employees, shall not (a) go on the roof of the Building, (b) use any additional method of heating or air conditioning the Leased Premises, (c) sweep or throw any dirt or other substance from the Leased Premises into any of the halls, corridors, elevators, or stairways of the Building, (d) bring in or keep in or about the Leased Premises any vehicles or animals of any kind, (e) install any radio or television antennae or any other device or item on the roof, exterior walls, windows or window sills of the Building, (f) place objects against glass partitions, doors or windows which would be unsightly from the interior or exterior of the Building, (g) use any Leased Premises (i) for lodging or sleeping, (ii) for cooking (except that the use by any tenant of Underwriter's Laboratory approved equipment for microwaving, brewing coffee, tea and similar beverages shall be permitted, provided that such use is in compliance with law), (iii) for any manufacturing, or sale of merchandise or property of any kind, (h) cause or permit unusual or objectionable odor to be produced or permeate from the Leased Premises, including, without limitation, duplicating or printing equipment fumes. Tenant, its agents, servants and employees, invitees, licensees, or visitors shall not permit the operation of any musical or sound producing instruments or device which may be heard outside Leased Premises, Building or garage facility, or which may emit electrical waves which will impair radio or television broadcast or reception from or into the Building.
11. No canvassing, soliciting, distribution of handbills or other written material, or peddling by Tenant shall be permitted in the Building or the Project, and tenants shall cooperate with Landlord in prevention and elimination of same.
12. Tenant shall give Landlord prompt notice of all accidents to or defects in air conditioning equipment, plumbing, electrical facilities or any part or appurtenances of Leased Premises.

13. If any Leased Premises becomes infested with vermin by acts of Tenant, the Tenant, at its sole cost and expense, shall cause its premises to be exterminated from time to time to the satisfaction of the Landlord and shall employ such exterminators as shall be approved by Landlord.

14. No curtains, blinds, shades, screens, awnings or other coverings or projections of any nature shall be attached to or hung in, or used in connection with any door, window, or wall of the premises of the Building by Tenant without the prior written consent of Landlord.

15. Landlord shall have the right to prohibit any advertising by tenant which, in Landlord's opinion, tends to impair the reputation of Landlord or of the Building, or its desirability for existing or prospective tenants who require the highest standards of integrity and respectability, and upon written notice from Landlord, tenant shall refrain from or discontinue such advertising.

16. Wherever the word "tenant" occurs, it is understood and agreed that it shall also mean tenant's associates, employees, agents and any other person entering the Building or the Leased Premises under the express or implied invitation of tenant. Tenant shall cooperate with Landlord to assure compliance by all such parties with rules and regulations.

17. Landlord will not be responsible for lost or stolen personal property, equipment, money or any article taken from Leased Premises, Building or garage facilities regardless of how or when loss occurs.

18. All contractors and or technicians performing work for Tenant within the Leased Premises, Building, or common area facilities shall be referred to Landlord for approval before performing such work. This shall apply to all work including, but not limited to, installation of telephones, electrical devises and attachments, and all installations affecting floors, walls, windows, doors, ceilings, equipment of any other physical feature of the Building, Leased Premises or garage facilities.

19. Showcases and any other articles shall not be placed in front of or affixed to any part of the exterior of the Building, nor placed in the halls, corridors or vestibules by Tenant without the prior written consent of Landlord.

20. The Tenant shall not do anything in the Leased Premises, or bring or keep anything herein, which will in any way increase or tend to increase the risk of fire or rate of insurance, or which shall conflict with the Regulations of the Fire Department, any fire laws, with any insurance policy on the Building or any part thereof, or with any rules or ordinances established by any governmental authority. Landlord represents and warrants that the Permitted Use will not increase the rate of any such insurance.

21. The requirements of Tenant will be attended to only upon application to the Managing Agent. Employees of Landlord shall not perform any work or do anything outside of their regular duties unless under special instructions from Landlord, and no employee will admit any person (Tenant or otherwise) to any office without specific instructions from Landlord.

22. Landlord reserves the right to make reasonable amendments, modifications and additions to the rules and regulations heretofore set forth, and to make additional reasonable

rules and regulations, as in Landlord's reasonable judgment may from time to time be needed for the safety, care, cleanliness and preservation of good order of the Building.

SCHEDULE 3
WORK LETTER

1. Definitions. The terms defined in this paragraph, for purposes of this Schedule, shall have the meanings specified below, and, in addition to the terms defined below, terms defined in the Lease shall, for purposes of this Schedule, have the meanings specified in the Lease.

"Leasehold Improvements" means those items which are supplied, installed and finished by Tenant according to and described in the Construction Documents (as hereinafter defined) and which shall be paid for by Landlord (subject to the Allowance) as provided for below.

"Construction Documents" means the approved construction drawings, plans, and specifications referred to herein.

"Substantial Completion" means that the Leasehold Improvements have been substantially completed according to the Construction Documents, except for items which will not materially affect the use of the Leased Premises or which customarily are deemed to be "punchlist work."

2. Construction Documents: Payments

The parties have approved a preliminary floor plan for the Leased Premises, a copy of which is attached to the Lease as Schedule 1 (the "Preliminary Plan").

Tenant shall cause to be prepared and submitted to Landlord for approval no later than June 6, 2000 all drawings, plans and specifications necessary to construct the Leasehold Improvements. Within ten (10) business days from the date the documents are submitted ("Document Approval Period"), Landlord shall approve or disapprove the documents. If the Landlord disapproves the documents within the Approval Period, then the Tenant and Landlord shall reasonably resolve the objections of Landlord within ten (10) days of Landlord's notice of disapproval. Landlord's approval shall not be unreasonably withheld, conditioned, or delayed.

The fees and expenses for preparing the drawings, plans, and specifications shall be included in the Final Cost (defined below).

Subject to the Construction Allowance provided by Landlord described in Section 4.1 of the Lease, Tenant shall be responsible for the cost of constructing the Leasehold Improvements in accordance with the Construction Document (the "Final Cost"). Tenant acknowledges that Landlord's sole monetary obligation is to pay the costs attributable to the construction of the Leasehold Improvements, up to the amount of the Construction Allowance, and Tenant shall pay all other costs of the construction of the Leasehold Improvements ("Tenant's Share"). In addition, all costs attributable to changes and variations from the Construction Documents in excess of the Final Cost (including, without limitation, any fees and expenses of the Consultants and any increased costs of construction) shall be paid by Tenant to the extent such total cost exceeds the Construction Allowance.



3. Leasehold Improvements

The following provisions shall apply to the construction of the Leasehold Improvements:

All work involved in the completion of the Leasehold Improvements shall be carried out by Landlord and its agents and contractors under the sole direction of Landlord. Tenant shall cooperate with Landlord and its agents and contractors to promote the efficient and expeditious completion of the Leasehold Improvements; and

Landlord agrees to construct the Leasehold Improvements in accordance with the Construction Documents, provided Tenant has complied with all of the applicable provisions of this Schedule and the Lease.

If there are any changes in the Leasehold Improvements requested by, or on behalf of, Tenant from the work as reflected in the Construction Documents, each such change must receive the prior written approval of Landlord, and Tenant shall bear the cost of all such changes.

Landlord shall have no obligation to commence construction of any work in the Leased Premises until Tenant has approved the Construction Documents and the Final Cost for the construction of the Leasehold Improvements as required by the provisions hereof.

Except as expressly provided in this Schedule 3 as work to be performed or provided by Landlord, Tenant shall be responsible to perform all work ("Tenant's Fit-Out Work") necessary for Tenant's use and occupancy of the Premises.

4. Tenant's Access To Leased Premises

Landlord shall permit Tenant, its agents or contractors to enter the Lease Premises prior to the scheduled Lease Commencement Date in order that Tenant may perform Tenant's Fit-Out Work as long as such does not delay or add cost to any work to be performed by Landlord.

5. Miscellaneous Provisions. Landlord and Tenant further agree as follows:

Except as herein expressly set forth with respect to the Leasehold Improvements, Landlord has no agreement with Tenant and has no obligation to do any work with respect to the Leased Premises. Any other work in the Leased Premises, which may be permitted by Landlord pursuant to the terms and conditions of the Lease, shall be done at Tenant's sole cost and expense and in accordance with the terms and conditions of the Lease.

This Schedule shall not be deemed applicable to: (a) any additional space added to the original Leased Premises at any time, whether by the exercise of any options under the Lease or otherwise; or (b) any portion of the original Leased Premises or any additions thereto in the event of a renewal or extension of the original Lease Term, whether by the exercise of any options under the Lease or any amendment or supplement thereto. The construction of any additions or improvements to the Leased Premises not contemplated by this Schedule shall be effected pursuant to a separate work letter agreement or other document, in the form then being used by Landlord and specifically addressed to the allocation of costs relating to such construction.



SCHEDULE 4
CERTIFICATE OF ACCEPTANCE

TENANT: _____

LEASED PREMISES: _____ rentable square feet

LOCATION: _____, Valley Forge, Pennsylvania.

This letter is to certify that:

1. The above referenced Leased Premises have been accepted by the Tenant for possession.
2. The Leased Premises are substantially complete in accordance with the plans and specifications used in constructing the demised premises.
3. The Leased Premises can now be used for intended purposes.

Commencement Date: _____, 2000.

Expiration Date: _____

Executed this _____ day of _____, 2000.

By: _____

Name:

Title:

SCHEDULE 4
CERTIFICATE OF ACCEPTANCE

TENANT: Allegiance Telecom Company Worldwide

LEASED PREMISES: 6,296 rentable square feet

LOCATION: 1018 W. Ninth Avenue, Valley Forge, Pennsylvania.

This letter is to certify that:

1. The above referenced Leased Premises have been accepted by the Tenant for possession.
2. The Leased Premises are substantially complete in accordance with the plans and specifications used in constructing the demised premises.
3. The Leased Premises can now be used for intended purposes.

Commencement Date: September 1, 2000.

Expiration Date: July 31, 2007.

Executed this 3 day of October, 2000.

By: _____

Name:

Patricia E. Koide

Title:

Senior Vice President

Hearing Date: January 15, 2004 at 10:00 a.m.
Objections Due: January 9, 2004 at 4:00 p.m.

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

	X	
In re	:	
	:	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 SECTION 365(a) OF THE BANKRUPTCY CODE AND
BANKRUPTCY RULE 6006 FOR AN ORDER AUTHORIZING THE REJECTION
OF A CERTAIN UNEXPIRED LEASE OF NONRESIDENTIAL REAL PROPERTY**

PLEASE TAKE NOTICE that upon the annexed motion, dated December 12, 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 rejection of the King of Prussia Lease¹ pursuant to section 365 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 United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"), Alexander Hamilton Custom

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

House, One Bowling Green, New York, New York, 10004-1408, on January 15, 2004, 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 LLP, 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 January 9, 2004, at 4:00 p.m. (prevailing Eastern Time).

Dated: New York, New York
December 12, 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 SECTION 365(a) OF THE BANKRUPTCY CODE
AND BANKRUPTCY RULE 6006 AUTHORIZING THE REJECTION OF A
CERTAIN UNEXPIRED LEASE OF NONRESIDENTIAL REAL PROPERTY**

Upon the motion (the “Motion”), dated December 12, 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 rejection of the King of Prussia Lease¹ pursuant to section 365 of the Bankruptcy Code and, 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 King of Prussia Lease shall be deemed rejected as of December 31, 2003; and it is further

ORDERED that any proof of claim for damages arising from the rejection of the King of Prussia Lease must be filed on or before forty-five (45) days after the date of this Order, and any claims resulting from the rejection of the King of Prussia Lease not so filed shall be

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

forever barred from participating in the Debtors' chapter 11 cases and receiving any dividend or distribution thereon; 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 King of Prussia Lease, whether or not such claims are directly related to the King of Prussia 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
_____, 2004

UNITED STATES BANKRUPTCY JUDGE