05-30-2006

Form **PTO-1594**
(rev 06/04)

HEET

U. S. Department of Commerce
Patent and Trademark Office

To the Director of the U.S. Patent an 103246876 ed documents or the new address(es) below:

1. Name of conveying party(ies)/Execution Date(s):

United States Bankruptcy Court
Southern District of New York

___ Individual(s) ___ Association
___ General Partnership ___ Limited Partnership
___ Corporation
__X__ Other **United States Bankruptcy Court**
Citizenship _____
Execution Date(s) **April 23, 2002**

Additional name(s) of conveying party(ies) attached? ___ Yes __X__ No

5.23.06

2. Name and Address of receiving party(ies)
Additional name(s) & address(es) attached? ___ Yes __X__ No
Name: **ClearBlue Technologies Management, Inc.**
Internal Address: _____
Street Address: **400 Minuteman Road**
_____
City: **Andover**
State: **Massachusetts**
Country: **USA** Zip: **01810**

___ Association – Citizenship _____
___ General Partnership – Citizenship _____
___ Limited Partnership – Citizenship _____
__X__ Corporation – Citizenship **Delaware**
___ Other _____
Citizenship _____

If assignee is not domiciled in the United States, a domestic representative designation is attached ___ Yes __X__ No.

3. Nature of conveyance:
___ Assignment ___ Merger
___ Security Agreement ___ Change of Name
___ Government Interest Assignment
__X__ Other **Release of Lien in Trademarks Pursuant to Bankruptcy Court Order In re: AppliedTheory Corporation *et al.***

4. Application number(s) or registration number(s):

A. Trademark Application No(s).

B. Trademark Registration No(s).

2529123 **2335476**
2329484 **2336579**
2508415
2374370
2285078

Additional numbers attached? ___ Yes __X__ No

FINANCE SECTION 2006 MAY 23 PM 3:
OFFICE OF PUBLIC RECORDS

5. Name and address of party to whom correspondence concerning document should be mailed:

Matthew Fagin, Esq.
SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
Four Times Square
New York, New York 10036
Tel: (212) 735-2432
Fax: (917) 777-2432
MFagin@skadden.com

6. Total number of applications and registrations involved: 7

7. Total fee (37 CFR 1.21(h) and 3.41) **$160**

__X__ All fees and any deficiencies are authorized to be charged to Deposit Account
(Our Ref. 070600/15)

8. Payment Information
Deposit Account No. **19-2385**
Authorized user Name: **Philip H. Bartels**

9. Signature.

05/26/2006 DBYRNE 00000016 192885 2529123
01 FC:8521 40.00 DA
02 FC:8522 150.00 DA

Signature

May 23, 2006
Date

Matthew Fagin
Name of Person Signing

Total number of pages including cover sheet, and documents: 156

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	
	:	Chapter 11
AppliedTheory Corporation, *et al.*	:	
	:	Case No. 02-11868 (REG)
Debtors.	:	Jointly Administered

ORDER AUTHORIZING (A) THE PROPOSED SALE OF THE DEBTORS' ASSETS USED OR USEFUL IN THE OPERATION OF THEIR WEB HOSTING AND INTERNET SOLUTIONS BUSINESS (B) ASSUMPTION AND ASSIGNMENT OF CERTAIN OF THE DEBTORS' EXECUTORY CONTRACTS, ALL FREE AND CLEAR OF LIENS, CLAIMS, ENCUMBRANCES AND OTHER INTERESTS PURSUANT TO AN ASSET PURCHASE AGREEMENT, AS AMENDED, WITH CLEARBLUE TECHNOLOGIES MANAGEMENT, INC.

Upon the motion dated April 23, 2002 (the "Sale Motion"), AppliedTheory Corporation and its affiliates, debtors and debtors-in-possession herein (the "Debtors") moved for, among other things, an order approving the (A) sale of substantially all of their assets (the "Acquired Assets") used or useful in the operation of the Debtors' web hosting and Internet solutions businesses (the "Business") and (B) assumption and assignment of certain of the Debtors' executory contracts and unexpired leases used or useful in the operation of the web hosting and Internet solutions businesses (the "Assumed Contracts") pursuant to an Asset Purchase Agreement (the "Original Purchase Agreement"), dated as of April 17, 2002, among the Debtors and ClearBlue Technologies Management, Inc., a subsidiary of ClearBlue Technologies, Inc., as purchaser ("ClearBlue" or the "Purchaser"), or such other purchaser providing a higher or otherwise better offer; (i) authorizing the sale of the Acquired Assets free and clear of all liens claims, encumbrances and other interests; (ii) authorizing the Debtors' assumption and assignment to the Purchaser and the Purchaser's assumption of the Assumed Contracts; (iii) authorizing the Debtors to consummate all transactions related to the above; and (iv) granting

other relief, all as more fully set forth in the Sale Motion; and upon the Order dated April 24, 2002 (the "Scheduling Order") scheduling a hearing (the "Sales Procedures Hearing") to consider approval of certain auction procedures, bid protection and other relief; and the Sales Procedures Hearing having been held on May 3 and 6, 2002; and the Sales Procedures Order dated May 6, 2002 (the "Sale Procedures Order") having been entered, scheduling an auction (the "Auction") and a hearing (the "Sale Hearing," and together with the Sale Procedures Hearing, the "Hearings") to consider the remainder of the relief sought by the Sale Motion; and the Sale Procedures Order having established an objection deadline (the "Objection Deadline") by which all objections to the sale of the Acquired Assets and assumption and assignment of the Assumed Contracts had to be filed; and

Upon the Auction having been held on May 22 and 23, 2002 at the offices of Angel & Frankel, P.C., Purchaser having (i) made a revised bid, (ii) agreed to certain amendments to the Original Purchase Agreement, as amended, a copy of which is annexed hereto as Exhibit "A" (as amended, the "Purchase Agreement") and (iii) ultimately made an final offer (the "ClearBlue Offer") of $20,078,795, comprised of: (a) $3,700,000 in cash; plus (b) $200,000 in cash designated for the Debtors' unencumbered Acquired Assets and Assumed Contracts, which are not subject to a lien or security interest (the "Unencumbered Assets"); (c) a promissory note secured by the Acquired Assets in the principal amount of $700,000 with interest payable at 8% per annum with interest and principal due one hundred eighty (180) days after the Closing Date; (d) a promissory note in the principal amount of $5,700,000 with interest payable on each anniversary date at 8% per annum and the entire principal balance due on the fourth anniversary date of the Closing Date; (e) a promissory note in the principal amount of $300,000 designated for Unencumbered Assets with interest payable on each anniversary date at 8% per annum and the entire principal balance due on the fourth anniversary date of the Closing

Date; and (f) the assumption of up to $9,603,826 in cure costs and assumed liabilities for the Assumed Contracts and in the Debtors' liabilities to certain Essential Vendors and other creditors (collectively, the "Proposed Transaction"); and the Debtors in consultation with the Official Committee of Unsecured Creditors of the Debtors (the "Committee") and the Debtors' secured creditors, Palladin (as defined below), having determined that the ClearBlue Offer is the highest and best offer for the Acquired Assets and the Assumed Contracts (collectively, the "Purchased Assets"); and the Sale Hearing having been held before the Court on May 23 and 24, 2002 at which time the Debtors, with the support of the Committee and Palladin, requested that the ClearBlue Offer be approved as the highest and best offer for the Purchased Assets; and upon the full record of the Hearings; and Clearblue having made an additional offer, which offer has been accepted by the Debtors, with the consent of the Committee and Palladin and approved by the Court at the Sale Hearing, to purchase all of the Debtors' right, title and interest in and to their accounts receivable relating to their web hosting and Internet Solutions business (the "Accounts"), free and clear of liens, claims and encumbrances, in exchange for a promissory note in the principal amount of $5,400,000, secured by a valid, enforceable, first priority security interest in and to the Accounts, together with a replacement lien on any newly-generated accounts receivable by Clearblue to the extent that Clearblue has received proceeds from the Accounts; which Secured Note will accrue no interest and with the entire principal balance being due one hundred eighty (180) days after the Closing Date (the "Accounts Purchase"); and upon all of the submissions filed herein and all prior proceedings in these cases; and upon the affidavits of service reflecting compliance with the notice requirements contained in the Scheduling Order and the Sales Procedures Order; and the Court having found that ClearBlue has submitted the highest and best offer for the Purchased Assets, which the Debtors, the

Committee and Palladin have determined to be the best transaction available to the Debtors' estates, and after due deliberation and sufficient cause appearing therefor; it is

HEREBY FOUND AND DETERMINED, that:

a. The Court has jurisdiction to hear and determine the Sale Motion and all related matters pursuant to 28 U.S.C. §§ 1334 and 157 and the "Standing Order of Referral of Cases to Bankruptcy Judges" of the United States District Court for the Southern District of New York, dated December 10, 1984 (Ward, Acting C.J.). Venue of this proceeding in this district is proper pursuant to 28 U.S.C. § 1409. The Sale Motion and Hearings constitute core proceedings pursuant to 28 U.S.C. § 157(b)(2)(A),(B),(N) and (O).

b. The statutory predicates for the relief sought in the Sale Motion are Sections 105(a), 363(b), (f), (m) and (n), 365, and 1146(c) of the United States Bankruptcy Code, 11 U.S.C. §§ 101-1330, as amended (the "Bankruptcy Code"), and Rules 2002, 6004, 6006 and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

c. Proper, timely and sufficient notice of the Sale Motion, the Auction and the Hearings was provided pursuant to Bankruptcy Rules 2002, 6004 and 6006 and the Scheduling Order. No other or further notice of the Sale Motion, the Auction, the Hearings, the Accounts Purchase or the entry of this Order is necessary. A reasonable opportunity to object or to be heard regarding the relief requested in the Sale Motion has been afforded to all interested parties, including, but not limited to: (a) all parties who claim interests in or liens upon the Purchased Assets and the Accounts; (b) all parties to the Assumed Contracts (as defined in the Purchase Agreement); (c) all governmental taxing authorities who have, or as a result of the sale of the Purchased Assets may have, claims, contingent or otherwise, against the Debtors; (d) all creditors and parties who have filed notices of appearance in this case; and (e) all known parties who are or may be bidders for the Purchased Assets.

d. As demonstrated by (i) the testimony and other evidence proffered or adduced at the Hearings and (ii) the representation of counsels made on the record at the Hearings, the Debtors have marketed the Proposed Transaction and conducted the sale process in compliance with the Bidding Procedures (as described in the Purchase Agreement and the Sale Procedure Order).

e. The Auction was conducted over two days. There were three bidders at the Auction: ClearBlue, Inforonics, Inc. ("Inforonics") and Halifax Fund, L.P., on behalf of itself and as agent for alleged secured creditors, Palladin Partners LP., Palladin Overseas Fund Ltd., DeAm Convertible Arbitrage Fund, Ltd. and Lancer Securities (Cayman) Ltd. (collectively, "Palladin"). All three bidders were determined by the Debtors to be qualified bidders in accordance with the terms of the Sales Procedures Order and were allowed to bid. Palladin submitted a credit bid. During the Auction, ClearBlue and Inforonics increased their bids. Palladin eventually withdrew its credit bid and acknowledged it was no longer going to bid for the Purchased Assets.

f. A representative of Globix Corporation appeared at the Auction but did not submit a bid. On May 23, 2002, in response to a request by Palladin, this Court ruled that the Auction would not be adjourned, Globix would not be permitted to bid for the Purchased Assets after the close of bidding at the Auction, and no other bids for the Purchased Assets shall be allowed.

g. Creditors, parties-in-interest and other entities have been afforded a reasonable opportunity to bid for the Purchased Assets and the Accounts.

h. No consents or approvals, other than those expressly provided for in the Purchase Agreement, are required for the Debtors to consummate the Proposed Transaction and the Accounts Purchase.

i. The Debtors are parties with certain contracting parties (the "Contracting Parties") to the Assumed Contracts which are identified on the Schedules attached to the Purchase Agreement, annexed hereto as Exhibit "A." Said Assumed Contracts are property of the Debtors' estates pursuant to section 541(a) of the Bankruptcy Code.

j. The Debtors have advanced sound and sufficient business justification, and it is a reasonable exercise of their business judgment, to: (i) sell all of the Debtors' right, title and interest in and to the Purchased Assets and Accounts upon the terms and conditions set forth in the Purchase Agreement and (ii) consummate all transactions contemplated by the Purchase Agreement.

k. The Debtors have satisfied the requirements of In re Lionel Corp., 722 F.2d 1063 (2d Cir. 1983) and its progeny to support the Court granting of the relief sought in the Sale Motion.

l. A reasonable opportunity to object or be heard with respect to the Sale Motion and the relief requested therein has been afforded to all interested persons and entities.

m. ClearBlue has not engaged in any conduct that would cause or permit the avoidance of the Purchase Agreement or the consummation of the Proposed Transaction or the imposition of costs or damages under Section 363(n) of the Bankruptcy Code.

n. The provisions of sections 363(b), 363(f), 363(m), 363(o) and 365 of the Bankruptcy Code have been complied with and are applicable as to the Acquired Assets, Assumed Contracts and the Accounts Purchase.

o. Consummation of the transactions contemplated by the Purchase Agreement is in the best interests of the Debtors, their estates, creditors, equity security holders and other parties in interest.

p. All of the transactions contemplated by the Purchase Agreement, including the sale of the Acquired Assets and Accounts and assumption and assignment of the Assumed Contracts, are properly authorized under all applicable provisions of the Bankruptcy Code, including without limitation, sections 105, 363, 365 and 1146 of the Bankruptcy Code.

q. The ClearBlue Offer is the highest and otherwise best offer received for the Purchased Assets and the Accounts following the conduct of an open and complete sale process reasonably calculated to yield the highest or otherwise best offer for the Purchased Assets. ClearBlue is deemed to be the Successful Bidder as such term is defined in the Sale Procedures Order approved by this Court on May 6, 2002.

r. The Purchaser provided the Debtors with a $300,000 cash deposit (the "Deposit") in accordance with the Purchase Agreement, which Deposit is currently being held by Debtors' counsel.

s. The sale, conveyance and assignment of the Purchased Assets and the Accounts pursuant to the Purchase Agreement shall be free and clear of all liens, claims, encumbrances and other interests, including, without limitation, mortgages, security interests, pledges, liens, judgments, demands, encumbrances, or charges of any kind or nature, if any, including, but not limited to, any restriction on the transfer, receipt of income or other exercise of any attributes of ownership (the foregoing collectively referred to as "Liens" herein), and all debts arising in any way in connection with any acts of the Debtors, claims (including but not limited to "claims" as that term is defined in the Bankruptcy Code), obligations, demands, guaranties, interests and matters of any kind and nature, whether arising prior to or subsequent to the commencement of these chapter 11 cases, and whether imposed by agreement, understanding, law, equity or otherwise (the foregoing collectively referred to as "Claims" herein), with all such Liens and Claims attaching to the proceeds of sale (other than the proceeds

of sale specifically allocated to the Unencumbered Assets). Any and all other interests shall be deemed released, terminated and discharged as to the Purchased Assets and the Accounts, and holders thereof shall be permanently enjoined from asserting such interests and claims against the Purchased Assets, the Accounts and the Purchaser. Such holders shall look solely to the proceeds of sale.

t. The Purchase Agreement: (i) was proposed, negotiated and entered into in good faith after arms-length bargaining by the parties; and (ii) provides the highest or otherwise best offer received for the Purchased Assets and the Accounts

u. Purchaser is a good faith purchaser pursuant to section 363(m) of the Bankruptcy Code and entitled to the protections thereunder. Based upon the record, it appears that neither the Debtors nor Purchaser have engaged in any conduct that would cause or permit the Purchase Agreement or any transfer, assignment or conveyance thereunder to be avoided under section 363(n) of the Bankruptcy Code.

v. Except as expressly provided in the Purchase Agreement with respect to the Assumed Liabilities (as defined in the Purchase Agreement), Purchaser shall not, by virtue of the Purchase Agreement or the transactions contemplated thereunder, be deemed to have "successor" liability or responsibility for claims against or obligations of any of the Debtors arising prior to or as a result of the Closing.

w. The Assumed Contracts are valid and binding, in full force and effect, and enforceable in accordance with their terms.

x. The sale of the Acquired Assets and Accounts and the assignment of the Assumed Contracts to Purchaser will maximize the value of the Debtors' estates and is in contemplation of the implementation of a chapter 11 plan and necessary to the confirmation and consummation of any such plan. Accordingly, pending confirmation of such plan, the sale of the

Purchased Assets and Accounts shall be deemed a sale "under a plan" within the meaning of Bankruptcy Code section 1146(c) and shall be exempt from any and all stamp taxes, recording taxes and similar taxes.

y. The Debtors may sell the Acquired Assets and Accounts and assign the Assumed Contracts free and clear of all interests, lien, claims, and encumbrances of any kind or nature whatsoever because, in each case, one or more of the standards set forth in Section 363(f)(1) through (5) has been satisfied. Those non-debtor parties with interests in the Acquired Assets, Accounts or the Assumed Contracts who did not object, or who withdrew their objections, to the Proposed Transaction or the Sale Motion are deemed to have consented pursuant to Section 363(f)(2) and 365 of the Bankruptcy Code. Those non-debtor parties with interests in the Acquired Assets or Assumed Contracts who did object fall within one or more of the other subsections of Section 363(f) and 365 and are adequately protected by having their interests, if any, attach to the proceeds of the Proposed Transaction and Accounts Purchase ultimately attributable to the property against or in which they claim an interest.

z. Except for the Assumed Liabilities, the transfer of the Acquired Assets and Accounts to the Purchaser and assumption and assignment to the Purchaser of the Assumed Contracts will not subject the Purchaser to any liability whatsoever with respect to the operation of the Business prior to the Closing Date (as such terms are defined in the Purchase Agreement) or by reason of such transfer under the laws of the United States, any State, territory, or possession thereof, or the District of Columbia, based, in whole or in part, directly or indirectly, upon any theory of law or equity, including, without limitation, any theory of equitable law, including, without limitation, any theory of antitrust or successor or transferee liability

aa. Non-debtor parties to the Assumed Contracts have received adequate notice of, and opportunity to be heard on the Debtors' request for authority to assume and assign

each of the Assumed Contracts and/or transfer certain of the Acquired Assets and authorizing the Purchaser to assign, sublicense, sublease, or otherwise transfer or dispose of rights in, to or under all Assumed Contracts (provided the Purchaser or Parent, as the case may be, shall continue to guaranty the performance of any obligations thereunder) or Acquired Assets to any affiliate or such other designees or successors which is done in connection with consummating the Purchase Agreement and the Proposed Transaction.

bb. The Debtors have demonstrated that it is an exercise of their sound business judgment to assume and assign the Assumed Contracts to the Purchaser in connection with the consummation of the Proposed Transaction, and the assumption and assignment of the Assumed Contracts is in the best interests of the Debtors, their estates, and their creditors. The Assumed Contracts being assigned to the Purchaser are an integral part of the business being purchased by the Purchaser and, accordingly, such assumption and assignment of Assumed Contracts is reasonable, enhances the value of the Debtors' estates, and does not constitute unfair discrimination.

cc. The Purchaser or the Debtors, as the case may be, have (i) cured, or have provided adequate assurance of cure, of any default existing prior to the date hereof under any of the Assumed Contracts, within the meaning of 11 U.S.C. § 365(b)(1)(B), and (iii) provided adequate assurance of Purchaser's future performance of and under the Assumed Contracts, within the meaning of 11 U.S.C. § 365(b)(1)(C). The Debtors have provided adequate assurance of payment of amounts necessary to cure defaults (within the meaning of Section 365(b)(1)(A) of the Bankruptcy Code) under any of the Assumed Contracts, by virtue of (i) by provisions of the Purchase Agreement, and (ii) this Order that provides for the payment by the Debtors of certain liabilities under the Assumed Contracts, and (iii) the assumption by the Purchaser, on the terms

provided in the Purchase Agreement and this Order, of certain cure obligations under the Assumed Contracts.

dd. Adequate assurance of future performance (within the meaning of Section 365(b)(1)(C) of the Bankruptcy code) has been demonstrated for each of the Assumed Contracts, by virtue of the assumption by the Purchaser on the terms provided in the Purchase Agreement of liabilities under such Assumed Contracts.

ee. Any and all provisions of the Assumed Contracts that purport or attempt to prohibit an assignment (or reassignment, sublicense, sublease or other transfer or disposition as between the Purchaser in connection with consummating the Purchase Agreement and Proposed Transaction) or purport or attempt to give to any party a right or option to effect any forfeiture, modification, right of first refusal, or termination of the Debtors' or the Purchaser's interest or right in any of the Purchased Assets, or any similar rights, all constitute impermissible restrictions on the assignment of the Assumed Contracts and are void and unenforceable pursuant to Section 365(f)(1) of the Bankruptcy Code. Each of the Assumed Contracts is in full force and effect and each constitutes an executory contract or unexpired lease pursuant to Section 365 of the Bankruptcy Code.

ff. There is a need by the Debtors to consummate the Purchase Agreement, the Accounts Purchase and Proposed Transaction as rapidly as possible. Accordingly, there is cause to lift the stays of execution of this Order contemplated by Bankruptcy Rules 6004(g) and 6006(e).

gg. The sale of the Acquired Assets and Accounts is a prerequisite to the Debtors' ability to confirm and consummate a plan of liquidation. The Proposed Transaction is a sale in contemplation of and an integral part of such plan.

NOW THEREFORE, IT IS HEREBY ADJUDGED, DECREED AND ORDERED that:

1. The findings of fact set forth above and conclusions of law stated herein shall constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent any finding of fact later shall be determined to be a conclusion of law, it shall be so deemed, and to the extent any conclusion of law later shall be determined to be a finding of fact, it shall be so deemed.

2. The Sale Motion, as supplemented on the record at the Sale Hearing, is granted.

3. The Purchase Agreement, as amended, and all of the terms and conditions thereof, and the Accounts Purchase are hereby approved. In the event of a conflict between provisions of this Order and the Purchase Agreement, the provisions of this Order shall govern.

4. All objections to the Sale Motion or the relief requested therein that have not been withdrawn, waived, or settled, and all reservations of rights included therein, are hereby overruled on the merits with prejudice in accordance with the terms of this order as set forth in the record of the Sale Hearing.

5. Pursuant to 11 U.S.C. § 363(b), the Debtors are authorized to consummate the Proposed Transaction, pursuant to and in accordance with the terms and conditions of the Purchase Agreement and the Accounts Purchase, together with all additional instruments and documents that may be reasonably necessary or desirable to implement the Purchase Agreement and the Accounts Purchase, and to take all further actions as may be requested by the Purchaser for the purpose of assigning, transferring, granting, conveying and conferring to the Purchaser or

reducing to possession, the assets, or as may be necessary or appropriate to the performance of the obligations as contemplated by the Purchase Agreement and the Accounts Purchase.

(a) **TRANSFER OF ASSETS**

6. Pursuant to 11 U.S.C. §§ 105(a) and 363(f), the Purchased Assets and the Accounts shall be transferred to the Purchaser, and upon consummation of the Purchase Agreement (the "Closing") shall be free and clear of all Liens and Claims of any kind or nature whatsoever, with all such Liens and Claims to attach to the net proceeds of the Proposed Transaction in the order of their priority, with the same validity, force and effect which they now have as against such Purchased Assets and the Accounts, subject to any claims and defenses the Debtors may possess with respect thereto, and except as otherwise provided for in this Order.

7. Except as expressly permitted or otherwise specifically provided by the Purchase Agreement or this Order, all persons and entities, including, but not limited to, all debt security holders, equity security holders, governmental, tax and regulatory authorities, lenders, trade and other creditors, holding interests of any kind or nature whatsoever against or in the Debtors or the Purchased Assets (whether legal or equitable, secured or unsecured, matured or unmatured, contingent or non-contingent, senior or subordinated), arising under or out of, in connection with, or in any way relating to, the Debtors, the Purchased Assets, the Accounts, the operation of the Business prior to the Closing Date, or the transfer of the Purchased Assets and the Accounts to the Purchaser, hereby are forever barred, estopped, and permanently enjoined from asserting against the Purchaser, its successors or assigns, its property, or the Purchased Assets and Accounts, such persons' or entities' Liens, Claims and/or interests.

8. The transfer of the Purchased Assets and the Accounts to the Purchaser pursuant to the Purchase Agreement constitutes a legal, valid, and effective transfer of the Purchased Assets, and shall vest the Purchaser with all right, title, and interest of the Debtors in

and to the Purchased Assets and Accounts free and clear of all Liens and Claims. Except as specifically provided for in the Purchase Agreement, such transfer shall be deemed made by the Debtors "as is; where is", without any representations or warranties (except as to transfer of title, free and clear of Liens and Claims, which shall representation shall remain in full force and effect).

9. The transfer of the Purchased Assets and Accounts pursuant to the Proposed Transaction is a transfer pursuant to section 1146(c) of the Bankruptcy Code, and accordingly shall not be taxed under any federal, state, local, municipal or other law imposing or claiming to impose a stamp tax or a sale, use, transfer, or any other similar tax on any of the Debtors' transfer or sale of real estate, personal property or other assets owned by them.

(1) ASSUMPTION AND ASSIGNMENT TO PURCHASER

(ii) OF ASSUMED CONTRACTS

10. Pursuant to 11 U.S.C. §§ 105(a) and 365, and subject to and conditioned upon the closing of the Proposed Transaction, the Debtors' assumption and assignment, to the Purchaser, and the Purchaser's assumption on the terms set forth in the Purchase Agreement, of the Assumed Contracts is hereby approved, and the requirements of 11 U.S.C. § 365(b)(1) with respect thereto are hereby deemed satisfied.

11. The Debtors are hereby authorized and directed in accordance with 11 U.S.C. §§ 105(a) and 365 to (a) assume and assign to the Purchaser, effective upon the Closing of the Proposed Transaction, the Assumed Contracts free and clear of all interest, liens, claims and encumbrances of any kind or nature whatsoever, and (b) execute and deliver to the Purchaser such documents or other instruments as may be necessary to assign and transfer the

Assumed Contracts to the Purchaser. The Purchaser is authorized to assign, sublicense, or otherwise transfer or dispose of rights in, to or under all such Assumed Contracts to such designee, successor or assign which is done in connection with consummating the Purchase Agreement; provided that such designee, successor or assign is an affiliate or subsidiary of Purchaser, except for the real property leases with Elwood Davis Road Company and 224 Harrison Associates, LLC.

12. The Assumed Contracts shall be transferred to, and remain in full force and effect for the benefit of, the Purchaser in accordance with their respective terms, notwithstanding any provision in any such Assumed Contract (including those of the type described in sections 365(b)(2) and (f) of the Bankruptcy Code) that prohibits, restricts, or conditions such assignment or transfer, and, pursuant to 11 U.S.C. § 365(k), the Debtors shall be relieved from any further liability with respect to the Assumed Contracts after such assignment to and assumption by the Purchaser.

13. All defaults or other obligations of the Debtors under the Assumed Contracts arising or accruing prior to the date of this Order (without giving effect to any acceleration clauses or any default provisions of the kind specified in section 365(b)(2) of the Bankruptcy Code) shall be deemed cured by the Purchaser upon payment by the Purchaser or the Debtor, as the case may be, at the Closing of the Proposed Transaction or as soon thereafter as practicable of the Cure Amounts hereby fixed and set forth on the schedules annexed to the Purchaser Agreement (the "Cure Amounts").

14. Except for the obligations of the Purchaser or the Debtors, as the case may be, to pay the Cure Amounts, each non-debtor party to an Assumed Contract hereby is forever barred, estopped, and permanently enjoined from asserting against the Debtors or the Purchaser, or the property of any of them, any default existing as of the date of the Closing, whether

declared or undeclared or known or unknown; or, against the Purchaser, any counterclaim, defense, setoff or any other claim asserted or assertable against the Debtors. Any non-debtor party to such Assumed Contract is hereby barred and prohibited from asserting any claim against the Debtors or their property or estates or from offsetting or seeking to offset any claims such party may have against the Debtors from any amounts that may be or may become in the future due to Purchaser under such Assumed Contract.

15. Pursuant to Section 365(b)(2) of the Bankruptcy Code, any default under the Assumed Contracts arising from the insolvency or financial condition of the Debtors or failure of the Debtors to pay an obligation prior to the commencement of these Chapter 11 cases, or from the commencement by the Debtors of these Chapter 11 cases, is of no force and effect, null and void, and unenforceable.

16. Pursuant to Section 365(f)(1) of the Bankruptcy Code, any defaults under the Assumed Contracts arising from the assignment thereof by the Debtors to the Purchaser (or the Purchaser to each other or to their respective designees, assignees, or successors by way of reassignment, sublicense sublease or other transfer or disposition which is done in connection with consummating the Purchase Agreement) are of no force and effect, null and void, and unenforceable.

17. Pursuant to Section 365(f)(3) of the Bankruptcy Code, any provision of an Assumed Contract or applicable law that terminates or modifies, or permits a party other than the Debtors to terminate or modify, such contract or lease or a right or obligation under such contract or lease on account of any assignment of such contract or lease shall not be enforceable, and such contract, lease, right, or obligation may not be terminated or modified under such provision because of the assumption or assignment of such contract or lease by the relevant Debtors (or by the Purchaser to each other or to their respective designees, assignees or successors by way of

reassignment, sublicense, sublease or other transfer or disposition which is done in connection with consummating the Purchase Agreement).

18. The failure of the Debtors or the Purchaser to enforce at any time one or more terms or conditions of any Assumed Contract shall not be a waiver of such terms or conditions, or of the Debtors' and Purchaser's rights to enforce every term and condition of the Assumed Contracts.

19. The Debtors may reject any of their presently existing contracts which are not Assumed Contracts (the "Excluded Contracts') without further order from the Court at any time after the entry of this Order by serving upon the non-Debtor party to any such Excluded Contract a notice that such Excluded Contract shall be deemed rejected as of three days following the service of such notice, absent an objection. Such notice shall also provide for (i) a ten (10) day period within which such non-Debtor party may file an objection to such rejection and (ii) the return by the Debtors of any such personal property. This Order is without prejudice to the Debtors' right to file a subsequent motion to assume and assign any such Excluded Contract if the Debtors deem it in the best interests of their estates.

20. The Court approves, as of and including June 6, 2002, AppliedTheory Corporation's assignment to ClearBlue of all of its rights, title and interest in and to that certain Lockbox Letter Agreement, dated January 11, 2002, by and between AppliedTheory Corporation and HSBC Bank USA and HSBC Bank USA is authorized and directed to comply with the direction letter issued by Applied Theory Corporation with respect to the transfer of said lockbox.

(iii) ACCOUNTS PURCHASE

21. The Debtors are hereby authorized and directed to do and perform all acts and to make, execute and deliver all instruments and documents which may be requisite or necessary for the performance by the Debtors of the transfer and assignment of the Accounts to Purchaser, including, without limitation, (a) the delivery to Purchaser of the original checks endorsed in favor of Purchaser or other forms of remittance received by the Debtors which are the proceeds of the Accounts or Purchased Assets, and (b) if requested by Purchaser, the execution and delivery of a notice to account debtors of the transfer of the Accounts to Purchaser and instructions to remit any such payments directly to Purchaser or as Purchaser may direct.

22. The Debtors shall be deemed to be holding in trust for the benefit of Purchaser and are directed to remit to Purchaser one hundred percent (100%) of all collections, remittances and proceeds of the Accounts and the Purchased Assets; and the automatic stay provisions of section 362 of the Bankruptcy Code are hereby modified to permit Purchaser to retain and utilize all such collections, remittances and proceeds of the Accounts and the Purchased Assets.

23. Within sixty (60) days after the Closing Date, representatives of Purchaser and the Debtors shall reconcile, upon consultation with the Committee and Palladin, and allocate between the appropriate parties all collections of Accounts, which collections belong to Purchaser, and all collections of the Debtors' accounts receivable other than Accounts. In the event the parties cannot agree, any party may seek to resolve their disputes in the Bankruptcy Court.

(iv) PROVISIONS CONCERNING POST-PETITION TRANSITION

24. In order to allow the Debtors to maximize the value of their remaining assets, and to otherwise assist the Debtors to wind down and the administer these estates,

Purchaser shall allow Key Employees or other former employees of the Debtors, as may be appropriate, who are hired by Purchaser, to continue to provide services or assistance to the Debtors and their estates after the Closing Date on terms to be agreed to between such employees and the Debtors or the Committee, provided that the provision of such services by such employees shall not materially interfere with their obligations to Purchaser. Purchaser agrees to provide, without charge, for a period of not more than six months after closing, reasonable office space for such employee(s) to perform such services or assistance to the Debtors or their estates. To the extent any such services are provided by employee(s) of Purchaser for the benefit of the Debtors and such services require such employee(s) to devote a material portion of his or her work week, the Debtors shall reimburse Purchaser on a weekly basis for the pro rata portion of such employee's compensation attributable to the portion of time he or she devotes to perform such services for the Debtors and their estates.

25. Effective as of the day after the Closing Date, the Debtors shall have been deemed to have rejected the Debtors' prepetition employment agreements with the Key Employees. Such Key Employees shall have thirty (30) days after such rejection to file a proof of claim for their rejection damages and any other claims they may have, or shall be forever barred from asserting such claims against the Debtors or their estates.

26. Subsequent to the Closing, Purchaser shall afford Debtors, Palladin and/or the Committee access to those books and records (including computer records relating to the pre-closing period) acquired by Purchaser relating to periods prior to the Closing Date as are reasonably required for the administration of the Debtors' chapter 11 cases provided such documents are used solely for such purpose. Unless needed to be disclosed in the administration of the Debtors' proceedings, all such book and records (including computer records) shall be maintained in a confidential manner. Such access shall be made during normal business hours

upon reasonable advance notice. Such right of access shall include the right to make copies at Debtors' expense. For a period ending upon the second (2nd) anniversary of the Closing Date, Purchaser agrees to store and maintain all of the business records and files of the Business delivered to Purchaser; provided, however, Purchaser may elect to dispose of or destroy any such books and records prior to the expiration of the two year period if Purchaser has first given fifteen (15) days prior written notice to the Debtors, Palladin and the Committee to take possession, at its option and expense, of such books and the records within thirty (30) days after the date of such notice from Purchaser.

(v) ADDITIONAL PROVISIONS

27. On the Closing Date of the Proposed Transaction, each of the Debtors' creditors is authorized and directed to execute such documents and take all other actions as may be necessary to release its interests in the Purchased Assets and Accounts, if any, as such interests may have been recorded or may otherwise exist.

28. As provided for in and in accordance with the terms of the Purchase Agreement and the record of the Hearing, in exchange for, among other things, the payment of $200,000 in cash and the $300,000 term note, the Debtors and their estates hereby waive any and all claims, causes of action and rights of recovery arising under Sections 544, 547, 548, 549, 550 and 553 of the Bankruptcy Code against (i) Key Employees (as defined in the Purchase Agreement) hired post-Closing by Purchaser, (ii) Essential Vendors (as defined in the Purchase Agreement) and (iii) non-debtor parties to any Assumed Contracts (collectively, the "Released Parties"); provided, however, that such waived claims may be asserted by the Debtors against any Released Parties as a defense, counterclaim (to the extent of the amount of claim asserted by such Released Party), offset, setoff, adjustment or recoupment of any claims asserted by such

Release Party against the Debtors or their estates or properties. The Debtors and their estates shall also be deemed to have waived and relinquished any and all other claims, causes of action and/or rights of recovery they may have against Key Employees except to the extent the amount of quantifiable damages sought in good faith for such claims exceeds $50,000 per individual or $100,000 in the aggregate against a group of individuals. Provided that there was a good faith basis for asserting and pursuing such claims, the Debtors and their estates and the Committee shall not be deemed liable for any damages for breach in the event it is ultimately determined by the trier of fact that the actual amount of damages awarded on such claims is less than the $50,000 or $100,000 thresholds set forth above. In the event the amount of damages ultimately awarded is less than the $50,000 or $100,000 thresholds set forth above, such damage award shall automatically be deemed waived and relinquished by the Debtors and their estates. Notwithstanding anything to the contrary, the foregoing consideration shall be deemed consideration for such waiver of claims by the Debtors.

29. Except as may be specifically provided for in the Purchase Agreement, the Debtors shall place all proceeds of the sale in an escrow account at Wilmington Trust Company and shall be invested (on consent of the Debtors, Palladin and the Committee without further Court order) in government securities such as Treasury Bills in accordance with Bankruptcy Code § 345 or as otherwise agreed among Palladin, the Committee and the Debtors, and none of such proceeds shall be released from escrow absent a further order of the Court. It is contemplated that such further order of the Court may address, among other things, a determination of the respective rights of the estates of the Debtors, Palladin and other claimants to such proceeds, including, but not limited to, any claims allowed pursuant to section 506(c) of the Code.

30. At the Closing, or as soon thereafter as practicable, Purchaser shall (i) deduct from the cash portion of the purchase price or offset from any amounts due under the promissory notes any amounts due by the Debtors for (a) post-petition, pre-Closing rent and/or (b) other unpaid obligations of Debtors under the terms of the Purchase Agreement with respect to any real property leases to be assumed by Purchaser, and pay such sums to the landlords under such leases, (ii) pay to Elwood Davis Road Company, LLC ("Elwood") the sum of $11,554.71 in satisfaction of the Cure Amount owed to Elwood on the lease of the property at 125 Elwood Davis Road, North Syracuse, New York (the "125 Elwood Lease"), (iii) pay to Elwood the sum of $15,580.98 in satisfaction of the Cure Amount owed to Elwood on the lease of the property at 100 Elwood Davis Road, North Syracuse, New York (the "100 Elwood Lease"). The Cure Amounts of $11,554.71 and the $15,580.98 represent amounts due pre-petition and post-petition (through May 31, 2002) under, respectively, the 125 Elwood Lease and the 100 Elwood Lease (collectively, the "Elwood Leases"); $3,001.32 of the total of these Cure Amounts is attributable to unpaid post-petition rents owed by the Debtors under the Elwood Leases. Such payments to Elwood and Harrison (defined below), in addition to all rent due for June 2002, shall be made within three (3) business days of the Closing Date. ClearBlue Technologies, Inc., the parent company of Purchaser ("Parent"), shall guaranty, in a form mutually satisfactory to Purchaser and Elwood or Harrison (as defined below), respectively, of all of Purchaser's obligations under (a) the 125 Elwood Lease, (b) the 100 Elwood Lease and (c) the Debtor's lease with 224 Harrison Associates, LLC ("Harrison") for the premises located at 224 Harrison Street in Syracuse, New York.

31. As regards Assumed Contracts and related schedules with HP Financial Services Company, f/k/a Compaq Financial Services Corporation ("HPFS") identified as that certain Master Lease Agreement Number 100697, dated November 08, 1999 (the "Master Lease

Agreement"), and eleven related schedules, which are identified as Schedule Numbers 001, 002, 003,004, 005, 006, 007, 008, 010, 011, 012 (the "HPFS Leases"), the HPFS Leases shall be assumed by the Debtors and assigned to Purchaser. As noted on the record at the Hearing, Purchaser and Compaq have reached an agreement in principle with respect to the terms of a restructuring of the HPFS Leases and such revised terms, which include the following: (i) a lease term of thirty-six (36) months; (ii) rent payments, including tax, of $132,067.19 per month; and (iii) end of term options as detailed in the Master Lease Agreement, except that Section 4(A) shall be modified to provide that (a) Purchaser has the option to purchase all, rather than part, of the property subject to the HPFS Lease, and (b) the purchase price for such property shall be $346,932.41 or such other price to be negotiated by the parties at the end of the term. Purchaser shall execute at the Closing a lease agreement to be provided by HPFS embodying such terms and conditions, as are reasonably satisfactory to Purchaser, and such terms and conditions shall govern effective as of the Closing Date. Parent shall execute at the Closing a lease guaranty on terms and conditions acceptable to HPFS, and Parent shall guaranty Purchaser's obligations under the restructured HPFS Leases.

32. As regards the Assumed Contract with Microsoft Corporation entitled Microsoft Enterprise Agreement No. 01E50153 and Microsoft Enterprise Enrollment No. 3255692 (the "Microsoft Contract"), the Microsoft Contract shall be assumed by the Debtors and assigned to ClearBlue. ClearBlue agrees to make any future payment when due to Microsoft under the terms of the Microsoft Contract.. Parent shall guaranty ClearBlue's obligations under the Microsoft Contract. As regards the other Assumed Contracts with Microsoft, entitled Microsoft Business Agreement No. U1118846, Microsoft Select Agreement No. 01S50532, Microsoft Select Enrollment No. 6575692, and Microsoft Select Enrollment No. 4175925 (the "Additional Microsoft Contracts"), certain non-monetary license transfer and registration

conditions set forth in those Additional Microsoft Contracts must be satisfied before those Additional Microsoft Contracts and the license confirmations under them may be transferred to a third-party. To the extent required under applicable law, the Debtors and ClearBlue will comply with those license transfer and registration provisions and Microsoft will consent to the assumption and assignment as permitted transfers under the Additional Microsoft Contracts. Parent shall guaranty ClearBlue's obligations under the Additional Microsoft Contracts. In the event the Microsoft Contracts are not assumed and assigned, they will be deemed rejected by the Debtors without any claims against the Debtors or their estates.

33. As regards Assumed Contract with Verizon (the "Verizon Contract"), the Verizon Contract shall be assumed by the Debtors and assigned to ClearBlue. Subject to any other agreement reached between ClearBlue and Verizon, ClearBlue shall make the Cure Payments due to Verizon in the amount of $91,709 under the terms of the Verizon Contract. Parent shall guaranty ClearBlue's obligations under the Verizon Contract. The Debtors and their estates waive any and all claims, causes of action and rights of recovery arising under Sections 544, 547, 548, 549, 550 and 553 of the Bankruptcy Code against Verizon's unsecured pre-petition claim of $1.2 million

34. This Order (a) shall be effective as a determination that, on the date of the Closing (the "Closing Date"), all interests of any kind or nature whatsoever existing with respect to the Debtors or the assets prior to the Closing have been unconditionally released, discharged and terminated, and that the conveyances described herein have been effected, and (b) shall be binding upon and shall govern the acts of all entities including without limitation, all filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds, registrars of deed, administrative agencies, governmental departments, secretaries of state, federal, state, and local officials, and all other persons and entities who may be required by

operation of law, the duties of their office, or contract, to accept, file, register or otherwise record or release any documents or instruments, or who say be required to report or insure any title or state of title in or to any of the assets.

35. Each and every federal, state, and local governmental agency or department is hereby directed to accept any and all documents and instruments necessary and appropriate to consummate the transactions contemplated by the Purchase Agreement.

36. If any person or entity that has filed financing statements, mortgages, mechanic's liens, *lis pendens*, or other documents or agreements evidencing interests with respect to the Debtors or the Purchased Assets and Accounts shall not have delivered to the Debtors prior to the Closing Date, in proper form for filing and executed by the appropriate parties, termination statements, instruments of satisfaction, releases of all interest which the person or entity has with respect to the Debtors or the assets or otherwise, then (a) the Debtors are hereby authorized to execute and file such statements, instruments, releases and other documents on behalf of the person or entity with respect to the Acquired Assets and Accounts and (b) the Purchaser is hereby authorized to file, register, or otherwise record a certified copy of this Order, which, once filed, registered, or otherwise recorded, shall constitute conclusive evidence of the release of all interests in the Acquired Assets and Accounts of any kind or nature whatsoever.

37. All entities who are presently, or on the Closing Date may be, in possession of some or all of the Acquired Assets and Accounts are hereby directed to surrender possession of the Acquired Assets and Accounts to the Purchaser on the Closing Date.

38. Except for the Assumed Liabilities or as otherwise provided under this Order, the Purchaser shall have no liability or responsibility for any liability or other obligation of the Debtors arising under or related to the Acquired Assets and Accounts. Without limiting

the generality of the foregoing, and except as otherwise specifically provided herein and in the Purchase Agreement, the Purchaser shall not be liable for any claims against the Debtors or any of their predecessors or affiliate, and the Purchaser shall have no successor or vicarious liabilities of any kind or character whether known or unknown as of the Closing Date, now existing or hereafter arising, whether fixed or contingent, with respect to the Debtors or any obligations of the Debtors arising prior to the Closing Date, including, but not limited to, liabilities on account of any taxes or employment related issues arising, accruing, or payable under, out of, in connection with, or in any way relating to the operation of the Business or the Debtors' other businesses prior to the Closing Date.

39. Under no circumstances shall the Purchaser be deemed a successor of or to the Debtors for any interest against or in the Debtors or the assets of any kind or nature whatsoever. Except for the Assumed Liabilities, the sale, transfer, assignment and delivery of the Purchased Assets and Accounts shall not be subject to any interests, and interests of any kind or nature whatsoever, shall remain with, and continue to be obligations of, the Debtors. All persons holding Liens, Claims or interests against or in the Debtors or the Purchased Assets or Accounts of any kind or nature whatsoever, including without limitation any contracting party which holds a right of setoff under its contract, shall be and hereby are, forever barred, estopped, and permanently enjoined from asserting, prosecuting, or otherwise pursuing such Liens, Claims, setoff rights or interests of any kind or nature whatsoever against the Purchaser, its property, its successors and assigns, or the Purchased Assets or Accounts with respect to any interest of any kind or nature whatsoever such person or entity had, has, or may have against or in the Debtors, their estates, officers, directors, shareholders, or the assets. Following the Closing Date, no holder of an interest in the Debtors shall interfere with the Purchaser's title to or use and

enjoyment of the Purchased Assets or Accounts based on or related to such interest, or any actions that the Debtors may take in their chapter 11 cases.

40. The Debtors are hereby authorized and directed to execute and deliver such closing and other confirmatory documents and to do such things as are necessary and appropriate, and as are reasonably requested by the Purchaser, to implement and effectuate the provisions of this Order and the transactions approved hereby.

41. This Court shall retain jurisdiction to enforce, interpret and implement the terms and provisions of the Purchase Agreement, all amendments thereto, any waivers and consents thereunder, and of each of the agreements executed in connection therewith in all respects, and all ancillary and related matters to the foregoing, including, but no limited to, retaining jurisdiction to (a) compel delivery of the Purchased Assets and Accounts to the Purchaser, (b) resolve any disputes arising under or related to the Purchase Agreement except as otherwise provided therein, (c) interpret, implement, and enforce the provisions of this Order, and (d) protect the Purchaser against any interests in the Debtors or the Purchased Assets and Accounts, of any kind or nature whatsoever, attaching to the proceeds of Proposed Transaction.

42. Nothing contained in any plan of reorganization or liquidation confirmed in these cases or any order of this court confirming such plan shall conflict with or derogate from the provisions of the Purchase Agreement or the terms of this Order.

43. The transfer of the Purchased Assets and Accounts pursuant to the Proposed Transaction shall not subject the Purchaser to any liability with respect to the operation of the business prior to the Closing Date or by reason of such transfer under the laws of the United States, any state, territory, or possession thereof, or the District of Columbia, based, in whole or in part, directly or indirectly, on any theory of law or equity, including, without limitation, any theory of equitable subordination or successor or transferee liability.

44. The transactions contemplated by the Purchase Agreement are undertaken by the Purchaser in good faith, as that term is used in section 363(m) of the Bankruptcy Code. Accordingly, the reversal or modification on appeal of the authorization provided herein to consummate the Proposed Transaction shall not affect the validity of the Proposed Transaction to the Purchaser, unless such authorization is duly and timely stayed pending such appeal. The Purchaser is a Purchaser in good faith of the assets, and is entitled to all of the protections afforded by section 363(m) of the Bankruptcy Code.

45. The terms and provisions of the Purchase Agreement and this Order shall be binding in all respects upon, and shall inure to the benefit of, the Debtors, their estates, and their creditors, the Purchaser, and its respective affiliates, successors and assigns, and shall be binding in all respects upon any affected third parties including, but not limited to, all persons asserting interests in the assets to be sold to the Purchaser pursuant to the Purchase Agreement, notwithstanding any subsequent appointment of any trustee(s) under any chapter of the Bankruptcy Code, as to which trustee(s) such terms and provisions likewise shall be binding.

46. The failure specifically to include any particular provision of the Purchase Agreement in this Order shall not diminish or impair the effectiveness of such provision, it being the intent of the Court that the Purchase Agreement be authorized and approved in its entirety.

47. The Purchase Agreement and any related agreements, documents or other instruments may be modified, amended, or supplemented by the parties thereto, in a writing signed by both parties, and in accordance with the terms thereof, without further order of the Court, provided that any such modification, amendment or supplement does not have a material adverse effect on the Debtors' estates.

48. As provided by Bankruptcy Rule 7062, and notwithstanding Bankruptcy Rules 6004(g) and 6006(d), this Order shall not be automatically stayed, but shall be effective

and enforceable immediately upon signature of this Order. Time is of the essence in closing the Proposed Transaction and the Debtors and the Purchaser intend to close the Proposed Transaction as soon possible. Therefore, any party objecting to this Order must exercise due diligence in filing an appeal and pursuing a stay or risk their appeal being foreclosed as moot.

DATED: New York, New York
June *11*, 2002

/s/ Robert E. Gerber
HONORABLE ROBERT E. GERBER
UNITED STATES BANKRUPTCY JUDGE

THIS ASSET PURCHASE AGREEMENT (the "***Agreement***") is dated effective as of April 17, 2002, by and among ClearBlue Technologies Management, Inc., a Delaware corporation (the "***Buyer***"), and AppliedTheory Corporation, a Delaware corporation (the "***Company***"), and the subsidiaries of the Company set forth on the signature page hereto and in Schedule 1 (the "***Subsidiaries***" and, together with the Company, the "***Sellers***").

Background:

A. The Sellers are providers of web hosting, Internet solutions, Internet connectivity and security services, and the Sellers own certain assets that relate to such services.

B. Each of the Sellers has filed, or shall be filing a voluntary petition for reorganization relief (the "***Case***") under Chapter 11 of the United States Bankruptcy Code (the "***Bankruptcy Code***") in the United States Bankruptcy Court for the Southern District of New York (the "***Bankruptcy Court***"). The Case is currently, or will be, pending before the Bankruptcy Court.

C. The assets and liabilities of the Sellers are subject to the supervision and control of the Sellers subject and pursuant to the jurisdiction of the Bankruptcy Court.

D. Subject to the terms and conditions of this Agreement and pursuant to Sections 363 and 365 of the Bankruptcy Code and the applicable Federal Rules of Bankruptcy Procedure, the Sellers desire to sell to the Buyer, and the Buyer desires to purchase from the Sellers, substantially all of the assets of the Sellers' web hosting and Internet solutions business (the "***Business***").

E. The Buyer is a wholly-owned subsidiary of ClearBlue Technologies, a Delaware corporation (the "***Parent Guarantor***"), and the Parent Guarantor is willing to guarantee to the Sellers the payment of the Purchase Price under this Agreement.

Agreement:

In consideration of the mutual benefits to be derived from this Agreement and of the representations, warranties, conditions, agreements and promises contained in this Agreement and other good and valuable consideration, the parties to this Agreement agree as follows:

II.
DEFINITIONS

For the purposes of this Agreement, each of the following terms shall have the following respective meanings:

1. "***Accounts Payable***" means all of the accounts payable and accrued liabilities of the Sellers set forth on Schedule 1.1 (which shall be delivered to the Buyer on the Schedule Delivery Date.

2. "***Affiliate***" of any Person means any Person that, directly or indirectly, is in control of, is controlled by, or is under common control with such entity. For purposes of the latter, control of an entity shall mean the power, direct or indirect, (i) to vote five percent (5%) or more of the securities having ordinary voting power for the election of directors of such entity, or (ii) to direct or cause the direction of the management and policies of such entity whether by contract or otherwise.

3. "***Agreement***" means this Asset Purchase Agreement between the Sellers and the Buyer.

4. "***Approval Order***" has the meaning set forth in Section 4.7(a) of this Agreement.

5. "***Assets***" has the meaning set forth in Section III.1.A of this Agreement.

6. "***Assignment***" has the meaning set forth in Section III.6 of this Agreement.

7. "***Assignment Cure Amount***" has the meaning set forth in Section III.3.A(iv) of this Agreement.

8. "***Assumed Liabilities***" has the meaning set forth in Section 2.1(c) of this Agreement.

9. "***Auction***" has the meaning set forth in Section 4.7(b)(ii) of this Agreement.

10. "***Bankruptcy Code***" has the meaning set forth in the Recitals of this Agreement.

11. "***Bankruptcy Court***" has the meaning set forth in the Recitals to this Agreement.

12. "***Bill of Sale***" has the meaning set forth in Section III.6 of this Agreement.

13. "***Breakup Event***" means that the Sellers (a) sell some or all of the Assets (or the shares of any of the Sellers) to one or more other Persons that has overbid pursuant to Section 4.7, provided that the bidding procedures and Buyer protections as described in Section 4.7 shall have been approved by the Bankruptcy Court, (b) terminate or cause the termination of this Agreement (including both a termination resulting from the Sellers' failure or inability to satisfy all of their conditions to close (unless the failure or inability arises because of a failure to complete a required action by the Buyer) and an uncured material breach of this Agreement by the Sellers), or (c) otherwise fail to close the sale of the Assets pursuant to this Agreement (in each case above other than by a mutual consent termination as expressly permitted by this Agreement, as a consequence of an uncured material breach of this Agreement by the Buyer or the Buyer's failure or inability to satisfy all of its conditions to close the transactions contemplated hereby (unless the failure or inability arises because of a failure to complete a required action by the Sellers), each such event being a "***Breakup Event***".

14. "***Breakup Fee***" means a breakup fee, payable in cash by the Sellers to the Buyer, in the amount of $850,000, which is payable pursuant to this Agreement promptly upon the occurrence of a Breakup Event.

15. "***Business***" has the meaning set forth in the Recitals to this Agreement.

16. "***Business Day***" means any day other than a Saturday, Sunday or other day on which banks in New York or California are authorized to close.

17. "***Buyer's Pro Rata Portion***" has the meaning set forth in Section 2.1(b) of this Agreement.

18. "***Case***" has the meaning set forth in the Recitals to this Agreement.

19. "***Closing***" has the meaning set forth in Section III.5 of this Agreement.

20. "***Closing Cash***" has the meaning set forth in Section III.3.A(ii) of this Agreement.

21. "***Closing Date***" has the meaning set forth in Section III.5 of this Agreement.

22. "***Collateral Transfer Documents***" mean the Bill of Sale, the Assignment and the IP Assignment.

23. "***Contracts***" mean all of the Sellers' contracts, leases, licenses and any other agreements to which Sellers are parties which are material to the Business as heretofore conducted, including each amendment, modification, renewal or extension or other ancillary document pertaining thereto.

24. "***Contract Rights***" mean those certain Contracts which are identified by the Buyer prior to April 29, 2002 in a written notice to the Sellers that Buyer requires an assignment of.

25. "***Cut Off Date***" has the meaning set forth in Section VII.1.B of this Agreement.

26. "***Deposit Amount***" has the meaning set forth in Section 2.3a)(i) of this Agreement.

27. "***Employee***" means an employee of any of the Sellers.

28. "***ERISA Affiliate***" means any Affiliate that is a member of a group described in Section 414(b), (c), (m) or (o) of the Internal Revenue Code of 1986, as amended or Section 40001(b)(1) of ERISA that includes the Affiliate or that is a member of the same "controlled group" as the Affiliate pursuant to Section 40001(a)(14) of ERISA.

29. "***ERISA***" means the Employee Retirement Income Security Act of 1974, as amended, and any laws, rules, or regulations related thereto.

30. "***Essential Equipment Leases***" are those contracts and leases for equipment and machinery which Buyer determines are critical to the future operations of the Business.

31. "***Essential Vendors***" are those vendors and creditors of Sellers whose services and/or goods Buyer determines are critical to the future operations of the Business and set forth on Schedule 1.31.

32. "***Excluded Assets***" has the meaning set forth in Section III.1.B of this Agreement.

33. "***Holdback Amount***" has the meaning set forth in Section III.3.A(iii) of this Agreement.

34. "***Holdback Period***" has the meaning set forth in Section III.4 of this Agreement.

35. "***Indemnified Party***" has the meaning set forth in Section VIII.3 of this Agreement.

36. "***Indemnifying Party***" has the meaning set forth in Section VIII.3 of this Agreement.

37. "***Initial Overbid Amount***" has the meaning set forth in Section V.7.B(iii)(d) of this Agreement.

38. "***Intellectual Property***" means all patents, patent applications, trademarks, service marks, trade names and copyrights, in each case registered or unregistered, inventions, URL's, licenses, software (including documentation and object and source code listings), know-how, trade secrets, customer lists, processes, drawings, specifications, designs and other proprietary or intellectual property rights used in the Business as heretofore conducted, other than Shared Property.

39. "***IP Assignment***" has the meaning set forth in Section III.6 of this Agreement.

40. "***Key Employees***" means those persons identified on Schedule 1.40.

41. "***Key Employee Contracts***" means the employment contracts to be entered into between the Key Employees and the Buyer effective as of the Closing.

42. "***Lien***" means any claim (as the term is defined in the Bankruptcy Code), lien, pledge, option, charge, hypothecation, easement, security interest, right-of-way, encroachment, mortgage, deed of trust, imperfection of title, prior assignments or other encumbrance or charge of any kind or nature whatsoever including, without limitation, claims under theories of successor liability or similar doctrines.

43. "***Losses***" has the meaning set forth in Section VIII.1 of this Agreement.

44. "***Material Adverse Change***" means a change or changes in, or effect on, the Assets that is individually, or are in the aggregate, reasonably likely to be materially adverse to or materially impairs, the Assets by an amount greater than 10% of the Value of the Assets, where "***Value***" is determined on an anticipated revenue basis for revenue generating Assets and the fair market value of the other Assets as of the date of this Agreement, or the operation of the business of the Sellers, taken as a whole, taking into account the Sellers' status as debtors under Chapter 11 of the Bankruptcy Code, other than any change or effect in any way resulting from or arising in connection with this Agreement or any of the transactions contemplated by this Agreement (including any announcement with respect to this Agreement);

45. "***Non-Compete Agreement***" means a non-compete agreement entered into by and among the Sellers and the Buyer.

46. "***Other Assets***" has the meaning set forth in Section 2.8 of this Agreement.

47. "***Parent Guarantor***" has the meaning set forth in the Recitals to this Agreement.

48. "***Permits***" means all municipal, state, federal, local and foreign consents, orders, filings, franchises, permits, approvals, certificates, licenses, agreements, waivers, and authorizations held or used in connection with, or required for, the Business.

49. "***Person***" means any person, firm, corporation, partnership, joint venture, limited liability company, limited liability partnership, association or other entity (governmental or private).

50. "***Purchase Price***" has the meaning set forth in Section III.3.A of this Agreement.

51. ***"Sale and Procedures Motion"*** has the meaning set forth in Section V.7.A of this Agreement.

52. "***Sale and Procedures Order***" has the meaning set forth in Section 4.7(a) of this Agreement.

53. "***Sellers' Financial Statements***" has the meaning set forth in Section 3.1(l) of this Agreement.

54. "***Sale Hearing***" has the meaning set forth in Section 4.7(b)(i) of this Agreement.

55. "***Sellers' Schedule of Exceptions***" means the exceptions to the representations and warranties of the Sellers set forth on Exhibit A to this Agreement (which shall be delivered to the Buyer on the Schedule Delivery Date).

56. "***Selling Companies***" has the meaning set forth in Section 3.1(a) of this Agreement.

57. ***"Schedule Delivery Date"*** means no later than by 5:00 p.m. New York time on April 19, 2002.

58. "***Shared Property***" means all assets of whatever nature used by both the Business and Sellers' carrier access business as set forth on Schedule 1.57.

59. "***Subsidiaries***" mean the entities set forth in Schedule 1.

60. "***Transferred Employees***" has the meaning set forth in Section VI.1 of this Agreement.

61. "***Transition Matters***" has the meaning set forth in Section VI.2 of this Agreement.

62. "***WARN Act***" has the meaning set forth in Section 3.1(i)(ii) of this Agreement.

III.
PURCHASE AND SALE OF ASSETS

1. ***Purchase and Sale.***

A. The Sellers shall sell, convey, transfer and assign to the Buyer, and the Buyer shall purchase from the Sellers, on the Closing Date, free and clear of any and all Liens all of the Sellers' assets used exclusively in the Business or otherwise identified on Schedule 1.57 (except as provided in Section 1B below), be they tangible or intangible, fixed or current, including without limitation, all inventory, work in progress, raw materials, Contract Rights (including Essential Equipment Leases), prepaid assets, security deposits under Contract Rights, all plant, property and equipment, Intellectual Property, computer hardware, computer software, test equipment, manufacturing equipment, all causes of action, choses in action and rights of recovery and counterclaims or setoffs of the Sellers (other than to the extent any such cause of action, choses in action and rights of recovery and counterclaims and setoffs relate to damages actually suffered by, or claims brought against, the Buyer with respect to any of the assets or the Business), including, without limitation, actions or claims of any of the Sellers under Sections 510, 544, 545 and 547-553 of the Bankruptcy Code against any Essential Vendors, Persons to any Contract Rights and Key Employees, and all other assets and rights used or useful in the Business, other than as expressly limited below, and including, without limitation, the assets listed on Schedule 1A to this Agreement (collectively, the "***Assets***") (which Schedule 2.1(a) will be delivered to the Buyer on the Schedule Delivery Date).

B. Notwithstanding anything in this Agreement to the contrary, the Sellers shall retain, and the Buyer shall not accept, any of the Sellers' right, title and interest in and to (i) accounts receivable due to the Sellers, other than those accruing to the Buyer after the Closing Date and other than the Buyer's Pro Rata Portion (as defined below) to the extent such receivable delivered by the Buyer after the Closing Date; "***Buyer's Pro Rata Portion***" means the amount equal to the product of (A) such account receivable and (B) a fraction of which (X) the numerator of which is either the number of days of service or the dollar amount of goods to be provided by the Buyer and the (Y) the denominator is either the total number of days of service or total dollar amount of goods to be provided, in each case, in exchange for recognition of such account receivable subject to the adjustment set forth in Section 2.1(d); (ii) cash, cash equivalents and marketable securities, other than amounts received or receivable by the Sellers which relate to goods and services to be delivered by the Buyer after the Closing Date and shall therefore be paid to the Buyer; (iii) any pension plan, profit sharing plan, or other plan or program providing benefits to current or former Employees of the Sellers; (iv) copies of all business and financial records and other information (including computer files), relating to the conduct of the Business prior to the Closing Date, the originals of which will be conveyed to the Buyer, provided that the Buyer shall acquire, and Sellers shall not retain or obtain copies of customer lists, marketing materials and related information which are necessary for the Buyer's competitive position in the Business to be conducted after the Closing Date; (v) shares of capital stock of any company, including any Subsidiaries; and (vi) causes of action existing as of or after the Closing Date that relate to any of the foregoing Excluded Assets, including claims and causes of action, under Section 510 and Sections 547-550 of the Bankruptcy Code (other than such claims specifically included in Assets in Section 2.1(a) above), all as specified in Schedule 2.1(b) to this Agreement (collectively, the "***Excluded Assets***") (which Schedule 2.1(a) will be delivered to the Buyer on the Schedule Delivery Date).

C. Buyer will assume only the following specific obligations of Sellers (the "***Assumed Liabilities***"), and no others: (i) accounts payable due to Essential Vendors in an amount no greater than $3,000,000, (ii) amounts due and to become due on Essential Equipment Leases in an amount no greater than $6,600,000, (iii) performance of required services to customers of the Business in connection with Sellers' deferred revenue in an amount not greater than $500,000 and (iv) assumption of accrued vacation liability for employees hired by the Buyer in an amount no greater than $600,000.

D. At Closing, the Sellers and the Buyer shall reconcile the Buyer's Pro Rata Portion, to the extent such amount can be calculated and determined at the Closing, and the Purchase Price shall be adjusted to reflect such reconciliation. To the extent Buyer's Pro Rata Portion cannot be determined at Closing, within sixty (60) days after Closing, the final Buyer's Pro Rata Portion will be determined. Any accounts receivable (or proceeds thereof) shall be held in trust for the parties hereto until such final Buyer's Pro Rata Portion is calculated and payment shall be remitted to the appropriate party thereof.

2. ***Buyer Not Successor to Sellers.***

A. The Buyer shall not be the successor to the Sellers and the Buyer shall not assume or become liable to pay, perform or discharge any obligation or liability whatsoever of the Sellers or relating to any of the Assets or the Business, whether known or unknown, fixed or contingent, accrued or unaccrued, except for the Assumed Liabilities. For the purposes of clarification, the Buyer shall only be responsible for the Assumed Liabilities, and liabilities or obligations with respect to Contract Rights assigned to the Buyer pursuant to this Agreement to the extent such liabilities or obligations arise out of the performance of any assigned Contract Right by the Buyer after the Closing Date and the Buyer shall not be responsible for any liabilities, obligations or claims in relation to the Contract Rights that arise on or before the Closing Date or arise out of actions taken on or before the Closing Date.

B. Without limiting the foregoing, except for the Assumed Liabilities, the Buyer expressly is not assuming any of the following liabilities, whether accrued or fixed, absolute or contingent, known or unknown, determined or determinable, and whenever arising:

(i) any liabilities and obligations of the Sellers for federal, state, local or foreign taxes (including franchise, income, single business, sales, use, payroll, occupation, property, excise, withholding, transfer and other taxes);

(ii) any claims, demands, liabilities or obligations of any nature whatsoever (including claims, demands, liabilities or obligations in respect of advances or loans, environmental matters, occupational safety, workers' or workmen's compensation, grievance proceedings or actual or threatened litigation, suits, claims, demands or governmental proceedings) which arose or were incurred on or before the Closing Date, or which are based on events occurring or conditions existing on or before the Closing Date, or which are based on products sold or services performed by the Sellers on or before the Closing Date;

(iii) any liabilities and obligations of the Sellers in connection with any pension plan, profit sharing plan or other plan or program providing benefits to current or former Employees of the Sellers;

(iv) any liabilities and obligations of the Sellers under this Agreement, any bill of sale or related instrument issued in connection with this Agreement or otherwise in connection with the transactions contemplated by this Agreement;

(v) any claims, demands, liabilities or obligations relating to Intellectual Property of the Sellers including, without limitation, any infringement of any Intellectual Property by the Sellers; and

(vi) any liabilities of the Sellers to present or former employees (or their beneficiaries), consultants or agents for any compensation, pension contribution or other benefits accrued or otherwise payable (including, without limitation, any WARN Act liabilities), and any liabilities or obligations to present or former shareholders.

3. ***Purchase Price.***

A. The consideration for the Assets shall be $13,700,000 (the "***Purchase Price***"), consisting of $3,000,000 in cash and the assumption of the Assumed Liabilities, no portion of which shall become property of the estate of the Sellers under Section 541 of the Bankruptcy Code unless and until all conditions to Closing have been satisfied or waived prior to Closing. The Purchase Price shall be paid as follows:

(i) upon entry by the Bankruptcy Court of the Sale and Procedures Order, the Buyer will pay to Angel & Frankel, P.C., as escrow agent, a deposit on the Purchase Price of $300,000 (the "***Deposit Amount***"), which deposit shall be held in an interest-bearing money market account and shall be promptly refunded in whole (including any and all accrued interest thereupon) to the Buyer if (A) this Agreement does not close because the Sellers (1) sell some or all of the Assets (or the shares of the Sellers) to one or more other Persons, (2) have agreed to sell some or all of the Assets (or the shares of the Sellers) to one or more other Persons and the Buyer determines not to acquire the Assets, (3) terminate or cause the termination of this Agreement (including both a termination resulting from the Sellers' failure or inability to satisfy all of their conditions to close (unless the failure or inability arises because of a failure to complete a required action by the Buyer), or an uncured or incurable material breach of this Agreement by the Sellers, but not including a termination resulting from the Buyer's failure or inability to satisfy all of its conditions to close (unless the failure or inability arises because of a failure to complete a required action by the Sellers) or an uncured or incurable material breach of this Agreement by the Buyer), or (4) otherwise fail to close this Agreement, or (B) this Agreement is terminated at any time by the mutual written agreement of the Buyer and the Sellers. In the event that any of the circumstances in the preceding sentence are met, then the refund of the deposit (including interest) shall occur within two (2) Business Days of the triggering events in the prior sentence. If none of the circumstances in the first sentence are met, the Sellers shall retain the deposit.

(ii) at Closing, the Buyer will, subject to Sections 3A(iv) and 3A(v) below, pay to the Sellers the sum of $2,200,000 in cash, subject to the adjustment for the Buyer's Pro Rata Portion to the extent it is capable of adjustment at Closing (the "***Closing Cash***") by wire transfer of immediately available funds to a bank account designated in writing by the Sellers at least two (2) Business Days prior to the Closing Date;

(iii) the Buyer shall hold back and retain from the Purchase Price at Closing $500,000 (the "***Holdback Amount***") subject and pursuant to Section 4 of this Agreement provided that in the event that ninety (90) days after Closing there have been no indemnity claims under Article VII, the Holdback Amount shall be reduced to $250,000 by remittance of $250,000 to the Sellers;

(iv) the Buyer shall, at or before the Closing and in respect only of the Contract Rights for which it wishes to obtain assignment pursuant to Section VII.1.B of this Agreement, pay cure amounts to the appropriate parties so as to cure such defaults and permit assignment to the Buyer of the Contract Rights pursuant to Section 365 of the Bankruptcy Code (which payment, unless paid prior to or at Closing from the Sellers' other resources) shall constitute a deduction from the Closing Cash except to the extent such cure amounts are part of the Assumed Liabilities, and shall be referred to as the "***Assignment Cure Amount***"); and

(v) all state, local and municipal stamp, transfer, recording, sales and other similar taxes, charges and levies arising as a consequence of transactions contemplated by this Agreement and payable by the Buyer shall result in a corresponding deduction by the Buyer from the Purchase Price payable at the Closing, unless the Sellers have obtained a finding in the Approval Order determining that the transactions contemplated by this Agreement are not subject to taxation under any federal, state, local, municipal or other law imposing or purporting to impose a stamp, transfer, recording, sales, or any other similar tax on or in connection with this Agreement in accordance with Sections 1146(c) and 105(a) of the Bankruptcy Code.

B. In addition, upon the request of the Sellers, the Buyer agrees to make available a debtors-in-possession loan facility up to $2,000,000 on terms and conditions agreed to by the parties pursuant to a Revolving Loan and Security Agreement, and subject to an agreed to Financing Order entered by the Bankruptcy Court.

C. The Buyer shall determine the applicable tax allocation of the Purchase Price among the Assets on a reasonable and good faith basis. The Buyer and the Sellers agree to be bound by the Buyer's allocation for all purposes, including for purposes of all federal, state, local and foreign tax returns filed by them. In the event this allocation is disputed by any taxing authority, the party receiving notice of the dispute shall promptly notify the other party regarding resolution of the dispute.

4. ***Holdback***. The Buyer shall hold back and retain (without interest to either party to this Agreement) the Holdback Amount for a period of one year after Closing (the "***Holdback Period***") in order to secure the Sellers' indemnification of the Buyer for any losses as set forth in Article VII of this Agreement. Upon the expiration of the Holdback Period, the Buyer shall remit to the Sellers the Holdback Amount less an amount equal to a reasonable estimate of Losses arising from any indemnity claims outstanding at the expiration of the Holdback Period. The Buyer shall also be entitled to retain any taxes paid by the Buyer pursuant to Section 3.A(v) of this Agreement, to the extent not withheld from the Closing Cash, and any Assignment Cure Amounts paid by Buyer pursuant to Section 3.A(iv) of this Agreement, to the extent not withheld from the Closing Cash. To the extent any indemnity claim is outstanding at the end of the Holdback Period, upon resolution of the claim and payment of any amounts due to the Buyer pursuant to the claim, the Buyer shall remit to the Sellers the amount by which the Holdback

Amount still held by the Buyer exceeds the reasonable estimate of Losses arising from any other outstanding indemnity claim made against the Sellers pursuant to Article VII of this Agreement.

5. ***Closing***. The closing (the "***Closing***") of the transactions contemplated by this Agreement shall take place at the offices of Heller Ehrman White & McAuliffe LLP, 120 West 45th Street, New York, New York 10036-4041 or such other place or places as the Sellers and the Buyer shall agree, at 10:00 AM Eastern Standard Time on the eleventh (11^{th}) day after entry by the Bankruptcy Court of the Approval Order, unless the Buyer and the Sellers agree otherwise; provided that the Buyer may, in its discretion, (i) accelerate the Closing Date to such date after the issuance of the Approval Order as it shall determine in its sole discretion, or (ii) extend the Closing Date as provided for in Section V.7.C(xi) of this Agreement (the date of the Closing being the "***Closing Date***").

6. ***Instruments of Conveyance and Transfer***. At Closing, the Sellers shall deliver to the Buyer all instruments of transfer, conveyance, endorsement and assignment (in a form satisfactory to the Sellers and the Buyer) as shall be necessary in the reasonable judgment of the Buyer to evidence the transfer, conveyance and assignment of the Assets to the Buyer, including a Bill of Sale, in substantially the form attached hereto as Exhibit B (the "***Bill of Sale***"), an Assignment and Assumption, in substantially the form attached hereto as Exhibit C (the "***Assignment***") and an Intellectual Property Assignment, in substantially the form attached hereto as Exhibit D (the "***IP Assignment***").

7. ***Post-Closing Assurances***. The Sellers and the Buyer shall, at any time and from time to time after the Closing Date, upon the request of the Buyer or the Sellers, as the case may be, do, execute, acknowledge, deliver or file, or cause to be done, executed, acknowledged, delivered or filed, all further acts, deeds, transfers, conveyances, assignments or assurances as may be reasonably required for the better transferring, conveying, assigning and assuring to the Buyer, or for the aiding and assisting in the reducing to possession by the Buyer, of any of the Assets.

8. ***Acquisition of Other Sellers' Assets***. The Buyer is desirous of owning some or all of the other assets of the Sellers (collectively, the ***"Other Assets"***), as the Buyer endeavors to grow its business. However, the acquisition of these Other Assets is not a condition precedent to the transaction otherwise described herein. Nevertheless, the Sellers shall make reasonable efforts to give the Buyer prompt written notice of any third party's interest in acquiring the Other Assets and afford the Buyer the right to participate in discussions with the Sellers with respect to acquiring the Other Assets, including the right, exercisable in the Buyer's sole discretion, to make an offer for such Other Assets.

IV.
REPRESENTATIONS AND WARRANTIES

1. ***Representations and Warranties of the Sellers***. Except as set forth in the Sellers' Schedule of Exceptions, the Sellers represent and warrant to the Buyer as follows:

A. ***Organization.*** Each of the Sellers and their Affiliates that are transferring Assets hereunder (collectively, the "***Selling Companies***") is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has the

corporate power and authority and all necessary governmental approvals to own, lease, and operate its properties and to carry on its business as it is now being conducted or presently proposed to be conducted and to enter into this Agreement and each of the other Collateral Transfer Documents to which it is a party and to carry out its obligations hereunder and thereunder. Each Seller is duly qualified as a foreign corporation to do business, and is in good standing, in each jurisdiction where the operations of its business are conducted, except where the failure to be so qualified would not individually or in the aggregate either have a Material Adverse Change on its business, on the Assets or Assumed Liabilities, on the Business or on the Sellers' ability to consummate the transactions contemplated herein or materially hinder or delay such consummation.

B. ***Authority; Binding Agreements***. The execution and delivery of this Agreement and the Collateral Transfer Documents to which the Sellers are a party and the consummation of the transactions contemplated by this Agreement and the Collateral Transfer Documents to which the Sellers are party have been duly and validly authorized by all necessary corporate action on the part of each of the Sellers. Each of the Sellers has all requisite corporate power and authority to enter into this Agreement and the Collateral Transfer Documents to which it is a party and to consummate the transactions contemplated by this Agreement and the Collateral Transfer Documents to which it is a party. This Agreement and the Collateral Transfer Documents to which each of the Sellers is a party have been, or upon execution and delivery thereof will be, duly executed and delivered by each of the Sellers. This Agreement is, and the Collateral Transfer Documents to which each of the Sellers is a party upon the execution and delivery thereof will be, the valid and binding obligations of each of the Sellers, enforceable against it in accordance with their respective terms.

C. ***Conflicts; Consents***. Neither the execution and delivery of this Agreement or any of the Collateral Transfer Documents, the consummation of the transactions contemplated by this Agreement or by the Collateral Transfer Documents nor compliance by the Sellers with any of the provisions of this Agreement or the Collateral Transfer Documents will (i) violate any law, statute, rule or regulation or order, writ, injunction or decree applicable to the Sellers or the Sellers' properties or assets or (ii) constitute a breach of, or default (whether with notice or lapse of time, or both) under, or, result in the termination or cancellation of or acceleration of the performance required by, or require any consent, authorization or approval under, or result in the creation or imposition of any Lien upon any of the Assets under any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument to which any of the Sellers are a party or by which any of the Sellers or any of the Assets are bound or affected. Subject to entry of the Approval Order, no consent, authorization or approval by, or any notification of or filing with any Person is required in connection with the execution, delivery and performance by the Sellers of this Agreement or any of the Collateral Transfer Documents, or the consummation of the transactions contemplated by this Agreement or the Collateral Transfer Documents.

D. ***Assets, Property, Contract Rights and Related Matters***. At Closing, good, valid and marketable title to all of the Assets (or in the case of any licensed Assets, the Sellers' rights under such licenses) shall be transferred by the Sellers to the Buyer, free and clear of all Liens. The Assets include all of the Intellectual Property used or held for use by the Sellers in the Business as historically conducted. Subject to limitations of applicable bankruptcy law, the

Approval Order and as set forth in the Sellers' Schedule of Exceptions, each Contract Right is in full force and effect and is valid and the Sellers hold all right to assign each Contract Right to the Buyer. The Assets constitute all of the assets, tangible and intangible, of any nature whatsoever, necessary to operate the Business in the manner historically operated by the Sellers and include all of the operating assets of the Sellers used by the Sellers to operate the Business. The Assignment Cure Amount does not exceed the Closing Cash amount.

E. ***No Undisclosed Liens or Liabilities***. There are no Liens on the Assets or other liabilities or obligations of the Sellers of any kind whatsoever, whether accrued, contingent, absolute, determined, determinable or otherwise, other than the Liens and liabilities previously disclosed in writing to the Buyer.

F. ***Patents, Trademarks and Similar Rights***. The Sellers are the sole and exclusive owners of, or have sufficient legal right to use, the Intellectual Property. Schedule 3.1(f), which will be delivered on the Schedule Delivery Date, will set forth a complete list of all Intellectual Property of the Sellers related to the Business. The Sellers' Intellectual Property does not infringe any intellectual property right of any other Person. No litigation is ending or threatened against the Sellers or any officer, director, shareholder, employee or agent of the Sellers, for the infringement of any intellectual property right owned or allegedly owned by any other party; nor does any basis exist for any such litigation. To the best of the Sellers' knowledge, there has been no infringement or unauthorized use by any other Person of any Intellectual Property right belonging to the Sellers. No current or former employees or independent contractors of the Sellers have any lawful and valid claims or rights to any of the Intellectual Property rights necessary for the lawful conduct of the Business as historically conducted. No patent application listed on Schedule 2.1(a) to this Agreement has been abandoned and, to the best of Sellers' knowledge, all documents, updates or filings required to be submitted or filed with the United States Patent and Trademark Office or any other national or regional patent office regarding a patent application listed in Schedule 2.1(a) to this Agreement in order to keep the applications current and in effect have been duly and timely submitted or filed.

G. ***Litigation, Etc.*** Except for the Case, or as set forth in the Sellers' Schedule of Exceptions, there are no suits, actions, claims, investigations or legal or administrative or arbitration proceedings in respect of the Sellers or any of the Assets, pending or, to the knowledge of the Sellers, threatened, whether at law or in equity, or before or by any federal, foreign, state or municipal or other governmental department, commission, board, bureau, agency or instrumentality which individually, or in the aggregate, could have a Material Adverse Change on the Sellers. Except for the Case, there are no pending judgments, decrees, injunctions or orders of any court, governmental department, commission, agency, instrumentality or arbitrator against the Sellers or any of the Assets.

H. ***Environmental Compliance***. There are no conditions relating to the Sellers or relating to the Sellers' ownership, lease, possession, use or maintenance of any real property, or otherwise, and the Sellers do not know or have any reason to know of any such condition in respect of such real property, or otherwise, that could lead to any liability of the Sellers or the Buyer for violation of any federal, state, county or local laws, regulations, orders or judgments relating to pollution or protection of the environment or any other applicable environmental,

health or safety statutes, ordinances, orders, rules, regulations or requirements. The Sellers have received, handled, used, stored, treated, shipped and disposed of all hazardous or toxic materials, substances and wastes (whether or not on their properties or properties owned by others) in compliance with all applicable environmental, health or safety statutes, ordinances, orders, rules, regulations or requirements.

I. ***Employees; Labor Disputes.***

(i) Except as set forth on the Sellers' Schedule of Exceptions, the Sellers and their ERISA Affiliates do not currently maintain any employee benefit plan subject to Title IV of the Employee Retirement Income Fund of 1974, as amended ("ERISA"), nor have they maintained any such plan since their respective dates of incorporation through the date hereof. Neither the Sellers nor any ERISA Affiliate is a contributing employer to a multiemployer plan as defined in Section 3(37) of ERISA. The Sellers have no liability or obligation arising under Title IV of ERISA and, to the best knowledge of the Sellers, there is no basis for the assertion of any such liability.

(ii) The Sellers have complied in all respects with all requirements of all applicable laws relating to employment practices, terms and conditions of employment, equal employment opportunity, non-discrimination, immigration, wages, hours, benefits, workers' compensation, collective bargaining, the Consolidated Omnibus Budget Reconciliation Act of 1985 and other similar legislation. The Worker Adjustment and Retraining Notification Act (the "***WARN Act***") does not apply to the transactions contemplated by this Agreement, and if it does apply, the Sellers have complied with all WARN Act obligations.

(iii) The Sellers are not a party to any collective bargaining agreement, no Employee is a member of any trade union and no trade union is certified with the Sellers as a bargaining agent.

(iv) At Closing, the employment by the Buyer, or any affiliate of the Buyer, of any former Employee or Employee pursuant to Section VI.1 of this Agreement shall not constitute a breach or violation of, and shall not be in any manner restricted by, any non-competition, confidentiality, trade secret or other restraint, limitation or restrictive covenant or agreement with or in favor of the Sellers or any of their Affiliates.

J. ***Employee Benefit and Compensation Plans***. The transactions contemplated by this Agreement shall not cause the Buyer to incur any liability with respect to, or on account of, any employee benefit plan of the Sellers or any predecessor employer of any Employees, including, but not limited to, liabilities the Sellers may have to Employees or former Employee under all employee benefit schemes, incentive compensation plans, bonus plans, pension and retirement plans, vacation, profit-sharing plans (including any profit-sharing plan with a cash-or-deferred arrangement) share purchase and option plans, savings and similar plans, medical, dental, travel, accident, life, disability and other insurance and other plans or arrangements, whether written or oral and whether "qualified" or "non-qualified," or to any Employee as a result of termination of employment by the Sellers as contemplated by this Agreement.

K. ***Separation of Business from Carrier Access Business***. The Business is separable, on an operational basis, from the carrier access business of the Sellers, and at Closing,

upon the separation of the Business from the carrier access business of the Sellers, the Business can be continued to operate as it had prior to such separation (without the incurrence of any material costs after Closing), including without limitation, without any loss of functionality, reduction in response time or speed of services, or interruption of service or any other adverse effect on customers as a result of such separation (i.e. at Closing, there will be a seamless transition to split the Business from the carrier access business of the Sellers).

L. ***Financial Statements***. The unaudited balance sheet of the Sellers at March 31, 2002 and income statement and statement of cash flows for the quarter ended March 31, 2002 and the audited balance sheet of Sellers at December 31, 2001 and the income statement and statement of cash flows for the year ended December 31, 2001 have been previously delivered to the Buyer. Such financial statements, including the notes thereto, are referred to collectively as the "***Sellers' Financial Statements***." The Sellers' Financial Statements have been prepared in accordance with generally accepted accounting principles and present fairly in all material respects the assets, liabilities and financial data of the Sellers for the respective periods covered thereby. Since March 31, 2002, the Business has been conducted in the ordinary course to the best of the Sellers' ability given the exigent circumstances prompting the filing of the bankruptcy petition, and the Sellers have not taken any action which would have constituted a violation of Section 4.2 if Section 4.2 had applied to the Sellers since March 31, 2002, except as required by the Bankruptcy Court.

M. ***Contracts***. (a) Schedule 3.1(m) which will be delivered on the Schedule Delivery Date, will set forth a complete list of all Contracts, together with the cure amount for each Contract that is required to cure all defaults for such Contract and such cure amount for each Contract is accurate as of the date of this Agreement.

N. ***Shared Property***. Schedule 1.57 which will be delivered on the Schedule Delivery Date, will set forth a complete list of all Shared Property. The Sellers have good, valid and marketable title, or legal rights to use all of the Shared Property.

O. ***Real Property***. The Sellers do not own any real property. The Sellers have not received any notice of, or have knowledge of, condemnation or eminent domain proceedings pending or threatened against any real property leased or subleased by them. The Sellers do not have any knowledge from any city, village, state, federal or other governmental authority of, or otherwise have knowledge of, any zoning, ordinance, building, fire or health code or any other legal violation in respect of any real property that is leased or subleased by the Sellers that could reasonably be expected to have a Material Adverse Change. Each real property that is leased or subleased by the Sellers is suitable and adequate in all material respects for its current use, operation and occupancy. The Sellers are in exclusive possession of all real property that is leased or subleased by them and no lease or sublease of real property is subject to any third party rights or encumbrances other than the rights of the lessor under such leases or subleases. No work is required to be performed on any real property that is leased or subleased by the Sellers in order to bring such property into compliance with any lease or legal requirement. There are no pending or, to the Sellers' knowledge, threatened proceedings which might interfere with the quiet enjoyment by the Sellers of any of their leased or subleased real property.

P. ***Compliance with Laws***. The Sellers are not in violation of any law, rule, regulation, order, judgment or decree applicable to them or by which any of the Assets is bound

or affected, except for violations the existence of which would have not have a Material Adverse Change. At Closing, the Sellers will have complied in all material respects with the Bankruptcy Code, the rules promulgated thereunder and all orders of the Bankruptcy Court in connection with the Approval Order. The Sellers have not taken any action, or failed to take any action, which might, to any extent, prevent, impede or result in the revocation of the vesting in the Buyer upon entry of the Approval Order of good and marketable title to the Assets (or any portion thereof) free and clear of all claims and interests of creditors and equity security holders.

Q. ***Plant and Equipment***. The plants, structures and equipment of the Sellers are in good operating condition and repair for equipment of their age and are adequate for the uses to which they are being put; and none of such plants, structures or equipment are in need of maintenance or repairs except for ordinary, routine maintenance and repairs. The Sellers have not received any notification that they are in violation of any applicable building, zoning, anti-pollution, health or other law, ordinance or regulation in respect of their plants or structures of their operations and no such violation exists.

R. ***Insurance***. The Sellers have made available to Buyer copies or schedules of all material policies of fire, product liability and other forms of insurance covering occurrences as of, or claims made on, the date hereof and maintained by the Sellers to the extent applicable to the Business. The Sellers have received no notification of cancellation, modification or denial of renewal of such insurance policies. All such policies are assignable to the Buyer.

S. ***Permits***. Schedule 3.1(q) which will be delivered on the Schedule Delivery Date, will set forth a complete list of all Permits which the Sellers presently hold for the Business, and the Sellers are in full compliance with all terms and conditions thereof. Such Permits are in full force and effect, free from violations, and the Assets are being used in accordance with all such Permits. The Sellers have all Permits necessary to operate the Business. All of the Permits of the Sellers are assignable to the Buyer.

T. ***Labor Disputes***. There are not currently any strikes, lockouts, slowdowns or picketing involving personnel employed by the Sellers.

U. ***Brokers***. No agent, broker, investment banker, person or firm acting on behalf of the Sellers or under the authority of the Sellers are or will be entitled to any broker's or finder's fee or any other commission or similar fee directly or indirectly from any of the parties to this Agreement in connection with any of the transactions contemplated by this Agreement except for Daniels & Associates, L.P., whose fees and expenses shall be paid by the Sellers or third parties other than the Buyer or its affiliates.

V. ***Customer Contracts***. None of the obligations of any of the customers of the Sellers are subject to any rights of offset. The Sellers have no notice of any customer either planning to terminate any of its contracts with the Sellers or requesting an audit as relates to any of its contracts with the Sellers. Except as set forth on Schedule 3.1(v), which will be delivered on the Schedule Delivery Date, none of the Sellers' customers has made, or has threatened, any material claim against any of the Sellers.

W. ***Disclosure***. Neither this Agreement nor any schedule, statement, list, certificate or other information furnished in writing to the Buyer pursuant to or in connection

with this Agreement or any of the transactions hereby contemplated contains any untrue statement of a material fact or omits any material fact necessary in order to make the statements contained herein and therein not misleading.

2. ***Representations and Warranties of the Buyer.*** The Buyer represents and warrants to the Sellers as follows:

A. ***Organization and Power.*** The Buyer (i) is a corporation duly organized, validly existing and in good standing under the laws of Delaware and (ii) has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted.

B. ***Authority; Binding Agreements.*** The execution and delivery of this Agreement and the Collateral Transfer Documents to which it is a party and the consummation of the transactions contemplated by this Agreement and the Collateral Transfer Documents to which it is a party have been duly and validly authorized by all necessary corporate action on the part of the Buyer. The Buyer has all requisite corporate power and authority to enter into this Agreement, the Collateral Transfer Documents to which it is a party and to consummate the transactions contemplated by this Agreement and the Collateral Transfer Documents to which it is a party. This Agreement and the Collateral Transfer Documents to which it is a party have been, or upon execution and delivery thereof will be, duly executed and delivered by the Buyer. This Agreement is, and the Collateral Transfer Documents to which it is a party upon the execution and delivery thereof will be, the valid and binding obligations of the Buyer, enforceable against it in accordance with their respective terms.

C. ***Conflicts; Consents.*** The execution and delivery of this Agreement, the Collateral Transfer Documents to which it is a party, the consummation of the transactions contemplated by this Agreement and the Collateral Transfer Documents to which it is a party and compliance by the Buyer with the provisions of this Agreement and the Collateral Transfer Documents to which it is a party, do not and will not (i) conflict with or result in a breach of the articles of incorporation or by-laws of the Buyer, (ii) constitute a breach of, or default (whether with notice or lapse of time, or both) under, or, result in the termination or cancellation of or acceleration of the performance required by, or require any consent, authorization or approval under, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument to which Buyer is a party or by which the Buyer or any of the Buyer's properties or assets, are bound or affected, (iii) violate any law, statute, rule or regulation or order, writ, injunction or decree applicable to the Buyer or its properties or assets. No consent or approval by, or any notification of or filing with, any Person is required in connection with the execution, delivery and performance by the Buyer of this Agreement, the Collateral Transfer Documents to which it is a party or the consummation of the transactions contemplated by this Agreement or the Collateral Transfer Documents to which it is a party.

D. ***Financial Capacity.*** The Buyer has, or will have at Closing, all funds necessary to enable the Buyer to perform this Agreement in accordance with its terms. The Buyer agrees that at all times between the date of this Agreement and the Closing Date it will take commercially reasonable actions to assure that it will have funds sufficient to permit the Buyer to pay the Cash Purchase Price as required by Section III.3 of this Agreement.

V.
ADDITIONAL AGREEMENTS AND COVENANTS

1. ***Expenses***. Except as provided in Section III.3.A(v) of this Agreement regarding the mechanism for payment of Assignment Cure Amounts, Section III.3.A(iv) of this Agreement regarding the deduction for taxes , and Section IX.2.C of this Agreement regarding the Breakup Fee, each party to this Agreement shall bear its own costs, fees and expenses incurred in connection with the transactions contemplated by this Agreement.

2. ***Maintenance of Assets***. From the date of this Agreement until the Closing Date, except as otherwise expressly consented to in advance by the Buyer in writing, the Sellers shall (a) not sell, transfer or otherwise dispose of any of the Assets, (b) maintain the status quo of their business operations pending the Closing Date and shall operate their Business in a manner consistent with its current business plan pending the Closing Date, including paying post-petition obligations to Essential Vendors and to lessors under the Essential Equipment Leases in a timely manner (i.e. no later than when such obligations are due by their terms or at such other time as otherwise agreed to with Essential Vendors and with lessors under the Essential Equipment Leases and real property leases and subleases) and not accelerating any sales of Sellers' services or collections of any accounts receivable due to Sellers, (c) take all appropriate measures to preserve and maintain the condition and character of the Assets, (d) timely take all actions and timely provide all notices as are required pursuant to Section 365 of the Bankruptcy Code to permit assignment of the Contract Rights, (e) not enter into, modify or negotiate the terms of any new contracts affecting the Assets without the approval of the Buyer, and (f) not, directly or indirectly, cause or permit any state of affairs, action or omission that constitutes, or could lead to, a Material Adverse Change. Without limiting the generality of the foregoing, Sellers shall commence and complete (and pay for) the deferred maintenance and scheduled capital improvements which are described in the materials provided by Sellers to Buyer. In the event such maintenance, improvements and other costs which were planned and/or scheduled and are appropriate in light of the Businesses' needs are not completed by Closing Date, Buyer shall receive a credit against the Purchase Price for the costs of completing such maintenance.

3. ***Further Assurances***. Each of the parties to this Agreement agrees to use all commercially reasonable efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations, to consummate and make effective the transactions contemplated by this Agreement as expeditiously as practicable and to ensure that the conditions set forth in Article VI of this Agreement are satisfied, insofar as the matters are within the control of any of them. If at any time after the Closing Date, any further action is necessary or desirable to carry out the purposes of this Agreement, the Buyer and the Sellers shall each take or cause to be taken all such necessary action, including the execution and delivery of further instruments and documents, as may be reasonably requested to complete or perfect the transactions contemplated by this Agreement.

4. ***Access and Information***. From the date of this Agreement until the first to occur of the Closing Date and the termination of this Agreement, the Sellers shall permit the Buyer and its representatives to make all investigation as to the Transferred Employees and the Contract Rights as the Buyer reasonably deems necessary or desirable in order to determine with respect

to the Transferred Employees, which Transferred Employees to hire in accordance with Article V of this Agreement, and with respect to the Contract Rights, whether to acquire or renegotiate the contracts or agreements in accordance with Section VII.1.B of this Agreement. This access and investigation shall be made upon reasonable notice and at reasonable places and times. This access and information shall not in any way affect or diminish any of the representations or warranties made by any party in this Agreement.

5. ***Public Announcements.*** The Buyer and the Sellers will consult with each other before issuing, and provide each other the opportunity to review and comment upon, press releases or other public statements, if any, with respect to the transactions contemplated by this Agreement, and shall not issue any such press release or make any such public statement prior to such consultation, except as may be required by applicable law, court process or by obligations pursuant to any securities exchange.

6. ***Removal and Delivery of Assets.*** The Sellers shall arrange for the removal and delivery of any physical Assets to the Buyer or at the Buyer's direction within 30 days of the Closing Date, to the extent such assets are not already in the physical premises acquired by Buyer. Delivery shall be at the Buyer's cost and in the manner as the Buyer designates in writing to the Sellers. From and after the Closing Date to the date of delivery, the Sellers shall segregate and keep secure the Assets and identify these as the property of the Buyer.

7. ***Bankruptcy Court Approval.***

A. The parties acknowledge that the each of the Sellers has filed, or shall be filing, a voluntary petition under the Bankruptcy Code in the Bankruptcy Court. The rights and obligations of each party hereunder are subject to offers from third parties for the assets to be transferred hereunder that are approved as higher and better offers by the Bankruptcy Court or pursuant to procedures established by the Bankruptcy Court in the Approval Order (as defined below). The transactions contemplated hereunder will be expressly conditioned upon and subject to the Sellers having obtained an order or orders permitting the transfer of the Assets free and clear of liens and encumbrances pursuant to Sections 363(f) and 365 of the Bankruptcy Code (collectively, the "***Approval Order***") in form and substance reasonably satisfactory to the Buyer from the Bankruptcy Court providing for bidding procedures and the sale of the Assets to the Buyer (if the Buyer is the winning bidder) as more particularly set forth below. The Sellers agree to file a motion (a "***Sale and Procedures Motion***") seeking an entry of an Order ("***Sale and Procedures Order***") approving of the bidding procedures and the sale of the Assets to the Buyer (if the Buyer is the winning bidder) as soon as reasonably possible following execution of this Agreement, but not later than four (4) Business Days.

B. The Sale and Procedures Order, which shall be acceptable to the Buyer, will include a request for approval of the following procedures and buyer protections:

(i) A sale hearing (the "***Sale Hearing***") shall be scheduled on or before May 30, 2002.

(ii) If a competing bid meeting the requirements of Section 4.7(b)(iii) below is submitted, an auction among the Buyer and those parties having submitted competing bids which satisfy the terms of the Sale and Procedures Motion (the "***Auction***") for the sale of

the Assets shall be conducted on the Business Day before the Sale Hearing at the New York, New York office of Angel & Frankel, P.C.

(iii) Other persons shall have a right to submit a competing bid for the Assets subject to the following requirements:

(a) Such competing bids shall (x) be on substantially the same terms as this transaction, (y) not be on terms and conditions which are more burdensome than the terms of this Agreement; and (z) not be subject to any contingencies to closing (other than compliance with the Hart-Scott-Rodino Antitrust Improvements Act, if applicable) other than those applicable to the Buyer; and

(b) Such competing bids shall be in writing and delivered to Angel & Frankel, P.C., not later than five o'clock p.m. on the second Business Day preceding the Auction (with copies of such bids to be served on and received by the Sellers and the Buyer not later than six o'clock p.m. on the second Business Day preceding the Auction);

(c) Such competing bids shall be accompanied by a $300,000 earnest money deposit in the form of a bank or certified check made payable to the Sellers, which shall be paid to the Sellers not later than five o'clock p.m. on the second Business Day preceding the Auction. Once a competing bid is received and the earnest money deposit is accepted by the Sellers, such earnest money deposit shall be deemed a non-refundable deposit and the deposit shall be paid to the Sellers in the event the competing purchaser is the successful bidder and fails to close the sale transaction. If a competing bid is approved by the Bankruptcy Court, the earnest money deposit recovered by the Sellers shall first be used to pay any Breakup Fee due and owing to the Buyer pursuant to this Agreement and any balance shall be applied against the competing bidder's purchase price;

(d) The initial competing bid (the "***Initial Overbid Amount***") shall equal the sum of (a) the Purchase Price, (b) $200,000 (the "***Additional Increment***"), and (c) the Breakup Fee. Any subsequent bids shall be in $200,000 increments;

(e) In determining whether a subsequent bid by the Buyer at the Auction for the Assets is higher and better than the previously submitted bid, the Buyer shall be entitled to include as part of any subsequent bid a credit for the amount of the Breakup Fee; provided, however, that any subsequent bid by the Buyer must exceed the then current high bid by the Additional Increment to become a qualified bid. Further, the Sellers shall promptly provide the Buyer with a copy of any bid procedures to be used in connection with an auction of the Other Assets, which procedures shall not in any way modify the procedures or protections described herein; and

(f) The Buyer acknowledges that the Sellers may offer for sale at the Auction their right, title and interest in the Other Assets; provided, however, that such inclusion or exclusion of the Other Assets shall not constitute grounds for the Sellers to terminate or modify this Agreement or prejudice any of the Buyer's rights hereunder.

(iv) If the Sellers receive and accept a bid other than the Buyer's bid, the Sellers shall (x) within two (2) Business Days of the Auction, return to the Buyer the

refundable escrow deposit, with interest earned thereon (unless Sellers and the Buyer otherwise mutually agree that the Buyer shall be an alternative successful bidder, in which case such escrow deposit, with interest earned thereon, may be retained by the escrow agent until two (2) days following the first to occur of the closing of the successful bid or the time period set forth in the agreement between the Sellers and the Buyer relating to the Buyer becoming an alternative successful bidder) and (y) become obliged to pay the Buyer the Breakup Fee to compensate the Buyer for its expenses and the substantial time and resources committed to due diligence in connection with acting as the "stalking horse" for this transaction. The Breakup Fee shall be paid to the Buyer upon the closing of the successful bid transaction; and

C. The Sale and Procedures Motion will also seek Bankruptcy Court approval for the following (provided that the Buyer is the successful bidder at the Auction):

(i) Approval Order, pursuant to Sections 363(b) and (f) and 365 of the Bankruptcy Code, of

(x) The execution, delivery and performance by the Sellers of this Agreement and the other agreements contemplated hereby;

(y) The sale of the Assets to the Buyer pursuant to the terms of this Agreement; and

(z) The performance by the Sellers of their obligations under this Agreement;

(ii) Authorization of the Sellers to assume and assign to the Buyer pursuant to Section 365 of the Bankruptcy Code the Contract Rights to be assigned to the Buyer hereunder;

(iii) Inclusion of a specific finding that the Buyer is a good faith purchaser within the meaning of Section 363(m) of the Bankruptcy Code;

(iv) Inclusion of a specific finding that any objections timely filed with respect to this sale transaction, which have not been withdrawn, are without merit or the interests of such objections have been otherwise satisfied or adequately provided for by the Bankruptcy Court;

(v) Inclusion of a specific finding that no competitive bids have been received which meet the bid requirements set forth herein and which the Bankruptcy Court deems reasonable and appropriate, or, if other bids are received, that Buyer's bid is the highest and best offer;

(vi) Inclusion of a specific finding that the Purchase Price represents the fair value of the assets being sold;

(vii) Inclusion of a specific finding that the sale is in the best interests of the estate and its creditors;

(viii) Inclusion of a specific finding that the Buyer has acted in good faith;

(ix) Inclusion of a specific finding that the Bankruptcy Court shall retain jurisdiction for the purpose of enforcing the provisions of the Approval Order and resolve any disputes related thereto;

(x) Inclusion of a specific finding that there are no brokers involved in consummating this transaction and no brokers' commissions are due, other than the fees payable by the Sellers or any third parties (other than Buyer or its affiliates) to Daniels & Associates, L.P.;

(xi) Inclusion of a specific finding that if an appeal is pending, the Buyer shall, during the two (2) Business Days following the close of business of the fifteenth (15th) day following the Buyer's receipt of written notice from the Sellers of the filing of the appeal (or if such day is a weekend or holiday, the immediately following Business Day), have the option of keeping this Agreement in place (in which case the Buyer may elect to close the Asset purchase notwithstanding such appeal) or terminating this Agreement with a return of any earnest money deposit, plus accrued interest and the Breakup Fee (and such earned money deposit, plus accrued interest and the Breakup Fee shall be paid within two (2) Business Days of terminating the Agreement); and

(xii) Inclusion of a specific finding that the Sellers and the Buyer shall be authorized to close this transaction immediately upon entry of Approval Order pursuant to Bankruptcy Rules 6007(g) and 8002.

The Buyer agrees that it will promptly take such actions as are reasonably requested by the Sellers to assist in obtaining entry of the Approval Order, including, without limitation, furnishing affidavits or other documents or information for filing with the Bankruptcy Court for purposes, among others, of providing necessary assurances of performance by the Buyer under this Agreement and demonstrating that the Buyer is a "good faith" buyer under Section 363(m) of the Bankruptcy Code.

D. In relation to the foregoing, the Sellers agree to:

(i) use their best efforts to obtain entry of the Sale and Procedures Order by not later than April 30, 2002;

(ii) use their best efforts to obtain entry of the Approval Order by not later than May 31, 2002;

(iii) give notice of the hearings on motions seeking approval of the Sale and Procedures Motion and the Approval Order to all creditors and other parties in interest and to all parties to any contract which the Buyer proposes to assume;

(iv) provide to the Buyer and its counsel promptly after receipt (by facsimile and by overnight messenger), copies of any Initial Overbid Amount or other bids and of any motions or other pleadings filed with the Bankruptcy Court;

(v) permit the Buyer an adequate opportunity to review and comment upon any pleadings or other papers proposed to be filed by the Sellers in connection with its efforts to obtain approval of this Agreement and the transactions contemplated by this Agreement;

(vi) otherwise cooperate with the Buyer in an effort to obtain Bankruptcy Court approval of this Agreement and the transactions contemplated by this Agreement; and

(vii) in the event the Buyer is declared the successful bidder at the Auction or no other party bids at the Auction, the Sellers shall not solicit, entertain or accept, or seek Bankruptcy Court approval of, any other offers received.

8. ***Confidentiality***. The Sellers shall maintain in the strictest confidence the customer list purchased by the Buyer.

9. ***No Shop***. From the date of this Agreement until the approval by the Bankruptcy Court of the Sale and Procedures Order, the Sellers agree not to "shop" or solicit any offers to purchase, directly or indirectly, any of the Assets.

VI.
EMPLOYEE MATTERS

1. ***Transferred Employees and Key Employees***. Other than the Key Employees, the Buyer may, but is not obligated to, offer employment to any or all Employees on an "at will" basis (the "***Transferred Employees***"). In addition, the Buyer will have identified the Key Employees as essential to the conduct of the business operations in respect of the Assets and the Buyer will require that Key Employee Contracts be entered into with the Key Employees prior to Closing. The terms of the Key Employee Contracts shall be as negotiated, on mutually satisfactory terms, between the Buyer (on a good faith basis) and each Key Employee prior to Closing. The Buyer shall have the right to contact any or all of the Transferred Employees and the Key Employees for the purposes of making offers of employment with the Buyer (or any affiliate designated by the Buyer) after the Closing Date and receiving written acceptances of such employment (in each case contingent on consummation of the transactions contemplated by this Agreement). The Sellers agree that they will cooperate with the Buyer with respect to the offering and transition process as and to the extent reasonably requested by the Buyer.

2. ***Transition***. The employment by the Sellers of the Transferred Employees and Key Employees shall end at the close of business on the Closing Date and the employment of the Transferred Employees and the Key Employees by the Buyer shall commence at 12:01 a.m. on the day after the Closing Date. The Buyer shall not be responsible in any manner for any amounts payable to any Employee, including (without limitation) all termination payments, redundancy compensation, severance pay, accrued vacation pay and other amounts payable in respect of the termination of employment of any Employee. The Sellers shall terminate all employment and non-competition agreements with the Transferred Employees and the Key Employees upon the Closing Date. In order to allow the Sellers to maximize the value of the Other Assets, the Buyer agrees to allow the Key Employees hired by the Buyer in accordance herewith, to continue to provide services to the Sellers after the Closing Date on terms negotiated

between the Key Employees and the Sellers (the "***Transition Matters***"), provided that the performance of such services by the Key Employees does not interfere with their obligations to the Buyer. To the extent any such services are provided by the Key Employees of the Buyer during regular business hours and such services interfere with such Key Employees' obligations to the Buyer, then in lieu of compensating such Key Employees, the Sellers shall indemnify the Buyer on terms to be agreed to by the Sellers and the Buyer and such indemnity shall reduce the amount of the Holdback Amount. Notwithstanding the foregoing, the Sellers agree that they will be responsible for, and indemnify the Buyer against, any Losses incurred by the Buyer in relation to the Transition Matters or any Losses incurred as a result of, or in any way arising from, its employees carrying out the Transition Matters, whether any claim giving rise to a Loss is brought by a third party or an employee of the Buyer.

VII.
CONDITIONS PRECEDENT

1. ***Conditions to Obligations of the Buyer.*** The obligations of the Buyer to perform this Agreement and close the transactions contemplated hereby are subject to the satisfaction of the following conditions unless waived by the Buyer:

A. the Sellers obtaining all requisite consents and approvals to execution, delivery and performance of this Agreement including, but not limited to, those of applicable governmental authorities;

B. the assignment to the Buyer or restructuring or renegotiation by the Buyer of the Sellers' Contract Rights (including, without limitation, the America's Job Bank Contract, software licenses, and service contracts with communication providers and the top five largest customer contracts (ranked in terms of revenues) and the next 18 out of the next 20 largest customer contracts (ranked in terms of revenues), conditional on the Closing and in the event of a renegotiation or restructuring, only with the Sellers' approval, and in each case in a manner satisfactory to the Buyer in its absolute discretion by the date which is two (2) Business Days before the date of the Sale Hearing seeking issuance of the Approval Order ("***the Cut Off Date***"); provided that such condition shall be deemed satisfied unless the Buyer notifies the Sellers in writing by the Cut Off Date that such condition has not been satisfied; and provided further that such assignments or restructuring or renegotiation has not been amended, abandoned, rescinded, cancelled or terminated by any party to the Contract Rights other than the Buyer prior to the Closing Date;

C. the execution by the Key Employees of the Key Employee Contracts by the Cut Off Date; provided that such condition shall be deemed satisfied unless the Buyer notifies the Sellers in writing by the Cut Off Date that such condition has not been satisfied; and provided further that no Key Employee Contract has been rescinded, cancelled or terminated by any of the Key Employees prior to the Closing Date;

D. from the date of the Purchase Agreement until the Closing there shall have been no Material Adverse Change;

E. title to the Assets shall be transferred free and clear of any and all Liens;

F. the representations and warranties of the Sellers contained in this Agreement shall be true and correct as of the Closing Date (including without limitation, Section IV.1.K of this Agreement) and the Sellers shall have performed and complied with all covenants and agreements required to be performed or complied in all material respects with on or prior to the Closing;

G. approval of the Buyer's board of directors for the transactions contemplated by this Agreement by the date which is two (2) Business Days before the date of the Sale Hearing seeking issuance of the Approval Order, and such approval has not been rescinded prior to the Closing Date;

H. the Buyer shall have completed to its reasonable satisfaction its due diligence by the date which is two (2) Business Days before the date of the Sale Hearing as to:

(i) Environmental and other regulatory compliance;

(ii) Review of historical financial performance;

(iii) Absence of material contingent liabilities;

(iv) Obtaining appropriate licenses and permits;

(v) Insurance matters; and

(vi) Matters related to the benefit plans in which the Sellers' employees participate.

I. the Buyer shall not be a successor in law to any of the Sellers' employee benefit, pension or similar plans or arrangements;

J. there shall be no litigation, actual, pending or threatened, relating to the Sellers, the Business or the Assets (including, without limitation, pertaining to the WARN Act, employee benefit arrangements or environmental matters) which may result in liability or, (determined on a reasonable basis) potential liability, for the Buyer;

K. the Sale and Procedures Order, in form and substance reasonably satisfactory to the Buyer in its sole discretion, shall have been entered (including approval of the overbid procedures and the Breakup Fee) by the Bankruptcy Court by no later than April 30, 2002, and shall not have been modified, appealed, stayed, vacated or otherwise rendered ineffective by any court of competent jurisdiction, and the Sellers shall have complied in all material respects with the requirements of the Sale and Procedures Order;

L. the Approval Order, reasonably satisfactory to the Buyer, in its sole discretion, shall have been entered by the Bankruptcy Court by May 31, 2002, and shall not have been modified, appealed, stayed, vacated or otherwise rendered ineffective by any court of competent jurisdiction;

M. the Sellers shall have delivered to the Buyer the Bill of Sale, the Assignment and the IP Assignment, each duly executed by the Sellers;

N. at Closing, the Sellers shall agree not to compete with the Buyer for a period of seven years in the Business being purchased by the Buyer, pursuant to the terms of a Non-Compete Agreement provided such Non-Compete Agreement shall not apply to any third party unaffiliated with the Sellers who acquires for consideration a controlling interest in the stock of the Sellers;

O. the Buyer shall be satisfied, in its reasonable discretion, with the Sellers' Schedule of Exceptions;

P. the Buyer shall have received a certificate of the President or other duly authorized officer satisfactory to the Buyer of the Sellers certifying that the conditions set forth in Sections 1A, 1D, 1F and 6.1(h) of this Agreement have been met as of the Closing Date; and

Q. the Buyer shall have received such other documents, certificates or instruments as it may reasonably request.

2. ***Conditions to Obligations of Sellers***. The obligations of the Sellers to perform this Agreement and close the transactions contemplated hereby are subject to the satisfaction of the following conditions unless waived by the Sellers:

A. the Buyer obtaining all requisite consents and approvals to execution, delivery and performance of this Agreement including, but not limited to, those of applicable governmental authorities;

B. the representations and warranties of the Buyer contained in this Agreement being true and correct and the Buyer having performed and complied with all covenants and agreements required to be performed or complied in all material respects with on or prior to the Closing;

C. the Bankruptcy Court shall have entered the Approval Order;

D. the Buyer shall have delivered to the Sellers the Assignment and the IP Assignment duly executed by the Buyer;

E. the Sellers shall have received (i) the deposit provided for in Section III.3.A(i) of this Agreement and (ii) the Closing Cash, less the Assignment Cure Amount and less any taxes due as described in Section III.3.A(v) of this Agreement;

F. the Sellers shall have received such other documents, certificates or instruments as it may reasonably request; and

G. the parties hereto will have reached a mutually acceptable plan for the hired employees.

VIII.
INDEMNITY

1. ***Sellers' Indemnification***. The Sellers indemnify and hold harmless the Buyer, and its respective affiliates, directors, officers, employees and other agents and representatives from and against any and all liabilities, judgments, claims, settlements, losses, damages, fees, Liens, taxes, penalties, obligations, expenses (including costs of investigation and defense and reasonable attorney and other professional advisor fees and expenses), and any diminution in value of the Assets resulting therefrom (collectively, "***Losses***") incurred or suffered by any such person arising from, by reason of or in connection with (a) any misrepresentation or breach of any representation, warranty or agreement of the Sellers contained in this Agreement or any certificate or other document delivered by the Sellers pursuant to this Agreement; (b) the non-fulfilment by the Sellers of any covenant or agreement made by the Sellers in this Agreement or any document delivered in connection with this Agreement; (c) the conduct of the Business on or prior to the Closing Date, including any condition relating to product or environmental liability prior to the Closing Date or arising from any product or service produced or provided by the Sellers prior to the Closing Date; or (d) any and all liabilities or obligations of the Sellers not expressly assumed by the Buyer that relate to either the Assets or the operation of the Business prior to the Closing Date. Without limiting the foregoing, indemnifiable amounts shall include third party claims asserted during the indemnification period.

2. ***Buyer's Indemnification***. The Buyer indemnifies and holds harmless the Sellers, and their respective affiliates, directors, officers, employees and other agents and representatives from and against any and all Losses incurred or suffered by any such person arising from, by reason of or in connection with (a) any misrepresentation or breach of any representation, warranty or agreement of the Buyer contained in this Agreement or any document delivered by the Buyer pursuant to this Agreement; or (b) the non-fulfilment by the Buyer of any covenant or agreement made by the Buyer in this Agreement or any document delivered in connection with this Agreement. Without limiting the foregoing, indemnifiable amounts shall include third party claims asserted during the indemnification period.

3. ***Proceedings***. If subsequent to Closing any person or entity entitled to indemnification under this Agreement (an "***Indemnified Party***") makes any claim for which a party to this Agreement is required to provide indemnification under this Agreement (an "***Indemnifying Party***"), the claim shall be in writing and shall state in general terms the facts upon which the Indemnified Party makes the claim. In the event of any claim or demand asserted against the Indemnified Party by a third party upon which the Indemnified Party may claim indemnification, the Indemnifying Party shall give prompt written notice to the Indemnified Party indicating whether the Indemnifying Party intends to assume the defense of the claim or demand. Notwithstanding the Indemnifying Party's assumption of the defense, the Indemnified Party shall have the right to participate in the defense, by written notice given to the Indemnifying Party within 15 days from the date of the Indemnifying Party's notice, provided that participation shall be at the expense of the Indemnified Party unless there is a conflict of interest between the Indemnified Party and the Indemnifying Party or different defenses are available to the Indemnified Party, in which case the cost of participation (including attorneys fees for counsel selected by the Indemnified Party) shall be reimbursed by the Indemnifying Party. If the Indemnifying Party assumes the defense and the Indemnified Party does not participate, the Indemnifying Party shall have the right to fully control and to settle the proceeding. If the Indemnified Party elects to participate in the defense, the parties shall cooperate in the defense of the proceeding, and shall not settle the same without the consent of

the other, which consent shall not be unreasonably withheld. If the Indemnifying Party elects not to assume the defense, the Indemnified Party shall have the right to do so (at the expense of the Indemnifying Party) and may settle the same without the consent of the Indemnifying Party.

4. ***Adjustment.*** The parties to this Agreement agree that any indemnification payments made pursuant to this Agreement shall be treated for tax purposes as an adjustment to the Purchase Price, unless otherwise required by applicable law and shall constitute administrative expenses of the Sellers' estate under Section 503(b) and 507(a)(i) of the Bankruptcy Code.

5. ***Interest.*** Indemnifiable amounts shall bear simple interest at 5% per annum (payable on the basis of actual days elapsed) from the date the claim for the Loss arises to the date actually paid. All interest accrued on a Loss shall itself form part of the Loss and shall be subject to indemnification as set forth in this Article VII.

6. ***Limitations.*** The indemnification and reimbursement obligations under this Article VII shall expire when the Holdback Period terminates, except with respect to (a) claims for indemnification notified to the Indemnifying Party within the Holdback Period for which the indemnification and reimbursement obligations shall survive the Holdback Period and (b) claims relating to or arising out of the fraudulent conduct of a party. Notwithstanding the provisions of this Article VII and any other provisions of this Agreement, neither party to this Agreement shall have any liability for Losses until and except to the extent that the cumulative amount of Losses claimed by the other party exceeds $25,000. When Losses claimed by the other party exceed this amount, indemnification shall be made to the first dollar (i.e.: no deductible). The total indemnification obligations of the Buyer to the Sellers pursuant to this Article VII (other than for claims relating to or arising out of fraud) or otherwise under this Agreement shall not exceed in the aggregate the Deposit Amount and the total indemnification obligations of the Sellers to the Buyer pursuant to this Article VII (other than for claims relating to or arising out of fraud) or otherwise shall not exceed the Holdback Amount under this Agreement.

IX.
MISCELLANEOUS

1. ***Entire Agreement.*** This Agreement, any contract terms expressly incorporated into this Agreement and the schedules and exhibits to this Agreement, contain the entire agreement among the parties with respect to the transactions contemplated by this Agreement and supersede all prior agreements or understandings among the parties.

2. ***Termination.***

A. If the transactions contemplated hereby have not been previously consummated, this Agreement shall terminate on the earlier to occur of any of the following events, provided that the party so terminating may, in its discretion, extend the time periods provided below or waive the condition, as it sees fit in its sole discretion:

(i) by the Buyer as a result of:

(a) the failure of the Sellers to obtain entry of the Sale and Procedures Order, in a form reasonably acceptable to the Buyer, by April 30, 2002, or any

modification of the Sale and Procedures Order or any action which alters, impairs or effects the procedures or protections afforded the Buyer therein, without the Buyer's consent, after the Sale and Procedures Order has been so entered;

(b) the failure of the Sellers to obtain entry of the Approval Order, in a form acceptable to the Buyer, by May 31, 2002;

(c) the failure to close the transaction which is the subject of such Approval Order, through no fault of the Buyer, within thirty (30) days after entry of the Approval Order;

(d) the acceptance by the Sellers of a competing bid as the highest and best offer (provided that the Breakup Fee provisions of this Agreement shall survive such termination);

(e) the failure of any of the conditions to Closing for the benefit of the Buyer set forth in Section VII.1 of this Agreement; or

(f) a Material Adverse Change in the Assets or the operation of the business of the Sellers; or

(g) by written notice of the Buyer to the Sellers, if the Sellers have materially breached any of their representations, warranties or agreements contained in this Agreement (which breach is either incapable or cure or has remained uncured upon 10 days' written demand for cure).

(ii) by the Sellers as a result of:

(a) the failure of the Sellers, after using their best efforts, to obtain entry of the Sale and Procedures Order, on or before May 10, 2002;

(b) the failure of the Sellers, after using their best efforts, to obtain entry of the Approval Order, in a form acceptable to the Sellers, by May 31, 2002 (in which case the Sellers shall immediately pay the Breakup Fee to the Buyer;

(c) the failure to close the transaction which is the subject of such Approval Order, through no fault of the Sellers, within thirty (30) days of the entry of the Approval Order;

(d) the acceptance by the Sellers of a competing bid as the highest and best offer (provided that the Breakup Fee provisions of this Agreement shall survive such termination); or

(e) the failure of any of the conditions to closing for the benefit of the Sellers and the Committee set forth in Section 6.2 of the Agreement.

(f) by written notice of the Sellers to the Buyer, if the Buyer has materially breached any of its representations, warranties or agreements contained in this

Agreement (which breach is either incapable of cure or has remained uncured upon 10 days' written demand for cure).

(iii) the mutual written agreement of the Buyer and the Sellers;

provided, however, that no party to this Agreement may seek unilateral termination of this Agreement if the grounds for termination are that the other party failed to or is unable to satisfy certain conditions to close if the failure or inability arises because of the failure to complete a required action by the party seeking termination.

B. Nothing in this Section 2 shall relieve any party to this Agreement of any liability for a breach of this Agreement prior to the termination of this Agreement. Except as provided for above, upon the termination of this Agreement, all rights and obligations of the parties under this Agreement shall terminate, except their obligations under Sections V.1, V.5, and Article VII of this Agreement, this Section 2 and Sections 6 to and including Section 12 of this Agreement.

C. The Sellers shall promptly pay to the Buyer the Breakup Fee if a Breakup Event occurs at any time. This obligation shall survive the termination of this Agreement and shall constitute an administrative expense of the Sellers' bankruptcy estates in the Case under Sections 503(b) and 507(a)(i) of the Bankruptcy Code. The parties to this Agreement acknowledge and agree that (i) the payment of the Breakup Fee in the event of a Breakup Event is an essential element of the Buyer's decision to enter into this Agreement and (ii) the amount of the Breakup Fee is fair and reasonable and does not constitute a penalty. The Buyer agrees that upon the payment of the Breakup Fee, the Buyer shall have no further recourse against the Sellers and the Sellers' bankruptcy estate.

3. ***Descriptive Headings; Certain Interpretations.*** Descriptive headings are for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement. Whenever any party to this Agreement makes any representation, warranty or other statement qualified to the party's knowledge, the party will be deemed to have made due inquiry into the subject matter of the representation, warranty or other statement. Except as otherwise expressly provided in this Agreement, the singular includes the plural and the plural includes the singular and a reference in this Agreement to an Article, Section, Exhibit or Schedule is to the articles, sections, exhibits or schedules, if any, of this Agreement.

4. ***Notices.*** Any and all notices, demands or other communications required or desired to be given pursuant to this Agreement by any party shall be sufficient if in writing and shall be validly given or made to the other party if served personally, deposited in the United States mail, certified or registered, postage prepaid, return receipt requested or sent by facsimile transmission (with confirmation of successful transmission). If the notice, demand or other communications are served personally, service shall be conclusively deemed made at the time of service. If the notice, demand or other communications are sent by facsimile transmission, service shall be conclusively deemed made the first Business Day following successful transmission. If the notice, demand or other communications are given by mail, service shall be conclusively deemed made four Business Days after deposit in the United States mail, addressed to the party to whom the notice, demand or other communication is to be given. Notices shall be provided to the

following addresses (any of which may be changed upon like notice to the other party to this Agreement):

If to the Buyer, to:

ClearBlue Technologies Management, Inc.
100 First Street
Suite 2000
San Francisco, California 94105
Attention: Mark Lambourne
Fax: 415-281-9161

with a copy to:

Heller Ehrman White & McAuliffe LLP
120 West 45th Street
New York, New York 10036-4041
Attention: Guy N. Molinari
Fax: 212-763-7600

If to the Sellers to:

AppliedTheory Corporation
224 Harrison Street
Syracuse, NY 13202
Attention: General Counsel
Fax: (303) 265-9237
(315) 479-0824

with copies to:

Angel & Frankel, P.C.
460 Park Avenue
8th Floor
New York, New York 10022-1906
Attention: Joshua Angel
Fax: 212-752-8393

5. ***Counterparts***. This Agreement may be executed in counterparts, each of which shall be deemed an original, but both of which together shall constitute one and the same instrument. Any counterpart or other signature delivered by facsimile shall be deemed for all purposes as being good and valid execution and delivery of this Agreement by that party.

6. ***Survival***. Except as set forth in Section VIII.6 of this Agreement, all representations and warranties, agreements and covenants contained in this Agreement or in any document delivered pursuant to, or in connection with, this Agreement (unless otherwise expressly provided otherwise in this Agreement) shall survive the Closing.

7. ***Benefits of Agreement.*** All of the terms and provisions of this Agreement shall be binding upon and inure to the benefit of the parties to this Agreement and their respective successors and assigns. This Agreement is for the sole benefit of the parties to this Agreement and not for the benefit of any third party, except for the Parent Guarantor, which shall be deemed a third party beneficiary.

8. ***Amendments and Waivers.*** No modification, amendment or waiver of any provision of, or consent required by, this Agreement, nor any consent to any departure from the terms of this Agreement, shall be effective unless it is in writing and signed by the parties to this Agreement. Any modification, amendment, waiver or consent shall be effective only in the specific instance and for the purpose for which it is given.

9. ***Assignment.*** This Agreement and the rights and obligations under this Agreement shall not be assignable or transferable by any party to this Agreement without the prior written consent of the other party to this Agreement, provided that the Buyer may effect the purchase of the Assets as contemplated by this Agreement through a wholly-owned (directly or indirectly) corporation or other entity and assign the rights under this Agreement, without personal liability or further obligation thereunder (except as to payment of the Purchase Price), to the alternate corporation or entity.

10. ***Enforceability.*** It is the desire and intent of the parties to this Agreement that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this Agreement shall be adjudicated to be invalid or unenforceable, the provision shall be deemed amended to delete therefrom the portion adjudicated to be invalid or unenforceable, with the deletion to apply only with respect to the operation of the provision in the particular jurisdiction in which the adjudication is made.

11. ***GOVERNING LAW.*** THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAWS.

12. ***Exclusive Jurisdiction.*** Any legal suit, action or proceeding not directly subject to the jurisdiction of the Bankruptcy Court and arising out of or relating to this Agreement or any of the Collateral Transfer Documents must be instituted in a federal court whose district encompasses any part of New York City, State of New York, and the parties to this Agreement hereby submit to this jurisdiction.

[Signatures on the next page]

IN WITNESS WHEREOF, each of the parties to this Agreement has caused this Agreement to be duly executed and delivered as of the day and year first above written.

CLEARBLUE TECHNOLOGIES MANAGEMENT, INC.
By: /s/ Mark Lambourne
Name: Mark Lambourne
Title: President

APPLIEDTHEORY CORPORATION

By: /s/ Dan E. Stroud
Name:
Title: President & CEO

APPLIEDTHEORY CALIFORNIA CORPORATION

By: /s/ Dan E. Stroud
Name:
Title: President & CEO

APPLIEDTHEORY SEATTLE CORPORATION

By: /s/ Dan E. Stroud
Name:
Title: President & CEO

[Signature Page to Asset Purchase Agreement, dated as of _____, 2002, among ClearBlue Technologies Management, Inc. and AppliedTheory Corporation and its subsidiaries]

APPLIEDTHEORY VIRGINIA CORPORATION

By: /s/ Dan E. Stroud
Name:
Title: President & CEO

APPLIEDTHEORY AUSTIN CORPORATION

By: /s/ Dan E. Stroud
Name:
Title: President & CEO

APPLIEDTHEORY GEORGIA CORPORATION

By: /s/ Dan E. Stroud
Name:
Title: President & CEO

APPLIEDTHEORY COLORADO CORPORATION

By: /s/ Dan E. Stroud
Name:
Title: President & CEO

APPLIEDTHEORY NEW JERSEY CORPORATION

By: /s/ Dan E. Stroud
Name:
Title: President & CEO

SACRAMENTO APPLIEDTHEORY CORPORATION

By: /s/ Dan E. Stroud
Name:
Title: President & CEO

By its signature below, ClearBlue Technologies, a Delaware corporation, hereby unconditionally and irrevocably guarantees the due and punctual payment of the Purchase Price and the performance by the Buyer of all agreements and obligations of the Buyer under this Agreement and under any other document, instrument or agreement executed by the Buyer in connection with the transactions contemplated hereby. Notwithstanding the foregoing, the Sellers shall first demand payment and performance by the Buyer and only in the event the Buyer fails to pay or perform within a reasonable time may the Sellers make demand upon the Parent Guarantor to render such performance or payment (to the extent that the same is due and payable but not paid by the Buyer), all in accordance with the terms and conditions of the Agreement.

CLEARBLUE TECHNOLOGIES

By: /s/ Mark Lambourne
Name:
Title: President

EXHIBIT 1

SELLERS' SCHEDULE OF EXCEPTIONS

SCHEDULE 1

[SUBSIDIARIES]

The following are all of the subsidiaries of AppliedTheory Corporation, all of which are wholly-owned by AppliedTheory Corporation:

Name	State of Incorporation	Date Acquired/ Incorporated
AppliedTheory California Corporation	Delaware	1/6/2000
AppliedTheory Seattle Corporation	Washington	5/23/2000
AppliedTheory Virginia Corporation	Virginia	6/21/2000
AppliedTheory Austin Corporation	Texas	7/1/2000
AppliedTheory Georgia Corporation	Georgia	11/1/2000
AppliedTheory Colorado Corporation	Colorado	11/10/2000
AppliedTheory New Jersey Corporation	New Jersey	3/7/2000
Sacramento AppliedTheory Corporation	California	4/6/2001

SCHEDULE 1.1

[ACCOUNTS PAYABLE]

SCHEDULE 1.31

[ESSENTIAL VENDORS]

SCHEDULE 1.40

[KEY EMPLOYEES]

SCHEDULE 1.57

SHARED PROPERTY

SCHEDULE III.1.A

ASSETS

SCHEDULE 2.1(b)

EXCLUDED ASSETS

SCHEDULE 3.1(f)

INTELLECTUAL PROPERTY OF THE SELLERS

THAT IS RELATED TO THE BUSINESS

SCHEDULE 3.1(g)

LITIGATION

SCHEDULE 3.1(m)

CONTRACTS

SCHEDULE 3.1(v)

CUSTOMER CONTRACTS

EXHIBIT A

FORM OF BILL OF SALE

APPLIEDTHEORY CORPORATION, a Delaware corporation, and its subsidiaries that are signatories hereto (collectively, the "Sellers"), pursuant to the Asset Purchase Agreement, dated as of April __, 2002 (the "Agreement"), by and among the Sellers and ClearBlue Technologies Management, Inc., a Delaware corporation ("the Buyer"), and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, do hereby sell, convey, transfer and assign to the Buyer and its successors and assigns all of the Sellers' right, title and interest in and to the assets listed on Schedule I hereto, such assets to be held by and for the use of the Buyer and its successors and assigns now and forever.

Capitalized terms not otherwise defined herein shall have the meanings set forth in the Agreement.

IN WITNESS WHEREOF, each of the Sellers has caused this Bill of Sale to be duly executed and delivered on its behalf to the Buyer on this ___ day of April, 2002.

APPLIEDTHEORY CORPORATION

By_____
Name:
Title:

APPLIEDTHEORY CALIFORNIA CORPORATION

By:_____
Name:
Title:

APPLIEDTHEORY SEATTLE CORPORATION

By:_____
Name:
Title:

APPLIEDTHEORY VIRGINIA CORPORATION

By:_____
Name:
Title:

APPLIEDTHEORY AUSTIN CORPORATION

By:_____
Name:
Title:

APPLIEDTHEORY GEORGIA CORPORATION

By:_____
Name:
Title:

APPLIEDTHEORY COLORADO CORPORATION

By:_____
Name:
Title:

APPLIEDTHEORY NEW JERSEY CORPORATION

By:_____
Name:
Title:

SACRAMENTO APPLIEDTHEORY

CORPORATION

By:_____
Name:
Title:

Schedule I

The assets of the Sellers related to the Business (except as provided in Section 2.1(b) of the Agreement), be they tangible or intangible, fixed or current, including without limitation, all inventory, work in progress, raw materials, Contract Rights, prepaid assets, security deposits under Contract Rights (including Essential Equipment Leases), all plant, property and equipment, Intellectual Property, computer hardware, computer software, test equipment, manufacturing equipment, all causes of action, choses in action and rights of recovery and counterclaims or setoffs of the Sellers (other than to the extent any such cause of action, choses in action and rights of recovery and counterclaims and setoffs relate to damages actually suffered by, or claims brought against, the Buyer with respect to any of the assets or the Business), including without limitation, actions or claims of any of the Sellers under Sections 510, 544, 545 and 547-553 of the Bankruptcy Code, and all other assets and rights used or useful in the Business, other than as expressly limited by Section 2.1(b) of the Agreement, and including, without limitation, the following assets:

[LIST ANY SPECIFIC ASSETS SET FORTH UNDER SCHEDULE 2.1(a) OF THE AGREEMENT]

EXHIBIT B

FORM OF ASSIGNMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (the "***Assignment***") is entered into as of this __ day of April, 2002 by and among AppliedTheory Corporation, a Delaware corporation, and its subsidiaries that are signatories hereto (collectively, "***Assignors***") and ClearBlue Technologies Management, Inc., a Delaware corporation ("***Assignee***"). Capitalized terms used but not defined herein shall have the meanings ascribed to them under that certain Asset Purchase Agreement dated as of April __, 2002 by and among Assignors and Assignee (the "***Purchase Agreement***").

RECITALS

A. **WHEREAS**, pursuant to the Purchase Agreement, Assignee has agreed to purchase the Assets, including the contracts set forth on Schedule I hereto (the "***Assigned Contracts***"), from Assignors and Assignors have agreed to transfer the Assets, including the Assigned Contracts, to Assignee; and

B. **WHEREAS**, Assignors wish to assign the Assigned Contracts to Assignee and Assignee wishes to have the Assigned Contracts assigned to it and to assume the obligations thereunder.

NOW, THEREFORE, for good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, Assignors and Assignee agree as follows:

1. Assignors hereby irrevocably and unconditionally sell, convey, transfer and assign to Assignee any and all of their rights, title, benefits and interests under the Assigned Contracts.

2. Assignee hereby assumes any and all duties, obligations and liabilities of Assignors arising under the Assigned Contracts.

3. This Assignment may be executed in one or more counterparts, including by facsimile, each of which shall constitute an original and all of which together shall constitute one and the same instrument.

4. This Assignment shall inure to the benefit of and be binding upon the parties and their respective successors and assigns.

5. This Assignment shall be governed and construed in accordance with the laws of the State of New York without regard to conflicts of law.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be executed as of the date hereof.

APPLIEDTHEORY CORPORATION

By: _____
Name:
Title:

APPLIEDTHEORY CALIFORNIA CORPORATION

By:_____
Name:
Title:

APPLIEDTHEORY SEATTLE CORPORATION

By:_____
Name:
Title:

APPLIEDTHEORY VIRGINIA CORPORATION

By:_____
Name:
Title:

APPLIEDTHEORY AUSTIN CORPORATION

By:_____
Name:
Title:

APPLIEDTHEORY GEORGIA CORPORATION

By:_____
Name:
Title:

APPLIEDTHEORY COLORADO CORPORATION

By:_____
Name:
Title:

APPLIEDTHEORY NEW JERSEY CORPORATION

By:_____
Name:
Title:

SACRAMENTO APPLIEDTHEORY CORPORATION

By:_____
Name:
Title:

CLEARBLUE TECHNOLOGIES MANAGEMENT, INC.

By: _____
Name:
Title:

[Signature Page to Asset Purchase Agreement, dated as of 4/17, 2002,
among ClearBlue Technologies Management, Inc. and AppliedTheory Corporation and its subsidiaries]

SCHEDULE I

[Assigned Contracts]

EXHIBIT C

FORM OF IP ASSIGNMENT

THIS ASSIGNMENT AGREEMENT (the "***Assignment***") is entered into as of this __ day of April, 2002 (the "***Effective Date***") by and among AppliedTheory Corporation, a Delaware corporation, and its subsidiaries that are signatories hereto (collectively, "***Assignors***") and ClearBlue Technologies Management, Inc., a Delaware corporation ("***Assignee***"). Capitalized terms used but not defined herein shall have the meanings ascribed to them under that certain Asset Purchase Agreement dated as of April __, 2002 by and among Assignors and Assignee (the "***Purchase Agreement***").

RECITALS

A. **WHEREAS**, pursuant to the Purchase Agreement, Assignee has agreed to purchase the Assets, including all patents, patent applications, trademarks, service marks, trade names and copyrights, in each case registered or unregistered, inventions, URL's, licenses, software (including documentation and object and source code listings), know-how, trade secrets, customer lists, processes, drawings, specifications, designs and other proprietary or intellectual property rights used in the Business as heretofore conducted, other than Shared Property, as set forth on Schedule I hereto (the "***Intellectual Property***"), from Assignors and Assignors have agreed to transfer the Assets, including the Intellectual Property, to Assignee; and

B. **WHEREAS**, Assignors wish to assign the Intellectual Property to Assignee and Assignee wishes to have the Intellectual Property assigned to it.

NOW, THEREFORE, for good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, Assignors and Assignee agree as follows:

1. Assignors hereby irrevocably and unconditionally sell, convey, transfer and assign to Assignee any and all of their rights, title, benefits and interests in the Intellectual Property, the same to be held by Assignee, as fully and entirely as the same would have been held by Assignors had this Assignment not been made.

2. The parties acknowledge that this Assignment includes all rights Assignors have to bring actions for patent, copyright or trademark infringement prior to the Effective Date, including the right to seek and obtain damages or settlements for such infringement.

3. Assignee hereby assumes all responsibilities for maintaining adequate registration of and otherwise enforcing, protecting and defending its rights to the Intellectual Property.

4. This Assignment may be executed in one or more counterparts, including by facsimile, each of which shall constitute an original and all of which together shall constitute one and the same instrument.

5. This Assignment shall inure to the benefit of and be binding upon the parties and their respective successors and assigns.

6. This Assignment shall be governed and construed in accordance with the laws of the State of New York without regard to conflicts of law.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be executed as of the Effective Date.

APPLIEDTHEORY CORPORATION

By: _____
Name:
Title:

APPLIEDTHEORY CALIFORNIA CORPORATION

By:_____
Name:
Title:

APPLIEDTHEORY SEATTLE CORPORATION

By:_____
Name:
Title:

APPLIEDTHEORY VIRGINIA CORPORATION

By:_____
Name:
Title:

APPLIEDTHEORY AUSTIN CORPORATION

By:_____
Name:
Title:

APPLIEDTHEORY GEORGIA CORPORATION

By:_____
Name:
Title:

APPLIEDTHEORY COLORADO CORPORATION

By:_____
Name:
Title:

APPLIEDTHEORY NEW JERSEY CORPORATION

By:_____
Name:
Title:

SACRAMENTO APPLIEDTHEORY CORPORATION

By:_____
Name:
Title:

CLEARBLUE TECHNOLOGIES MANAGEMENT, INC.

By: _____
Name:
Title:

SCHEDULE I

[Intellectual Property]

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[Signature Page to Asset Purchase Agreement, dated as of 4/17, 2002,
among ClearBlue Technologies Management, Inc. and AppliedTheory Corporation and its subsidiaries]

Amendment (the "***Amendment***") dated effective as of June 7, 2002 of that certain Asset Purchase Agreement dated effective as of April 17, 2002, by and among ClearBlue Technologies Management, Inc., a Delaware corporation (the "***Buyer***") and AppliedTheory Corporation, a Delaware corporation (the "***Company***"), and the subsidiaries of the Company set forth on the signature pages thereto and hereto (collectively with the Company, the "***Sellers***"). As so amended hereby, and as modified by any applicable order of the Bankruptcy Court for the Southern District of New York In re AppliedTheory Corporation, et al, case no. 02 B11868 (REG), that agreement is referred to herein as the "***Agreement.***" Capitalized terms used but not otherwise defined in this Amendment have the meanings ascribed thereto in the Agreement.

X. Definitions: The following definitions are added to Article I:

"1.63 "Accounts" means Sellers' accounts, as such term is defined in the New York Uniform Commercial Code, and all proceeds thereof relating to or arising in the Business (including any sums due from credit card companies), which receivables exist as of or after the Cut-Off Date, and all of the Sellers' books and records relating thereto and all contract rights relating thereto, but shall not include accounts (and proceeds thereof) generated from the provision of goods and services by the access business of Sellers acquired by Fastnet Corporation as of May 31, 2002 and other receivables generated from the provision of goods and services under the access business.

1.64 "Avoidance Claims" means any and all claims, causes of actions and rights of recovery of any of the Sellers and their estates arising under Sections 544, 547, 548, 549, 550 or 553 of the Bankruptcy Code against:

(i) any Key Employees actually hired by Buyer and any and all other claims or causes of action Sellers or Sellers' estates may have against such person to the extent the amount of quantifiable damages sought in good faith for such claims are equal to or less than $50,000 per individual or $100,000 in the aggregate against a group of individuals. Notwithstanding the foregoing, provided that there was a good faith basis for asserting and pursuing such claims, the Sellers and their estates shall not be deemed liable for any damages, including attorneys' fees, in the event it is ultimately determined by the trier of fact that the actual amount of damages awarded on such claims is less than the aforementioned $50,000 and $100,000 thresholds. In the event the amount of damages ultimately awarded is less than the $50,000 or $100,000 thresholds set forth above, such damage award shall automatically be deemed waived and relinquished by the Sellers and their estates;

(ii) Essential Vendors; or

(iii) parties to any of the Contracts to be purchased by Buyer to the extent that such parties are not related to Sellers.

Notwithstanding the foregoing, Avoidance Claims shall not include claims that may be asserted by the Sellers or their estates against any of the parties specified in clauses (i),

(ii) and (iii) of this Section 1.64 (collectively, the "Released Parties") as a defense, counterclaim (to the extent of the amount of claim asserted by such Released Party), offset, setoff, adjustment or recoupment of any claims asserted by such Released Party against the Sellers or their estates or properties but which are not being waived and which are reserved."

"1.65 "Cut-Off Date" means 12:01 a.m. (New York time) on June 6, 2002, which is the date that the Closing shall be deemed to have occurred notwithstanding the subsequent entry of the Approval Order.

XI. Purchase and Sale:

1. Section 2.1(a) is deleted in its entirety and replaced with the following paragraph:

> "2.1 (a) The Sellers shall sell, convey, transfer and assign to the Buyer, and the Buyer shall purchase from the Sellers, on the Closing Date, free and clear of any and all Liens all of the Sellers' assets used exclusively in the Business or otherwise identified on Schedule 1.57 (except as provided in Section 2.1(b) below) as of the Cut-Off Date, be they tangible or intangible, fixed or current, including without limitation, all cash received on or after the Cut-Off Date in payment of the outstanding Accounts as of the Cut-Off Date, Accounts, inventory, work in progress, raw materials, Contract Rights other than utilities (including Essential Equipment Leases), prepaid assets, security deposits under Contract Rights, all plant, property and equipment, Intellectual Property, computer hardware, computer software, test equipment, manufacturing equipment, all causes of action, choses in action and rights of recovery and counterclaims or setoffs of the Sellers (other than to the extent any such cause of action, choses in action and rights of recovery and counterclaims and setoffs relate to damages actually suffered by, or claims brought against, the Buyer with respect to any of the assets or the Business) related to the foregoing, and all other assets and rights used or useful in the Business, other than as expressly limited below, and including, without limitation, the assets listed on Schedule 2.1(a) to this Agreement (collectively, the "***Assets***") (which Schedule 2.1(a) will be delivered to the Buyer on the Schedule Delivery Date)."

2. For clarification purposes, it is agreed that the Excluded Assets listed in Section 2.1(b)(iii) of the Agreement not being purchased by Buyer include, without limitation, Sellers' 401(k) Plan.

3. Section 2.1(b) is amended to delete "Schedule 2.1(a)" in the last parenthetical of said section and inserting in place thereof "Schedule 2.1(b)".

XII. Buyer Not Successor to Sellers. For clarification purposes, it is agreed that the liabilities listed in Section 2.2(b)(iii) of the Agreement not being assumed by Buyer include, without limitation, any statutory or other liability relating to COBRA and any liability relating to Sellers' 401(k) Plan.

XIII. Purchase Price: Section 2.3 of the Agreement is amended to provide that, at the Closing, Sellers shall receive the aggregate consideration for the Assets of $25,478,795.69 (the "***Purchase Price***") consisting of cash, notes and assumed liabilities as detailed below:

1. Buyer shall pay to Sellers in cash the amount of $3,900,000 (which shall be reduced by (i) the Deposit Amount, $300,000 plus interest thereon since the date of deposit, (ii) pro rata portion from June 1, 2002 through the day before Closing of the rents under the real property leases being assumed in connection with the purchase of Assets and (iii) $3,001.32 which is attributable to unpaid post-petition rents owed by Sellers to Elwood Davis Road Company, LLC), $200,000 of which is specifically designated in exchange for the Sellers' waiver of Avoidance Claims; and

2. Buyer shall issue to the Company its Promissory Notes, guaranteed by Buyer's parent and any of its subsidiaries to which Buyer assigns, conveys, licenses or otherwise transfers (or in the future may assign) a portion of the Assets or its rights under the Agreement, as follows:

A. an unsecured promissory note (in the form attached hereto) payable to the Company or its assigns in the principal amount of FIVE MILLION SEVEN HUNDRED THOUSAND DOLLARS ($5,700,000), the entire principal of which is payable at maturity on the fourth anniversary of the Closing Date, and interest on which at the annual rate of eight percent is payable annually on the anniversary date of the making of such note; such note may be assigned by each Company but shall not be held of record by more than three (3) holders (counting as a single holder for such purpose any liquidating trust or similar entity), and against which note Buyer shall be able to apply, dollar for dollar, as satisfaction of the obligations under such note, the amount of any setoff or recoupment right arising prior to Closing exercised by any third party under any Contracts with customers, but only to the extent such setoff or recoupment cannot be applied against the obligations under the promissory note described in Section 4(B)(iv) of this Amendment. Buyer shall notify Sellers in writing of such setoff or recoupment within 10 days of Buyer's actual knowledge thereof;

B. an unsecured promissory note (in the form attached hereto) payable to the Company or its assigns in the principal amount of THREE HUNDRED THOUSAND DOLLARS ($300,000) (which is specifically designated for the Unencumbered Assets), the entire principal of which is payable at maturity on the fourth anniversary of the Closing Date, and interest on which at the annual rate of eight percent is payable annually on each anniversary date of the making of such note; such note may be assigned by the Company but shall not be held of record by more than three (3) holders (counting as a single holder for such purpose any liquidating trust or similar entity);

C. a non-negotiable secured promissory note (in the form attached hereto), secured by all of the assets purchased pursuant to the Agreement other than Accounts, payable to the Company or its assigns in the principal amount of SEVEN HUNDRED THOUSAND DOLLARS ($700,000), the entire principal of which is payable at maturity on the one hundred eightieth (180^{th}) day after the Closing Date, and interest at the annual rate of eight percent which is payable at maturity; against which secured promissory note, Buyer shall be able to apply as partial satisfaction thereof (a) any post-Closing reconciliation of amounts actually paid or incurred in excess of the deferred revenue and account payable liabilities detailed in Section 4.C.

hereof, (b) any amounts paid by Buyer in satisfaction of any sales tax in accordance with Section 2.3(a)(v) of the Agreement and (c) any indemnification claims Buyer may assert against Sellers pursuant to the Agreement; and

D. a secured promissory note (in the form attached hereto), secured only by the Accounts purchased pursuant to the Agreement, payable to the Company or its assigns in the principal amount of FIVE MILLION FOUR HUNDRED THOUSAND DOLLARS ($5,400,000), the entire principal of which is payable at maturity on the hundred eightieth (180^{th}) day after the Closing Date without any interest; such note may be assigned by the Company but shall not be held of record by more than three (3) holders (counting as a single holder for such purpose any liquidating trust or similar entity), and against which note Buyer shall be able to apply, dollar for dollar, as satisfaction of the obligations under such note, the amount of any setoff or recoupment right arising prior to Closing exercised by any third party under any Contracts with customers. Buyer shall notify Sellers in writing of the exercise by a third party of such setoff or recoupment within 10 days of Buyer's actual knowledge thereof.

3. Buyer shall assume:

1. Accounts payable to Essential Vendors in an amount no greater than $1,285,000;

2. Amounts due and to become due on Essential Equipment Leases in an amount no greater than $7,000,000;

3. Performance of required services which have been paid in advance to customers of the Business in an amount not greater than $558,000;

4. Accrued vacation liability for Sellers' employees actually hired by the Buyer in an amount no greater than $607,396; and

5. Amounts due and to become due on Real Property Leases listed on the Schedule attached to this Amendment.

To the extent that the aggregate of the amounts due as set forth in Sections 4.C.1 through 4.C.4 of this Amendment is less than $9,478,795.69, Buyer shall assume the amounts due in excess of any amount stated in Section 4.C.1 through 4.C.4 of this Amendment, even if such amount exceeds the amount stated in such subsection; provided, however, Buyer shall not in any case assume or be liable for the liabilities set forth in Sections 4.C.1 through 4.C.4 of this Amendment in an aggregate amount in excess of $9,478,795.69.

4. Sellers and the estate agree to waive the Avoidance Claims.

XIV. Closing. Section 2.5 of the Agreement is amended by deleting the parenthetical "(the date of the Closing being the "**Closing Date**") and inserting in place thereof the parenthetical "(12:01 A.M. on the date of Closing being the "**Closing Date**").

XV. Transition. Section 5.2 of the Agreement is modified as follows:

(A) to delete the first sentence thereof and replace with the following sentence:

"The employment by the Sellers of the Transferred Employees and Key Employees shall end at the close of business on the day prior to the Closing Date and the employment of the Transferred Employees and the Key Employees by the Buyer shall commence on the Closing Date.",

(B) to delete the fourth and fifth sentences thereof and replace with the following two sentences:

"In order to allow Sellers to maximize the value of their remaining assets and to otherwise assist Sellers with their bankruptcy proceedings and wind-down process, Buyer agrees to allow Key Employees or other former employees of Sellers, as may be appropriate, who are hired by Buyer in connection with the acquisition contemplated hereby, to continue to provide services or assistance to Sellers and their estates after the Closing Date on terms to be agreed between such employees and the Sellers or the Committee (as defined in the Approval Order) (the "**Transition Matters**"), provided that the provision of such services by such employees does not materially interfere with their obligations to Buyer. To the extent any such services are provided by employees of Buyer for the benefit of Sellers and such services require such employees to devote a material portion of his or her work week, then in lieu of compensating such employees, Sellers shall reimburse Buyer on a weekly basis for the pro rata portion of such employee's compensation attributable to the portion of time he or she devotes to perform such services for the Sellers and their estates." and

(C) to add the following language at the end of said Section: "Key Employees will carry out the Transition Matters for no more than sixty (60) days after the Closing Date."

XVI. Continued Access. The Agreement is amended to add the following new Section 5.3:

"5.3 Continued Access. Subsequent to the Closing Date, Buyer shall afford Sellers, Palladin and the Committee, and their respective professionals, access to those books and records of Buyer relating to periods prior to the Closing Date which are included in the Assets as are reasonably required for the administration of Sellers' chapter 11 cases provided such documents are used solely for such purpose. Such access shall be made during normal business hours upon reasonable advance notice. Such right of access shall include the right to make copies at Sellers' expense. For a period ending upon the second (2nd) anniversary of the Closing Date, Buyer agrees to store and maintain all of the business records and files of the Business delivered to Buyer; provided, however, Buyer may elect to dispose of or destroy any such books and records prior to the expiration of the two year period if Buyer has first given fifteen (15) days prior written

notice to the Sellers, Palladin (as defined in the Approval Order) and the Committee (as defined in the Approval Order) to take possession, at its option and expense, of such books and the records within thirty (30) days after the date of such notice from Buyer."

XVII. Pre-Closing Date Expenses and Adjustments. The Agreement is amended to add the following new Section 5.4:

A. "5.4 Pre-Closing Date Expenses. (A) Buyer shall reimburse Sellers for the actual expense of operating the Business (excluding expenses associated with the administration of the Sellers' Chapter 11 Cases or maintaining or operating any business, leases, contracts or assets which are not part of the Business being acquired hereunder), solely for the period commencing on the Cut-Off Date and ending on the Closing Date, but not including any accrued liabilities occurring prior to the Cut-Off Date (the amount determined to be due in respect of such items is hereafter referred to as the "Pre Closing Date Operating Expenses").

(B) Notwithstanding anything contained herein, as amended, to the contrary, Buyer and Sellers shall within sixty (60) days of the Closing reconcile all of the Assets, including proceeds of Accounts received from and after the Cut-Off Date, with all liabilities, including the Pre-Closing Date Operating Expenses, (including payroll and lease obligations from and after the Cut-Off Date), such that the Buyer will receive all of the benefits of the operations as of the Cut-Off Date and shall incur all of the liabilities and expenses associated with the operation of the Business from and after the Cut-Off Date. The determination of adjustments for Deferred Revenues and post-petition rent obligations under real property leases being assumed by Buyer shall be as of the Cut-Off Date.

(C) During the period between the Cut-Off Date and the Closing Date, Buyer shall have complete access to the Sellers' premises to permit a transition team from Buyer to oversee and monitor the Sellers' operation of the Business during such period.

XVIII. Representations and Warranties: Sellers shall bring down the representations and warranties made by Sellers in Section 3.1 of the Agreement as of the date of Closing, which representations and warranties shall as of such date remain true and correct in all material respects and free of material misstatement or omission. Notwithstanding anything herein to the contrary, Buyer's right to seek indemnification from Sellers for breach of Sellers' representations or warranties shall apply only to breaches, if any, of Sellers' representations and warranties contained in Agreement Sections 3.1(d) Assets, Property, Contract Rights and Related Matters; (f) Patent, Trademarks and Similar Rights; (k) Separation of Business from Carrier Access Business; (n) Shared Property; and (u) Brokers, which are the only representations and warranties of the Sellers that shall survive Closing. The representations and warranties of Sellers

in Section 3.1 of the Agreement are revised to indicate that Buyer is taking the Assets, including Accounts, from Sellers "as is - where is" (except as to transfer of title, free and clear of all liens, claims and encumbrances, or as otherwise specifically provided in the Agreement, which shall remain in full force and effect).

At Closing, Buyer shall warrant and confirm that it has no actual knowledge of any breaches or misstatements or omissions of any of Sellers' representations and warranties.

XIX. Holdback; Offset Against Secured Promissory Note for Reconciliation of Accounts Paid for Assumed Liabilities and Indemnification Claims: Section 2.3(a)(iii) of the Agreement is amended such that the Holdback Amount shall be an offset of up to $400,000 under that certain Non-negotiable Secured Promissory Note described in Section 4(B)(iii) of this Amendment provided that in the event that ninety (90) days after Closing there have been no indemnity claims under Article VII, the Holdback Amount shall be reduced to an offset of up to $200,000. Section 2.4 of the Agreement is amended such that the Holdback Period shall be for a period of six (6) months after Closing.

Buyer and Sellers agree that, after the Closing, the amounts actually paid by Buyer for Deferred Revenue and Accounts Payable shall, to the extent such amounts exceed the aggregate amounts set forth in Section 4 above, be reconciled and any such aggregate excess, together with any amounts paid by Buyer in satisfaction of any sales tax in accordance with Section 2.3(a)(v) of the Agreement, offset against any obligations owed by Buyer to Sellers under the Notes described in Section 4(b)(iii) of this Amendment. Notwithstanding anything else to the contrary in the Agreement, any indemnity claims Buyer may make pursuant to the Agreement shall be satisfied, only by effecting a dollar-for-dollar offset of the Holdback Amount as a partial satisfaction of Buyer's obligation under that Non-negotiable Secured Promissory Note described in Section 4(b)(iii) of this Amendment made by Buyer in favor of the Company.

XX. Conditions Precedent: The conditions precedent to Obligations of the Buyer set forth in Agreement Sections 6.1(c) (execution of Key Employee Contracts); (h) (completion of due diligence); and (o) (satisfaction with Sellers' schedule of exceptions) are deleted; the other conditions precedent to obligations of the Buyer remain in effect except that Section 6.1(l) is modified to change "by May 31, 2002" to "by June 10, 2002".

XXI. Sellers' Indemnification. Section 7.1 of the Agreement is amended by deleting subsection (a) therein and inserting in place thereof the following:

> "(a) any misrepresentation or breach of any representation, warranty or agreement of the Sellers contained in Sections 3.1(d), 3.1(f), 3.1(k), 3.1(n) and 3.1(u) in this Agreement or any certificate or other document related to such representations delivered by the Sellers pursuant to this Agreement;"

XXII. Termination. Sections 8.2(a)(i)(B) and 8.2(a)(ii)(B) of the Agreement are modified to change "by May 31, 2002" to "by June 10, 2002".

XXIII. Survival. Section 8.6 of the Agreement is deleted in its entirety and replaced with the following:

> "8.6 ***Survival.*** Except as set forth in Section 7.6 of this Agreement, all representations and warranties, agreements and covenants contained in Sections 3.1(d), 3.1(f), 3.1(k), 3.1(n) and 3.1(u) in this Agreement or in any document delivered pursuant to, or in connection with, this Agreement (unless otherwise expressly provided otherwise in this Agreement) shall survive the Closing for a period of six (6) months after Closing."

XXIV. Counterparts. Section 8.5 of the Agreement is amended by deleting the second sentence of said Section and inserting in place thereof the following:

"Any counterpart or other signature delivered by facsimile shall be deemed for all purposes as being good and valid execution and delivery of this Agreement, or of any of the other documents contemplated by this Agreement, by that party."

XXV. Transfer of Bank Accounts and Lock Box. Sellers agree at Closing to (a) irrevocably instruct HSBC Bank USA, in writing, to remit all funds collected from P.O. Box 7048 as of the Closing Date and processed at its facility, to Buyer's Bank Account, and the form of such letter is attached hereto (b) take whatever action is necessary to transfer any rights to Accounts that are in collection and any claims for Accounts filed in a customer's bankruptcy proceeding and (c) take whatever action is necessary to substitute Buyer for Sellers as plaintiff in any pending collection action for Accounts. Sellers agree to hold any funds they or any of their agents receive on and after the Closing Date, in respect of Accounts as of the Closing Date, in trust for the benefit of Buyer and to forward promptly one hundred percent (100%) of all such collections, remittances and proceeds of the Accounts and Assets to Buyer within two Business Days

XXVI. Names: Sellers acknowledge that among the Assets being conveyed to Buyer are the names of each of the Sellers. Sellers shall, within thirty (30) days after the Closing Date, file with the Secretary of State of the state of incorporation of each applicable Sellers, an amendment to each applicable Sellers' certificate of incorporation to change its name to a name which does not contain "AppliedTheory", and shall promptly provide Buyer with evidence of such filing. In addition, the Sellers shall, within thirty (30) days after the Closing Date or as soon as practical thereafter, but no later than sixty (60) days after the Closing Date, take such actions and file such documents as are necessary to reflect such name changes in all states in which any such Seller is qualified to do business as a foreign corporation and will deliver to Buyer copies of such documents evidencing such name change filings. Immediately upon the Closing, Sellers shall cease using the name "AppliedTheory" in all of their activities, promotions, brochures, stationery, products, and in all other respects (except in Bankruptcy Proceedings) and thereafter Sellers agree not to use the name "AppliedTheory" in any business. Notwithstanding the foregoing, Buyer hereby grants to Sellers a limited license and right to use the "AppliedTheory" name solely (A) as required for the Bankruptcy Proceedings including without limitation the publication of any notices required by the Bankruptcy Court or (B) for the purposes of (i) pursuing rights and claims against third parties, (ii) filing of tax returns, insurance claims and any other necessary filings; and (iii) operating on an interim basis (including continuing such

name on bank accounts, checks and signage) and selling any of the Excluded Assets. The Sellers shall not, and shall cause any other affiliate of Sellers not to, use the Trade Names for more than thirty (30) days after the Closing.

XXVII. Asset Transfers. Sellers and Buyer agree that all Assets and Assumed Liabilities are deemed transferred from Sellers to Buyer as of the Closing Date.

XXVIII. Termination of 401(k) Plan. Sellers agree to take all steps that are prudent to effect a prompt termination of all applicable obligations under Sellers' 401(k) Plan, including requisite Board approval prior to or at Closing to terminate such Plan and filing of a letter of determination with the IRS as soon as practicable in order to distribute the assets promptly.

XXIX. Reconciliation. Within sixty (60) days after the Closing Date, representatives of the Buyer and the Sellers, in consultation with the Committee, shall reconcile and allocate between the appropriate parties all collections of Accounts, and all collections of Sellers' accounts receivable other than Accounts. The parties agree to resolve any dispute pertaining to such reconciliation in the Bankruptcy Court.

XXX. Schedules: The Schedules to the Agreement are as amended by the parties pursuant to the Agreement and with the consent of Buyer, through the date hereof. Those schedules that have been so amended are attached hereto.

XXXI. Counterparts: This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one and the same instrument.

XXXII. Headings: The headings contained in this Agreement are for convenience of reference only and are not to be given any legal effect and shall not affect the meaning or interpretation of this Agreement.

XXXIII. Construction. Except to the extent specifically modified or amended in this Amendment, the Agreement remains in full force and effect, enforceable in accordance with its terms.

IN WITNESS WHEREOF, each of the parties to this Amendment has caused this Amendment to be duly executed and delivered as of the day and year first above written.

CLEARBLUE TECHNOLOGIES MANAGEMENT, INC.

By: /s/ Mark Lambourne
Name:
Title: President

APPLIEDTHEORY CORPORATION

By: /s/ Dan E. Stroud
Name:
Title:

APPLIEDTHEORY CALIFORNIA CORPORATION

By: /s/ Dan E. Stroud
Name:
Title:

APPLIEDTHEORY SEATTLE CORPORATION

By: /s/ Dan E. Stroud
Name:
Title:

APPLIEDTHEORY VIRGINIA CORPORATION

By: /s/ Dan E. Stroud
Name:
Title:

APPLIEDTHEORY AUSTIN CORPORATION

By: /s/ Dan E. Stroud
Name:
Title:

APPLIEDTHEORY GEORGIA CORPORATION

By: /s/ Dan E. Stroud
Name:
Title:

APPLIEDTHEORY COLORADO CORPORATION

By: /s/ Dan E. Stroud
Name:
Title:

APPLIEDTHEORY NEW JERSEY CORPORATION

By: /s/ Dan E. Stroud
Name:
Title:

SACRAMENTO APPLIEDTHEORY CORPORATION

By: /s/ Dan E. Stroud
Name:
Title:

PROMISSORY NOTE

$5,700,000

New York, New York
June _, 2002

This Promissory Note (the "Note") is executed and delivered pursuant to that certain Asset Purchase Agreement dated effective as of April 17, 2002 (as amended, the "Agreement") between ClearBlue Technologies Management, Inc. and AppliedTheory Corporation and the subsidiaries of AppliedTheory Corporation set forth on the signature page thereto and Schedule 1 thereto. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Agreement.

1. **Payment**. FOR VALUE RECEIVED, the undersigned, ClearBlue Technologies Management, Inc., a Delaware corporation ("***Maker***"), promises to pay to the order of AppliedTheory Corporation , a Delaware corporation, or its assigns or any subsequent holder(s) of this Note ("***Holder***"), on the fourth anniversary of the date of this Note at such place as the Holder may designate from time to time in writing to the Maker, in lawful money of the United States of America, the principal sum of FIVE MILLION SEVEN HUNDRED THOUSAND DOLLARS ($5,700,000), together with interest on the unpaid principal balance of this Note from the date hereof until paid at eight percent (8%) per annum; provided, however, that Maker shall have the right to reduce, dollar for dollar, any outstanding principal balance under this Note by the amount of any setoff or recoupment right arising prior to Closing exercised by any third party under any Contracts with customers, but only to the extent that such setoff or recoupment cannot be applied against the obligations of Maker under that certain secured promissory note by Maker, for the benefit of Holder, in the principal amount of $5,400,000, as further described in the amendment to the Agreement of even date herewith entered into between Maker and Holder. Maker shall notify Holder in writing of the exercise by a third party of any such setoff or recoupment right within 10 days of Maker's actual knowledge thereof. Interest shall be computed on the basis of the actual days elapsed over a 360-day year, and shall be payable in cash on each anniversary date of the date of this Note.

The principal balance of this Note may be prepaid, at the option of Maker, in whole at any time, or in part from time to time, without premium or penalty.

All amounts received for payment under this Note shall, at the option of Holder, be applied first to any unpaid expense of Holder under Section 5 hereof, then to unpaid interest due on overdue installments, then to unpaid interest accrued, and finally to the reduction of the outstanding principal balance of the Note.

2. **Representations, Warranties and Covenants**. While this Note is outstanding, Maker hereby continuously represents, warrants and covenants to Holder that:

a. Company Status. Maker is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and duly qualified and in good standing in every other state or jurisdiction in which the nature of Maker's business requires such qualification except where failure to be so qualified would not individually or in the aggregate have a material adverse effect on its business.

b. Authority and Execution. Maker has full power, authority and legal right to own its property and assets and to transact the business in which it is engaged. Maker has the full power, authority and legal right to execute and deliver, to perform its obligations and has taken all necessary action to authorize the execution, delivery and performance of this Note.

c. Legal, Valid and Binding Character. This Note constitutes the legal, valid and binding obligation of Maker and is enforceable in accordance with its terms.

d. No Violations. The execution, delivery and performance of its obligations hereunder by Maker will not violate any requirement of law applicable to Maker or any material contract, agreement or instrument to which Maker is a party or by which Maker or its property is bound.

e. Financial Information. Maker shall provide Holder as soon as available, but in any event within ninety (90) days after the end of each fiscal year, Maker's balance sheet as at the end of such fiscal year and the related statements of income for the twelve months then ended, which shall be prepared in accordance with U.S. generally accepted accounting principles ("GAAP").

f. Net Worth. Maker covenants that its net worth as determined consistent with GAAP shall be at least $15 million at all times during which the Note or any portion thereof remains unpaid.

3. Default; Remedy. The occurrence of one or more on the following events shall constitute an "Event of Default":

a. A default shall be made in the payment of any principal or interest under the Note when the same shall become due and payable whether at maturity, by acceleration, or otherwise within 10 days of when same shall become due and payable;

b. The failure to perform under and/or committing any other breach of this Note (and Maker covenants to provide written notice to Holder of such breach that Holder would not otherwise have knowledge of); which is not cured within thirty (30) days of the notice in writing to Maker by Holder (or Holder by Maker) of the occurrence of such breach; or

c. If Maker shall (i) apply for or consent to the appointment of, or the taking of the possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property, (ii) make a general assignment for the benefit of creditors, (iii) commence a voluntary case under the federal bankruptcy laws (as now or hereafter in effect), (iv) be

adjudicated a bankrupt or insolvent, (v) file a petition seeking to take advantage of any other law providing for the relief of debtors, (vi) acquiesce to, or fail to have dismissed, within thirty (30) days, any petition filed against it in any involuntary case under such bankruptcy laws, or (vii) take any action for the purpose of effecting any of the foregoing.

d. During the pendency of any uncured Event of Default, unpaid principal amounts remaining unpaid hereunder and any interest installment not paid when due remaining unpaid hereunder shall bear interest at a rate of two percentage points (2%) in excess of the rate set forth in Section 1 hereof.

4. Acceleration. If a payment Event of Default shall occur and remain uncured within any applicable notice and cure period then this Note shall immediately become due and payable, without notice. If any other Event of Default shall occur hereunder which is not cured within any applicable grace period, then this Note may be declared to be immediately due and payable, together with attorneys' fees, if the collection hereof is placed in the hands of an attorney to obtain or enforce payment hereof.

5. Expenses of Collection borne by Maker. If this Note is not paid in accordance with its terms, or should it become necessary in the opinion of Holder to employ counsel to collect or enforce this Note, Maker shall pay to Holder, to the extent permitted by applicable law, all reasonable costs, charges, disbursements and attorney's fees incurred by Holder in collecting or enforcing payment thereof or in protecting the same, whether incurred in or out of court.

6. Waiver of Jury Trial Other Waivers; Governing Law. MAKER EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER THIS NOTE AND HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY.

The delay or failure to exercise any right hereunder shall not waive such right. Maker hereby waives demand, presentment, protest, notice of dishonor or nonpayment, notice of protest, any and all delays or lack of diligence in collection hereof and assents to each and every extension or postponement of the time of payment or other indulgence.

Any legal suit, action or proceeding not directly subject to the jurisdiction of the Bankruptcy Court and arising out of or relating to this Note must be instituted in a federal court whose district encompasses any part of New York City, State of New York, and the Maker and Holder hereby submit to this jurisdiction.

This Note shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

7. **Modification; Waiver**. This Note may not be modified nor shall any waiver hereunder be effective unless in writing and signed by the party against whom the same is asserted.

8. **Assignment**. This Note may be assigned by the Holder; provided, however, that it shall not be held of record by more than three (3) holders (counting as a single holder for such purpose any liquidating trust or similar entity).

IN WITNESS HEREOF, the undersigned has duly executed and delivered this Note the date and year first above written.

CLEARBLUE TECHNOLOGIES
MANAGEMENT, INC.

By: _____
Name:
Title:

STATE OF NEW YORK)
) ss.:
COUNTY OF _____)

On the _____ day of June, 2002 before me personally came _____, to me known, who being by me duly sworn, did depose and say that he/she is the _____, of the corporation described in and which executed the foregoing instrument; and that he/she signed his/her name thereto by order of said corporation.

_____
Notary Public

GUARANTEE OF PAYMENT

This guarantee ("Guarantee") is being executed and delivered by ClearBlue Technologies, Inc., a Delaware corporation ("Guarantor") for the benefit of AppliedTheory Corporation, a Delaware corporation, or its assigns ("AppliedTheory") in connection with that certain promissory note dated June __, 2002 (the "Promissory Note") made by ClearBlue Technologies Management, Inc. ("Maker") in the principal amount of $5,700,000. Capitalized terms used but not defined herein shall have the meaning assigned to them under the Promissory Note.

1. Guarantee. Guarantor hereby unconditionally and irrevocably guarantees the due and punctual payment of the amounts owing under the Promissory Note. This guarantee is a present and continuing, absolute guarantee and a primary and original obligation of Guarantor. In the event Maker fails to make any payment under the Promissory Note within 10 days of when the same shall become due and payable or upon an Event of Default, Guarantor immediately shall cause such payment to be made and the Holder of such Note shall not be required to exhaust its remedies against Maker prior to exercising its rights and remedies against Guarantor.

2. Representations.

1. Company Status. Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and duly qualified and in good standing in every other state or jurisdiction in which the nature of Guarantor's business requires such qualification except where failure to be so qualified would not individually or in the aggregate have a material adverse effect on its business.

2. Authority and Execution. Guarantor has full power, authority and legal right to own its property and assets and to transact the business in which it is engaged. Guarantor has the full power, authority and legal right to execute and deliver, to perform its obligations and has taken all necessary action to authorize the execution, delivery and performance of this Guarantee.

3. Expenses of Collection Borne by Guarantor. If this Guarantee is not paid in accordance with its terms, or should it become necessary in the reasonable opinion of Holder to employ counsel to collect or enforce this Guarantee, Guarantor shall pay to Holder, to the extent permitted by applicable law, all reasonable costs, charges, disbursements and attorney's fees incurred by Holder in collecting or enforcing payment thereof or in protecting the same, whether incurred in or out of court.

4. Governing Law; Venue. This Guarantee shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York. Any legal suit, action or proceeding not directly subject to the jurisdiction of the Bankruptcy Court and arising out of or relating to this Guarantee must be instituted in a federal court whose district encompasses any part of New York City, State of New York, and Guarantor and AppliedTheory hereby submit to this jurisdiction.

5. Amendment. This Guarantee may not be amended except in a writing signed by the party against whom the same is asserted.

6. Entire Agreement. This Guarantee sets forth the entire agreement and understanding between the parties and supersedes any prior agreement or understanding, written or oral, relating to the subject matter of this Guarantee.

IN WITNESS HEREOF, the undersigned has duly executed and delivered this Guarantee on the date and year first above written.

CLEARBLUE TECHNOLOGIES, INC.

By:_____
Name:
Title:

PROMISSORY NOTE

$300,000

New York, New York
June __, 2002

This Promissory Note (the "***Note***") is executed and delivered pursuant to that certain Asset Purchase Agreement dated effective as of April 17, 2002 (as amended, the "***Agreement***") between ClearBlue Technologies Management, Inc. and AppliedTheory Corporation and the subsidiaries of AppliedTheory Corporation set forth on the signature page thereto and Schedule 1 thereto. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Agreement.

1. **Payment**. FOR VALUE RECEIVED, the undersigned, ClearBlue Technologies Management, Inc., a Delaware corporation ("***Maker***"), promises to pay to the order of AppliedTheory Corporation , a Delaware corporation, or its assigns or any subsequent holder(s) of this Note ("***Holder***"), on the fourth anniversary of the date of this Note at such place as the Holder may designate from time to time in writing to the Maker, in lawful money of the United States of America, the principal sum of THREE HUNDRED THOUSAND DOLLARS ($300,000), together with interest on the unpaid principal balance of this Note from the date hereof until paid at eight percent (8%) per annum. Interest shall be computed on the basis of the actual days elapsed over a 360 day year, and shall be payable in cash on each anniversary date of the date of this Note.

The principal balance of this Note may be prepaid, at the option of Maker, in whole at any time, or in part from time to time, without premium or penalty.

All amounts received for payment under this Note shall, at the option of Holder, be applied first to any unpaid expense of Holder under Section 5 hereof, then to unpaid interest due on overdue installments, then to unpaid interest accrued, and finally to the reduction of the outstanding principal balance of the Note.

2. **Representations, Warranties and Covenants**. While this Note is outstanding, Maker hereby continuously represents, warrants and covenants to Holder that:

a. Company Status. Maker is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and duly qualified and in good standing in every other state or jurisdiction in which the nature of Maker's business requires such qualification except where failure to be so qualified would not individually or in the aggregate have a material adverse effect on its business.

b. Authority and Execution. Maker has full power, authority and legal right to own its property and assets and to transact the business in which it is engaged. Maker has the full power, authority and legal right to execute and deliver, to perform its obligations and has taken all necessary action to authorize the execution, delivery and performance of this Note.

c. Legal, Valid and Binding Character. This Note constitutes the legal, valid and binding obligation of Maker and is enforceable in accordance with its terms.

d. No Violations. The execution, delivery and performance of its obligations hereunder by Maker will not violate any requirement of law applicable to Maker or any material contract, agreement or instrument to which Maker is a party or by which Maker or its property is bound.

e. Financial Information. Maker shall provide Holder as soon as available, but in any event within ninety (90) days after the end of each fiscal year, Maker's balance sheet as at the end of such fiscal year and the related statements of income for the twelve months then ended, which shall be prepared in accordance with U.S. generally accepted accounting principles ("GAAP").

f. Net Worth. Maker covenants that its net worth as determined consistent with GAAP shall be at least $15 million at all times during which the Note or any portion thereof remains unpaid.

3. **Default; Remedy**. The occurrence of one or more on the following events shall constitute an "Event of Default":

a. A default shall be made in the payment of any principal or interest under the Note when the same shall become due and payable whether at maturity, by acceleration, or otherwise within 10 days of when same shall become due and payable;

b. The failure to perform under and/or committing any other breach of this Note (and Maker covenants to provide written notice to Holder of such breach that Holder would not otherwise have knowledge of) which is not cured within thirty (30) days of the notice in writing to Maker by Holder (or Holder by Maker) of the occurrence of such breach; or

c. If Maker shall (i) apply for or consent to the appointment of, or the taking of the possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property, (ii) make a general assignment for the benefit of creditors, (iii) commence a voluntary case under the federal bankruptcy laws (as now or hereafter in effect), (iv) be adjudicated a bankrupt or insolvent, (v) file a petition seeking to take advantage of any other law providing for the relief of debtors, (vi) acquiesce to, or fail to have dismissed, within thirty (30) days, any petition filed against it in any involuntary case under such bankruptcy laws, or (vii) take any action for the purpose of effecting any of the foregoing.

d. During the pendency of any uncured Event of Default, unpaid principal amounts remaining unpaid hereunder and any interest installment not paid when due remaining

unpaid hereunder shall bear interest at a rate of two percentage points (2%) in excess of the rate set forth in Section 1 hereof.

4. **Acceleration**. If a payment Event of Default shall occur and remain uncured within any applicable notice and cure period then this Note shall immediately become due and payable, without notice. If any other Event of Default shall occur hereunder which is not cured within any applicable grace period, then this Note may be declared to be immediately due and payable, together with attorneys' fees, if the collection hereof is placed in the hands of an attorney to obtain or enforce payment hereof.

5. **Expenses of Collection borne by Maker**. If this Note is not paid in accordance with its terms, or should it become necessary in the opinion of Holder to employ counsel to collect or enforce this Note, Maker shall pay to Holder, to the extent permitted by applicable law, all reasonable costs, charges, disbursements and attorney's fees incurred by Holder in collecting or enforcing payment thereof or in protecting the same, whether incurred in or out of court.

6. **Waiver of Jury Trial; Other Waivers; Exclusive Jurisdiction; Governing Law**. MAKER EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER THIS NOTE AND HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY.

The delay or failure to exercise any right hereunder shall not waive such right. Maker hereby waives demand, presentment, protest, notice of dishonor or nonpayment, notice of protest, any and all delays or lack of diligence in collection hereof and assents to each and every extension or postponement of the time of payment or other indulgence.

Any legal suit, action or proceeding not directly subject to the jurisdiction of the Bankruptcy Court and arising out of or relating to this Note must be instituted in a federal court whose district encompasses any part of New York City, State of New York, and the Maker and Holder hereby submit to this jurisdiction.

This Note shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

7. **Modification; Waiver**. This Note may not be modified nor shall any waiver hereunder be effective unless in writing and signed by the party against whom the same is asserted.

8. **Assignment**. This Note may be assigned by the Holder; provided, however, that it shall not be held of record by more than three (3) holders (counting as a single holder for such purpose any liquidating trust or similar entity).

IN WITNESS HEREOF, the undersigned has duly executed and delivered this Note the date and year first above written.

CLEARBLUE TECHNOLOGIES
MANAGEMENT, INC.

By: _____
Name:
Title:

STATE OF NEW YORK)
) ss.:
COUNTY OF _____)

On the _____ day of June, 2002 before me personally came _____, to me known, who being by me duly sworn, did depose and say that he/she is the _____, of the corporation described in and which executed the foregoing instrument; and that he/she signed his/her name thereto by order of said corporation.

_____
Notary Public

GUARANTEE OF PAYMENT

This guarantee ("Guarantee") is being executed and delivered by ClearBlue Technologies, Inc., a Delaware corporation ("Guarantor") for the benefit of AppliedTheory Corporation, a Delaware corporation, or its assigns ("AppliedTheory") in connection with that certain promissory note dated June __, 2002 (the "Promissory Note") made by ClearBlue Technologies Management, Inc. ("Maker") in the principal amount of $300,000. Capitalized terms used but not defined herein shall have the meaning assigned to them under the Promissory Note.

1. Guarantee. Guarantor hereby unconditionally and irrevocably guarantees the due and punctual payment of the amounts owing under the Promissory Note. This guarantee is a present and continuing, absolute guarantee and a primary and original obligation of Guarantor. In the event Maker fails to make any payment under the Promissory Note within 10 days of when the same shall become due and payable or upon an Event of Default, Guarantor immediately shall cause such payment to be made and the Holder of such Note shall not be required to exhaust its remedies against Maker prior to exercising its rights and remedies against Guarantor.

2. Representations.

A. Company Status. Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and duly qualified and in good standing in every other state or jurisdiction in which the nature of Guarantor's business requires such qualification except where failure to be so qualified would not individually or in the aggregate have a material adverse effect on its business.

B. Authority and Execution. Guarantor has full power, authority and legal right to own its property and assets and to transact the business in which it is engaged. Guarantor has the full power, authority and legal right to execute and deliver, to perform its obligations and has taken all necessary action to authorize the execution, delivery and performance of this Guarantee.

3. Expenses of Collection Borne by Guarantor. If this Guarantee is not paid in accordance with its terms, or should it become necessary in the reasonable opinion of Holder to employ counsel to collect or enforce this Guarantee, Guarantor shall pay to Holder, to the extent permitted by applicable law, all reasonable costs, charges, disbursements and attorney's fees incurred by Holder in collecting or enforcing payment thereof or in protecting the same, whether incurred in or out of court.

4. Governing Law; Venue. This Guarantee shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York. Any legal suit, action or proceeding not directly subject to the jurisdiction of the Bankruptcy Court and arising out of or relating to this Guarantee must be instituted in a federal court whose district encompasses any part of New York City, State of New York, and Guarantor and AppliedTheory hereby submit to this jurisdiction.

5. Amendment. This Guarantee may not be amended except in a writing signed by the party against whom the same is asserted.

6. Entire Agreement. This Guarantee sets forth the entire agreement and understanding between the parties and supersedes any prior agreement or understanding, written or oral, relating to the subject matter of this Guarantee.

IN WITNESS HEREOF, the undersigned has duly executed and delivered this Guarantee on the date and year first above written.

CLEARBLUE TECHNOLOGIES, INC.

By:_____
Name:
Title:

NON-NEGOTIABLE SECURED PROMISSORY NOTE

$700,000

New York, New York
June __, 2002

This Promissory Note (the "***Note***") is executed and delivered pursuant to that certain Asset Purchase Agreement dated effective as of April 17, 2002 (as amended, the "***Agreement***") between ClearBlue Technologies Management, Inc. and AppliedTheory Corporation and the subsidiaries of AppliedTheory Corporation set forth on the signature page thereto and Schedule 1 thereto. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Agreement. This Note is non-negotiable and may not be assigned.

1. **Payment**. FOR VALUE RECEIVED, the undersigned, ClearBlue Technologies Management, Inc., a Delaware corporation ("***Maker***"), promises to pay to the order of AppliedTheory Corporation , a Delaware corporation ("***Holder***"), on the one hundred eightieth (180^{th}) day from the date of this Note at such place as the Holder may designate from time to time in writing to the Maker, in lawful money of the United States of America, the principal sum of SEVEN HUNDRED THOUSAND DOLLARS ($700,000), together with interest on the unpaid principal balance of this Note from the date hereof until paid at eight percent (8%) per annum; provided, however, that any post-Closing reconciliation of amounts actually paid or incurred in excess of the deferred revenue and account payable liabilities detailed in Section 4.C. of that certain Amendment of even date herewith to the Agreement, any amounts paid by Buyer in satisfaction of any sales tax in accordance with Section 2.3(a)(v) of the Agreement, and any indemnification claims Buyer may assert against Sellers pursuant to the Agreement, shall be applied to setoff, dollar for dollar, any outstanding principal amount due by Maker hereunder. Interest shall be computed on the basis of the actual days elapsed over a 360-day year, and shall be payable on maturity hereof or any earlier prepayment of this Note.

The principal balance of this Note may be prepaid, at the option of Maker, in whole at any time, or in part from time to time, without premium or penalty.

All amounts received for payment under this Note shall, at the option of Holder, be applied first to any unpaid expense of Holder under Section 6 hereof, then to unpaid interest due on overdue installments, then to unpaid interest accrued, and finally to the reduction of the outstanding principal balance of the Note.

2. **Representations, Warranties and Covenants**. While this Note is outstanding, Maker hereby continuously represents, warrants and covenants to Holder that:

a. Company Status. Maker is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and duly qualified and in good standing in every other state or jurisdiction in which the nature of Maker's business requires such qualification except where failure to be so qualified would not individually or in the aggregate have a material adverse effect on its business. Maker's exact legal name is as set forth in the first paragraph of this Note.

b. Authority and Execution. Maker has full power, authority and legal right to own its property and assets and to transact the business in which it is engaged. Maker has the full power, authority and legal right to execute and deliver, to perform its obligations and has taken all necessary action to authorize the execution, delivery and performance of this Note.

c. Legal, Valid and Binding Character. This Note constitutes the legal, valid and binding obligation of Maker and is enforceable in accordance with its respective terms.

d. No Violations. The execution, delivery and performance of its obligations hereunder by Maker will not violate any requirement of law applicable to Maker or any material contract, agreement or instrument to which Maker is a party or by which Maker or its property is bound.

e. Financial Information. Maker shall provide Holder as soon as available, but in any event within ninety (90) days after the end of each fiscal year, Maker's balance sheet as at the end of such fiscal year and the related statements of income for the twelve months then ended, which shall be prepared in accordance with U.S. generally accepted accounting principles.

f. Liens, Encumbrances. As of the date hereof, Maker has good, valid and marketable title to the Collateral (as defined below) to the same extent as provided by Sellers to Holder under the Agreement, free and clear of all security interests, liens and other encumbrances, except for those disclosed by Holder to Maker pursuant to Section 3.1(e) of the Agreement and except for the security interest created hereunder. So long as any principal or interest amount under this Note remains unpaid, Maker shall not sell, assign, or otherwise transfer, dispose of, or encumber the Collateral or any interest therein, or grant a security interest therein, except to Holder or in the ordinary course of business of Maker. Maker shall not change its state of organization or incorporation.

3. **Security Interest**. To secure the prompt payment and performance to Holder of Maker's obligations under this Note, Maker hereby acknowledges, agrees and confirms that Holder shall continue to have a security interest in and to the Assets purchased by Buyer pursuant to the Agreement, other than the Accounts (the "***Collateral***"). Maker hereby assigns, pledges and grants to Holder a security interest in and to all of the Collateral. Maker shall mark its books and records as may be necessary or appropriate to evidence, protect and perfect Holder's security interest and shall cause its financial statements to reflect such security interest. Holder is hereby authorized to file financing statements signed by Holder instead of Maker in accordance with Section 9-402(2) of the UCC or any other applicable section of the UCC and Maker hereby appoints Holder or any other Person whom Holder may designate as Maker's attorney, with power to sign Maker's name on any such financing statements.

4. **Default; Remedy**. The occurrence of one or more on the following events shall constitute an "Event of Default":

a. A default shall be made in the payment of any principal under the Note when the same shall become due and payable whether at maturity, by acceleration, or otherwise within 10 days of when same shall become due and payable;

b. The failure to perform under and/or committing any other breach of this Note (and Maker covenants to provide written notice to Holder of such breach that Holder would not otherwise have knowledge of); which is not cured within thirty (30) days of the notice in writing to Maker by Holder (or Holder by Maker) of the occurrence of such breach; or

c. If Maker shall (i) apply for or consent to the appointment of, or the taking of the possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property, (ii) make a general assignment for the benefit of creditors, (iii) commence a voluntary case under the federal bankruptcy laws (as now or hereafter in effect), (iv) be adjudicated a bankrupt or insolvent, (v) file a petition seeking to take advantage of any other law providing for the relief of debtors, (vi) acquiesce to, or fail to have dismissed, within thirty (30) days, any petition filed against it in any involuntary case under such bankruptcy laws, or (vii) take any action for the purpose of effecting any of the foregoing.

d. During the pendency of any uncured Event of Default, unpaid principal amounts remaining unpaid hereunder and any interest installment not paid when due remaining unpaid hereunder shall bear interest at a rate of two percentage points (2%) in excess of the rate set forth in Section 1 hereof.

5. **Acceleration**. If a payment Event of Default shall occur and remain uncured within any applicable notice and cure period then this Note shall immediately become due and payable, without notice. If any other Event of Default shall occur hereunder which is not cured within any applicable grace period, then this Note may be declared to be immediately due and payable, together with reasonable attorneys' fees, if the collection hereof is placed in the hands of an attorney to obtain or enforce payment hereof.

6. **Expenses of Collection borne by Maker**. If this Note is not paid in accordance with its terms, or should it become necessary in the opinion of Holder to employ counsel to collect or enforce this Note, Maker shall pay to Holder, to the extent permitted by applicable law, all reasonable costs, charges, disbursements and attorney's fees incurred by Holder in collecting or enforcing payment thereof or in protecting the same, whether incurred in or out of court.

7. **Waiver of Jury Trial; Other Waivers; Exclusive Jurisdiction; Governing Law**. MAKER EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER THIS NOTE AND HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND,

ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY.

The delay or failure to exercise any right hereunder shall not waive such right. Maker hereby waives demand, presentment, protest, notice of dishonor or nonpayment, notice of protest, any and all delays or lack of diligence in collection hereof and assents to each and every extension or postponement of the time of payment or other indulgence.

Any legal suit, action or proceeding not directly subject to the jurisdiction of the Bankruptcy Court and arising out of or relating to this Note must be instituted in a federal court whose district encompasses any part of New York City, State of New York, and the Maker and Holder hereby submit to this jurisdiction.

This Note shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

8. **Modification; Waiver**. This Note may not be modified nor shall any waiver hereunder be effective unless in writing and signed by the party against whom the same is asserted.

IN WITNESS HEREOF, the undersigned has duly executed and delivered this Note the date and year first above written.

CLEARBLUE TECHNOLOGIES
MANAGEMENT, INC.

By: _____
Name:
Title:

STATE OF NEW YORK)
) ss.:
COUNTY OF _____)

On the _____ day of June, 2002 before me personally came _____, to me known, who being by me duly sworn, did depose and say that he/she is the _____, of the corporation described in and which executed the foregoing instrument; and that he/she signed his/her name thereto by order of said corporation.

_____
Notary Public

GUARANTEE OF PAYMENT

This guarantee ("Guarantee") is being executed and delivered by ClearBlue Technologies, Inc., a Delaware corporation ("Guarantor") for the benefit of AppliedTheory Corporation, a Delaware corporation, or its assigns ("AppliedTheory") in connection with that certain non-negotiable secured promissory note dated June __, 2002 (the "Promissory Note") made by ClearBlue Technologies Management, Inc. ("Maker") in the principal amount of $700,000. Capitalized terms used but not defined herein shall have the meaning assigned to them under the Promissory Note.

1. Guarantee. Guarantor hereby unconditionally and irrevocably guarantees the due and punctual payment of the amounts owing under the Promissory Note. This guarantee is a present and continuing, absolute guarantee and a primary and original obligation of Guarantor. In the event Maker fails to make any payment under the Promissory Note within 10 days of when the same shall become due and payable or upon an Event of Default, Guarantor immediately shall cause such payment to be made and the Holder of such Note shall not be required to exhaust its remedies against Maker prior to exercising its rights and remedies against Guarantor.

2. Representations.

A. Company Status. Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and duly qualified and in good standing in every other state or jurisdiction in which the nature of Guarantor's business requires such qualification except where failure to be so qualified would not individually or in the aggregate have a material adverse effect on its business.

B. Authority and Execution. Guarantor has full power, authority and legal right to own its property and assets and to transact the business in which it is engaged. Guarantor has the full power, authority and legal right to execute and deliver, to perform its obligations and has taken all necessary action to authorize the execution, delivery and performance of this Guarantee.

3. Expenses of Collection Borne by Guarantor. If this Guarantee is not paid in accordance with its terms, or should it become necessary in the reasonable opinion of Holder to employ counsel to collect or enforce this Guarantee, Guarantor shall pay to Holder, to the extent permitted by applicable law, all reasonable costs, charges, disbursements and attorney's fees incurred by Holder in collecting or enforcing payment thereof or in protecting the same, whether incurred in or out of court.

4. Governing Law; Venue. This Guarantee shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York. Any legal suit, action or proceeding not directly subject to the jurisdiction of the Bankruptcy Court and arising out of or relating to this Guarantee must be instituted in a federal court whose district encompasses any part of New York City, State of New York, and Guarantor and AppliedTheory hereby submit to this jurisdiction.

5. Amendment. This Guarantee may not be amended except in a writing signed by the party against whom the same is asserted.

6. Entire Agreement. This Guarantee sets forth the entire agreement and understanding between the parties and supersedes any prior agreement or understanding, written or oral, relating to the subject matter of this Guarantee.

IN WITNESS HEREOF, the undersigned has duly executed and delivered this Guarantee on the date and year first above written.

CLEARBLUE TECHNOLOGIES, INC.

By:_____
Name:
Title:

SECURED PROMISSORY NOTE

$5,400,000

New York, New York
June __, 2002

This Promissory Note (the "***Note***") is executed and delivered pursuant to that certain Asset Purchase Agreement dated effective as of April 17, 2002 (as amended, the "***Agreement***") between ClearBlue Technologies Management, Inc. and AppliedTheory Corporation and the subsidiaries of AppliedTheory Corporation set forth on the signature page thereto and Schedule 1 thereto. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Agreement.

1. **Payment**. FOR VALUE RECEIVED, the undersigned, ClearBlue Technologies Management, Inc., a Delaware corporation ("***Maker***"), promises to pay to the order of AppliedTheory Corporation , a Delaware corporation, or its assigns or any subsequent holder(s) of this Note ("***Holder***"), on the one hundred eightieth (180^{th}) day from the date of this Note at such place as the Holder may designate from time to time in writing to the Maker, in lawful money of the United States of America, the principal sum of FIVE MILLION FOUR HUNDRED THOUSAND DOLLARS ($5,400,000); provided, however, that Maker shall have the right to reduce, dollar for dollar, any outstanding principal balance under this Note, by the amount of any setoff or recoupment right arising prior to Closing exercised by any third party under any Contracts with customers. Maker shall notify Holder in writing of the exercise by a third party of any such setoff or recoupment right with 10 days of Maker's actual knowledge thereof.

The unpaid principal amount owing hereunder shall not bear interest.

The principal balance of this Note may be prepaid, at the option of Maker, in whole at any time, or in part from time to time, without premium or penalty.

All amounts received for payment under this Note shall, at the option of Holder, be applied first to any unpaid expense of Holder under Section 6 hereof, then to unpaid interests due on overdue installments, then to unpaid interest accrued, and finally to the reduction of the outstanding principal balance of the Note.

2. **Representations, Warranties and Covenants**. While this Note is outstanding, Maker hereby continuously represents, warrants and covenants to Holder that:

a. Company Status. Maker is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and duly qualified and in good standing in every other state or jurisdiction in which the nature of Maker's business requires such qualification except where failure to be so qualified would not individually or in the aggregate have a material adverse effect on its business. Maker's exact legal name is as set forth in the first paragraph of this Note.

b. Authority and Execution. Maker has full power, authority and legal right to own its property and assets and to transact the business in which it is engaged. Maker has the full power, authority and legal right to execute and deliver, to perform its obligations and has taken all necessary action to authorize the execution, delivery and performance of this Note.

c. Legal, Valid and Binding Character. This Note constitutes the legal, valid and binding obligation of Maker and is enforceable in accordance with its respective terms.

d. No Violations. The execution, delivery and performance of its obligations hereunder by Maker will not violate any requirement of law applicable to Maker or any material contract, agreement or instrument to which Maker is a party or by which Maker or its property is bound.

e. Financial Information. Maker shall provide Holder as soon as available, but in any event within ninety (90) days after the end of each fiscal year, Maker's balance sheet as at the end of such fiscal year and the related statements of income for the twelve months ended, which shall be prepared in accordance with U.S. generally accepted accounting principles.

f. Liens, Encumbrances. As of the date hereof, Maker has good, valid and marketable title to the Collateral (as defined below) to the same extent as provided by Sellers to Holder under the Agreement, free and clear of all security interests, liens and other encumbrances, except for those disclosed by Holder to Maker pursuant to Section 3.1(e) of the Agreement and except for the security interest created hereunder. So long as any principal or interest amount under this Note remains unpaid, Maker shall not sell, assign, or otherwise transfer, dispose of, or encumber the Collateral or any interest therein, or grant a security interest therein, except to Holder or in the ordinary course of business of Maker. Maker shall not change its state of organization or incorporation.

3. Security Interest. To secure the prompt payment and performance to Holder of Maker's obligations under this Note, Maker hereby grants, conveys, acknowledges, agrees and confirms that Holder (or its permitted assignees) shall continue to have a security interest in the Accounts purchased by Buyer pursuant to the Agreement (a schedule of which is annexed hereto), as well as any accounts receivable generated by Buyer's operation of the Business after the Closing Date to the extent Buyer has received any proceeds of the Accounts, and any proceeds of the foregoing (the "***Collateral***"). Maker hereby assigns, pledges and grants to Holder a continuing security interest in and to all of the Collateral, whether now owned or existing or hereafter acquired or arising and wheresoever located. Maker shall mark its books and records as may be necessary or appropriate to evidence, protect and perfect Holder's security interest and shall cause its financial statements to reflect such security interest. Holder is hereby authorized to file financing statements signed by Holder instead of Maker in accordance with Section 9-402(2) of the UCC or any other applicable section of the UCC and Maker hereby appoints Holder or any other Person whom Holder may designate as Maker's attorney, with power to sign Maker's name on any such financing statements.

4. **Default; Remedy**. The occurrence of one or more on the following events shall constitute an "Event of Default":

a. A default shall be made in the payment of any principal under the Note when the same shall become due and payable whether at maturity, by acceleration, or otherwise within 10 days of when same shall become due and payable;

b. The failure to perform under and/or committing any other breach of this Note (and Maker covenants to provide written notice to Holder of such breach that Holder would otherwise not have knowledge of); which is not cured within thirty (30) days of the notice in writing to Maker by Holder (or Holder by Maker) of the occurrence of such breach; or

c. If Maker shall (i) apply for or consent to the appointment of, or the taking of the possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property, (ii) make a general assignment for the benefit of creditors, (iii) commence a voluntary case under the federal bankruptcy laws (as now or hereafter in effect), (iv) be adjudicated a bankrupt or insolvent, (v) file a petition seeking to take advantage of any other law providing for the relief of debtors, (vi) acquiesce to, or fail to have dismissed, within thirty (30) days, any petition filed against it in any involuntary case under such bankruptcy laws, or (vii) take any action for the purpose of effecting any of the foregoing.

5. **Acceleration**. If a payment Event of Default shall occur and remain uncured within any applicable notice and cure period then this Note shall immediately become due and payable, without notice. If any other Event of Default shall occur hereunder which is not cured within any applicable grace period, then this Note may be declared to be immediately due and payable, together with reasonable attorneys' fees, if the collection hereof is placed in the hands of an attorney to obtain or enforce payment hereof.

6. **Expenses of Collection borne by Maker**. If this Note is not paid in accordance with its terms, or should it become necessary in the opinion of Holder to employ counsel to collect or enforce this Note, Maker shall pay to Holder, to the extent permitted by applicable law, all reasonable costs, charges, disbursements and attorney's fees incurred by Holder in collecting or enforcing payment thereof or in protecting the same, whether incurred in or out of court.

7. **Waiver of Jury Trial; Other Waivers; Exclusive Jurisdiction; Governing Law**. MAKER EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER THIS NOTE AND HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY.

The delay or failure to exercise any right hereunder shall not waive such right. Maker hereby waives demand, presentment, protest, notice of dishonor or nonpayment, notice of protest, any and all delays or lack of diligence in collection hereof and assents to each and every extension or postponement of the time of payment or other indulgence.

Any legal suit, action or proceeding not directly subject to the jurisdiction of the Bankruptcy Court and arising out of or relating to this Note must be instituted in a federal court whose district encompasses any part of New York City, State of New York, and the Maker and Holder hereby submit to this jurisdiction.

This Note shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

8. **Modification; Waiver**. This Note may not be modified nor shall any waiver hereunder be effective unless in writing and signed by the party against whom the same is asserted.

9. **Assignment**. This Note may be assigned by the Holder; provided, however, that it shall not be held of record by more than three (3) holders (counting as a single holder for such purpose any liquidating trust or similar entity).

IN WITNESS HEREOF, the undersigned has duly executed and delivered this Note the date and year first above written.

CLEARBLUE TECHNOLOGIES
MANAGEMENT, INC.

By: _____
Name:
Title:

STATE OF NEW YORK)
) ss.:
COUNTY OF _____)

On the _____ day of June, 2002 before me personally came _____, to me known, who being by me duly sworn, did depose and say that he/she is the _____, of the corporation described in and which executed the foregoing instrument; and that he/she signed his/her name thereto by order of said corporation.

_____
Notary Public

GUARANTEE OF PAYMENT

This guarantee ("Guarantee") is being executed and delivered by ClearBlue Technologies, Inc., a Delaware corporation ("Guarantor") for the benefit of AppliedTheory Corporation, a Delaware corporation, or its assigns ("AppliedTheory") in connection with that certain secured promissory note dated June __, 2002 (the "Promissory Note") made by ClearBlue Technologies Management, Inc. ("Maker") in the principal amount of $5,400,000. Capitalized terms used but not defined herein shall have the meaning assigned to them under the Promissory Note.

1. Guarantee. Guarantor hereby unconditionally and irrevocably guarantees the due and punctual payment of the amounts owing under the Promissory Note. This guarantee is a present and continuing, absolute guarantee and a primary and original obligation of Guarantor. In the event Maker fails to make any payment under the Promissory Note within 10 days of when the same shall become due and payable or upon an Event of Default, Guarantor immediately shall cause such payment to be made and the Holder of such Note shall not be required to exhaust its remedies against Maker prior to exercising its rights and remedies against Guarantor.

2. Representations.

A. Company Status. Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and duly qualified and in good standing in every other state or jurisdiction in which the nature of Guarantor's business requires such qualification except where failure to be so qualified would not individually or in the aggregate have a material adverse effect on its business.

B. Authority and Execution. Guarantor has full power, authority and legal right to own its property and assets and to transact the business in which it is engaged. Guarantor has the full power, authority and legal right to execute and deliver, to perform its obligations and has taken all necessary action to authorize the execution, delivery and performance of this Guarantee.

3. Expenses of Collection Borne by Guarantor. If this Guarantee is not paid in accordance with its terms, or should it become necessary in the reasonable opinion of Holder to employ counsel to collect or enforce this Guarantee, Guarantor shall pay to Holder, to the extent permitted by applicable law, all reasonable costs, charges, disbursements and attorney's fees incurred by Holder in collecting or enforcing payment thereof or in protecting the same, whether incurred in or out of court.

4. Governing Law; Venue. This Guarantee shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York. Any legal suit, action or proceeding not directly subject to the jurisdiction of the Bankruptcy Court and arising out of or relating to this Guarantee must be instituted in a federal court whose district encompasses any part of New York City, State of New York, and Guarantor and AppliedTheory hereby submit to this jurisdiction.

5. Amendment. This Guarantee may not be amended except in a writing signed by the party against whom the same is asserted.

6. Entire Agreement. This Guarantee sets forth the entire agreement and understanding between the parties and supersedes any prior agreement or understanding, written or oral, relating to the subject matter of this Guarantee.

IN WITNESS HEREOF, the undersigned has duly executed and delivered this Guarantee on the date and year first above written.

CLEARBLUE TECHNOLOGIES, INC.

By:_____
Name:
Title:

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Schedule 2.1(a)

Schedule 2.1(a) is amended to include the attached.

SCHEDULE 3 – ESSENTIAL EQUIPMENT LEASES

To be Assumed by ClearBlue Technologies
Schedule 2.1(a) Equipment – Capital Leases

Lease/Loan	Collateral	Description	Cure Amounts	Owed by Debtors	Total Liabilities	Comments
HPFS#1	Leased Equipment	AJB equipment				
HPFS#2	Leased Equipment	Compaq, DEC, Hitachi, Cisco equipment				
HPFS#3	Leased Equipment	Compaq equipment, DEC equipment, Microsoft software				
HPFS#4	Leased Equipment	Compaq & DEC equp/maint, ARCserve, WebTrends, Microsoft software, OmniView, Cisco server				All leases with Compaq have been renegotiated pursuant to an agreement between the parties
HPFS#5	Leased Equipment	Compaq & DEC equip/maint, Abode & Macromedia software, Tape library system				
HPFS#6	Leased Equipment	Compaq equipment				
HPFS#7	Leased Equipment	Compaq equipment, Ipswitch, Adobe software, Macromedia software				
HPFS#8	Leased Equipment	Compaq equipment				
HPFS#10	Leased Equipment	Compaq equipment				
HPFS#11	Leased Equipment	Compaq equipment				
HPF#12	Leased Equipment	Compaq equip, Netscreen	$1,560,739	$3,908,816	$5,469,555	
Diamond Leasing #671921	LT sec dep & leased equipment	AJB Sun equipment, Gaffney telephone system	$132,301	$264,602	$396,903	The Lease with Diamond Leasing has been renegotiated pursuant to an agreement between the parties
OFC Capital Lease #1 8026	Leased Equipment	Office Furniture				
OFC Capital Lease #2 10027	Leased Equipment	Office Furniture				
OFC Capital Lease #3 10050	Leased Equipment	Office Furniture				
OFC Capital Lease #4 0101058	Leased Equipment	Desktop equipment	$66,584	$332,529	$399,113	All leases with OFC Capital have been renegotiated pursuant to an agreement between the parties
Information Leasing (National)	Leased Equipment	Office Furniture	$300,010	$294,489	$594,859	The Lease with Information Leasing has been renegotiated pursuant to an agreement between the parties
			$2,059,634	$4,800,796	$$6,860,430	

AppliedTheory Corporation
Real Property Leases to Be Assumed by ClearBlue

Landlord	Property Location	Cure Amounts	Approximate Monthly Rent Obligations	Comments
224 Harrison Associates LLC	224 Harrison St., Syracuse, NY	$0.00	$ 48,127.00	
Ame. Society of Civil Engineers	1801 Alexander Bell Dr., 6th Fl, Reston, VA	$1,264.00	$ 4,910.00	
Architecture, Inc.	1801 Alexander Bell, 6th Fl., Reston, VA (Sub-tenant)	$0.00	$ 4,650.00	
Elwood Davis Road Company	125 Elwood Davis Road, North Syracuse, NY	$11,554.71	$ 23,835.00	
Elwood Davis Road Company	100 Elwood Davis Road, North Syracuse, NY	$12,580.98	$ 15,200.00	

Schedule 2.1(c)

Schedule 2.1(c) is amended the include the attached.

Vendor	Title	Description	Cure Amounts
Sun Microsystems	Reseller Agreement - #PT00086	For sale of Sun equipment to New York State Agency	$0
Sun Microsystems	Services Provider Agreement - #SP0029	For sale of Sun equipment to Web Hosting customers	$0
Sun Microsystems	Sun Service Manager Agreement - #38403	Fors sale of Hardware and Software support to customers other than Federal Agencies	$0
Sun Microsystems Finance	Lease Schedule #1 under Master Lease Agreement # 4097821 (4097821-001)	Lease Used Sun equipment for AJB with $1 buyout	$0
F5 Networks, Inc.	Reseller Agreement – Advantage Partner	ATHY is an authorized non-exclusive reseller of F5 Products	$0
MGE UPS Systems	Service Agreement	Agreement includes all parts, labor and travel expenses Agreement includes one preventative maintenance inspection upgrade enhancements	$0
Divine, Inc.	Channel Partner	ATHY appointed as	$0

	Agreement	a non-exclusive Systems Integrator or Reseller	
Remedy	Remedy Software Maintenance Agreement	24 hour response time of telephone support email support, web access, fax on demand service, knowledge base and software updates	$0
Legato Systems, Inc.	Maintenance Agreement (renewal/ extended)	Extended maintenance for Legato Systems for AJB Legator Tracking #: 59358	$0
Open Market	PO 101501-02 US Forest Service		$0
Eshare Technologies	Application Hosting Agreement	ATC purchases eShares and installs it on the server. eShare allows us to set up chat rooms for web products. ATC rents access to eShare to our customers and pays eShare 40% of the revenue generated	$0
R.L. Kistler, Inc.	Maintenance Agreement	Maintenance HVAC in Syracuse Machine Room	$0
Cummins Northeast	Maintenance	Standby Power	$0

	Agreement	SystemMaintenance Agreement	
Iron Mountain	Records Management and Service Agreement	Service Agreement for storage of record material at ATHY's request	$0
Rational Software	Shrink Wrap License Agreement	Software-Rational Rose	$0
Bell Atlantic	Pole Attachment Agreement	Silencing the use of Bell Atlantic's pole space for communication applicants	$0
Adaytum, Inc.	Software License Agreement	Allows the use of software at multiple work stations	$0
American Registry for Internet Numbers	Registration Services Agreement	Registration Services for IP address space and/or assignment of autonomous system numbers	$0
AT&T	AT&T Enterprise Hosting Service Order Attachment Terms and Conditions	Coalition in San Diego for AJB equipment	$0
AT&T		Order for oc3 to replace three ds3	$0
Avantgo	License Agreement	150 licenses and annual support Johns Hopkins University	$0

Broadwing	OC3 egress connection		$0
Doyle Monitoring	Maintenance Agreement	Maintenance on security system-EDR	$0
GE Capital Information Technology Solutions – North America, Inc. (GECITS)	Master Agreement to Engage Subcontractor	Master Agreement for ATHY to sell web hosting and professional services to customers of GE	$0
General Services Administration	GSA Contract No. GS-35F-0196L-Solicitation No. FCIS-JB-980001B – General Purpose Information Technology Services	Master agreement to sell professional services and web hosting to the federal government	$0
Hewlett Packard	Software Support Agreement	Support services agreement to provide assistance to ATHY HP products and software	$0
ILOG, Inc.	Software License Agreement	ILOG for AJB	$0
Melillo Consulting, Inc.	Agreement	Melillo will consult for ATHY to implement Hewlett Packard's Open View Vantage Point Operations (VPO)	$0

		systems management product	
Microsoft	Certified Partner Agreement	Development software downloads	$0
NativeMinds, Inc.	NativeMinds Master Contract	ATHY to resell NativeMinds software to our customers	$0
Niagara Mohawk	Pole Attachment Agreement	For attachment to poles 5 and 6 on Elwood Davis Road- Town of Salina	$0
Pitney Bowes	Rate Protection Plan	SoftGuard coverage against rate changes	$0
Quadralay	PO 030852-03		$0
Real Media, Inc.	Open Ad Stream License and Service Agreement	A non exclusive license to use software	$0
Real Networks	Agreement	Software Maintenance	$0
Smartforce/CBT Systems USA	Confidential Master Lease and License Agreement	Non Exclusive lisence to use courses-for training of ATHY employees maximum 40 users	$0
Software AG	Service Provider Agreement	ATHY to participate in Software AG's alliance program	$0
Software AG	Service Provider Mutual Referral Fee	Mutual Referral Agreement	$0

	Agreement		
State Tower of Syracuse	Building License Agreement	License to run 0C48 fiber optic cable from Verizon from the basement of State Tower Building at 109 S Warren Street to our IXC collocation space	$0
Sun Microsystems	Customer Support Program Agreement	Equipment maintenance for SUN Systems	$0
Verisign, Inc.	Verisign Services Order #5	For registration of domain names in the .biz, .info, and .name top level domains (does not include .com, .net or .org)	$0
Vertex	Software License Agreement	License to use Quantum for Sales and Tax Returns	$0
Visual Mining	Agreement	NetChart Supports	$0
Webtrends Corporation	Software License and Training Agreement	Software Licenses and Training for WebTrends	$0

Executory Contracts

Vendor	Title	Description	Cure Amount	Comments

Vendor	Title	Description	Cure Amount	Comments
ALLAIRE/ MACROMEDIA	Agreement	ATHY resells or hosts Allaire products on its customers web sites. Cold Fusion Enterprise Application Server, Cold Fusion Studio, HomeSite	$26,289.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
ASPECT TELE-COMMUNICATIONS	Support Agreement	Yearly on site (2 hour) Maintenance for Aspect ACD	$1,950.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
Borland Software	Software Agreement	Jbuilder for AJB	$39,330.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
BUSINESS METHODS, INC. (Toshiba)	Lease	Equipment Lease with Maintenance Agreement (125 EDR) Toshiba 3580 Digital Connected copier.	$9,156.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
BUSINESS METHODS, INC. (Toshiba)	Lease	Equipment Lease Agreement (Syracuse-Mailroom) Minolta 911 P Color Printer	see above	ClearBlue obligations have been restructured pursuant to agreement between the parties.
BUSINESS METHODS,	Lease	Equipment Lease	see above	ClearBlue obligations have been

Vendor	Title	Description	Cure Amount	Comments
INC. (Toshiba)		with Maintenance Agreement includes Harrison St.,)		restructured pursuant to agreement between the parties.
Cablexpress	po#032202-01 AJB		$727.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
CR Fletcher Temps	Agreement for Temporary Placement	Placement agreement for Gerald Stevens PO being charged to AJB project	$7,912.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
EXODUS COMMUNICATIONS, INC.	Master Services Agreement	ATHY to deploy Delta Edge in Exodus Data centers in Chicago, Seattle and Austin	$17,584.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
IBM	Procurement Agreement No. 4998CM0390	Procurement Agreement No. 4900CM0390	$14,708.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
International Business Machines (IBM)	IBM Business Partner Agreement	ATHY Austin to resell IBM Personal computer products	see above	ClearBlue obligations have been restructured pursuant to agreement between the parties.

Vendor	Title	Description	Cure Amount	Comments
		and associated services for CyberCentral tradeshow events.		
INTERNET SECURITY SYSTEMS, INC. (ISS)	Managed Security Services Alliance Agreement (and MOU)	ATHY resells ISS managed Security Services - MOU is incorporated into this agreement	$29,613.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
KEYNOTE	Agreement	License Agreements for Delta Edge	$2,478.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
KNOWLEDGE POINT CORPORATION	Annual SW Lic Renewal	HR Evaluation Software	$900.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
Murphy & Associates	Temporary Placements	Temporary placement of AJB employees	$15,552.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
NEOPOST	Equipment Lease Agreement - Reston, VA Lease No.	Postal Equipment lease agreement - document # 4 - 1026750 (Base and Meter) Reston, Virginia	$157.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
ON!CONTACT SOFTWARE	Software License & Support	Software replaces CallBack	$8,409.00	ClearBlue obligations have been restructured pursuant to agreement

Vendor	Title	Description	Cure Amount	Comments
	Agreement			between the parties.
ORACLE CORPORATION	Software License and Maintenance Agreement	ATHY Master Agreement for Oracle Licenses Contract # 4567115	$2,757.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
ORACLE CORPORATION	Software License and Maintenance Agreement	ATHY Oracle financials Contract # 4882540	see above	ClearBlue obligations have been restructured pursuant to agreement between the parties.
OTIS ELEVATOR COMPANY	Maintenance Agreement	Maintenance on elevators	$956.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
PIVOT TECHNOLOTIES, INC.	Network Management Services Agreement	ATHY resells Pivot Netscreen and CiscoPIX managed firewalls	$16,174.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
PIVOT TECHNOLOTIES, INC.	Network Management Terms and Conditions	Pivot provides the firewall for the What's Up/UPS deal.	see above	ClearBlue obligations have been restructured pursuant to agreement between the parties.
QUEST SOFTWARE	Software License Agreement	Use for AJB load balancing	$3,892.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
SPRINT	Maintenance Agreement	Maintenance Agreements on web	$37,847.00	ClearBlue obligations have been restructured pursuant to agreement

Vendor	Title	Description	Cure Amount	Comments
		hosting and internal Cisco equipment.		between the parties.
SPRINT	Sprint Real Solutions Annual Plan Sales Agreement	ATHY subscribes to Dial 1 Solution; Toll FreeSolutions; SDS Solutions; Foncard Solutions; Voice Foncard Solutions. - 32% discount	See above	ClearBlue obligations have been restructured pursuant to agreement between the parties.
UNITED MESSAGING, INC.	Subcontract Agreement	Agreement to provide POP mail for HHC contract.	$28,248.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
Verizon Wireless			$380.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
Toshiba America Information	Lease		$439.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
WebSense, Inc.	Channel Partner Program Agreement	ATHY to resell WebSense to deliver the HHC Proposal	$15,200.00	Cure Amount is subject to restructuring pursuant to agreement between the parties.
Microsoft Corporation	Microsoft Business Agreement No. U1118846, Microsoft		$0	

Vendor	Title	Description	Cure Amount	Comments
	Enterprise Agreement Nos. 01E50153, 3255692, Microsoft Select Agreement No. 01S50532, and Microsoft Select Enrollment Nos. 6575692, 4175952			
Mythics, Inc.	Software Agreement	Software for AJB	$44,000	
Oracle	Customer and in house SW Lic	AJB and In-House	$88,000	

Essential Vendors	Cure Amount/ Assumed Liabilites	Comments
Verizon Pole Rental	$9.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
Cingular Wireless	$27.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
Arch Wireless	$144.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
OCWA	$232.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
Western NY Computing Sys., Inc.	$753.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
Internet@ntc Inc.	$814.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
Gaffney Communications	$2,303.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
Metropolitan Development Association	$3,000.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
Adelphia Business Solutions	$5,942.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
ADP	$6,609.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.

CDW Computer Centers, Inc.	$9,045.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
Lotus Development Corporation	$46,896.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
Broadwing	$10,000.00	Cure amount for use of 036 Egress. Negotiation and new agreement with vendors for future use of 036 Egress.

ALTA VISTA COMPANY	Product License Agreement	Purchase for AJB	$474,000.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
VERIZON	Application for Service (FCC Tariff No. 1)	OC-48 Sonet Ring connectng 125 EDR Data Center, 201 S State Street, and 109 South Warren Street	$91,700.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
Tobin & Associates	Master Agreement	Tobin's will recruit technical personnel for ATHY.	$77,158.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
Axis Computer Staffing	Standard Fee Structure	Temporary placement of AJB employees -	$68,727.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.

ARROW WYLE	Agreement	Maintenance for Alpha Servers for AJB	$41,583.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
Ajilon			$3,168.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
Croop-LaFrance			$26,357.00	ClearBlue obligations have been restructured pursuant to agreement between the parties.
AT&T			$15,000	Parties are negotiating a new agreement.

Schedule 4 - Applied Theory Corporation Deferred Revenue Liability
To be Assumed by ClearBlue

Description	Service	30-Apr Deferred Balance	Comments
KYW Newsradio	Managed	15,420.00	
NYC Dept of Health	Managed	8,000.00	
NYC Health & Hospitals	Managed	37,250.00	
Georgeson & Co, Inc	Shared	1,375.00	
Navitar, Inc.	Shared	2,183.33	
Bond, Schoeneck & King	Outsourced Host	1,666.67	
Cayuga Medical Center	Outsourced Host	1,666.67	
Empire State Dev	Outsourced Host	1,400.00	
O'Brien & Gere	Strategic1	400.00	
Welch Allyn	Strategic2	600.00	
Ballston Spa National Bank	Security	822.50	
Ballston Spa National Bank	Security	1,087.78	
Board of Jewish Ed	Security	500.00	
Broome County Information	Security	2,495.83	
Gabelli Asset Management	Security	2,995.00	
Guggenheim Museum	Security	2,960.00	
HealthNow NY	Security	373.75	
HealthNow NY	Security	1,393.33	
Masel Enterprises	Security	612.50	
MDEverywhere	Security	457.92	
NYC Health & Hospitals	Security	6,425.00	

NYC Health & Hospitals	Security	158.33	
Russell Sage Foundation	Security	597.50	
State of NY	Security	768.75	
SUNY Health Science Ctr	Security	15,133.33	
Warranty Corporation of America	Security	1,497.50	
Subtotal		108,240.69	
Potential Variance of Deferred Revenue Balances per Month		450,000.00	
Total		558,240.69	