

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

-----X
In re

Chapter 11

RCN CORPORATION, *et al*,

Case No. 04-13638 (RDD)
Jointly Administered

Debtors.
-----X

**STIPULATION AND AGREED ORDER
UNDER 11 U.S.C. §§ 105(a), 363(b) AND 365
AUTHORIZING AND APPROVING ASSUMPTION OF
INSURANCE PROGRAM CONTRACTS WITH
ROYAL & SUNALLIANCE USA, INC.**

RECITALS:

A. On May 27, 2004 (the "Petition Date"), RCN Corporation ("RCN") and certain of its affiliates (collectively, the "Debtors") filed voluntary petitions in this Court for relief pursuant to Chapter 11 of Title 11, United States Code (the "Bankruptcy Code").

B. On December 8, 2004, the Court entered an order confirming the "Joint Plan of Reorganization of RCN Corporation and Certain Subsidiaries" (as amended, the "Plan"). On December 21, 2004, all the conditions to consummation of the Plan were satisfied and the effective date of the Plan occurred.

C. Prior to and as of the Petition Date, Royal & Sunalliance USA, Inc. (collectively, with its affiliates and/or subsidiaries, "Royal") provided RCN with insurance coverage, including excess umbrella, automotive, commercial general liability, owners and contractors protective liability, railroad protective liability, and workmen's compensation coverage, pursuant to the insurance policies listed on Exhibit "A" hereto (the "Insurance Programs") which are governed

by various payment, indemnity and service agreements between RCN and Royal, as amended from time to time (collectively, the “Service Agreements”), including without limitation that certain “Deductible Program Service and Security Agreement between RCN and Royal dated as of March 1, 2003, as amended.

D. Pursuant to the Insurance Programs and the Service Agreements, among other things, (i) RCN is obligated to pay Royal certain premiums, deductibles, self-insured retention, reimbursement amounts, fees, expenses and related costs, (ii) RCN’s obligations to Royal under the Insurance Programs and the Service Agreements are secured by cash amounts on deposit with Royal (the “Escrow Deposits”), currently in the amount of \$142,000, and by a certain letter of credit, dated April 4, 2003, issued by JPMorgan Chase Bank Global Trade Services (the “L/C Issuer”) in favor of Royal, as beneficiary, number P-236241, currently in the undrawn amount of \$1,656,000 (the “L/C”).

E. Pursuant to the motion dated November 30, 2004 (docket no. 442) (the “Assumption Motion”) of the Debtors for entry of an “Order Under 11 U.S.C. §§ 105(a), 363(b) And 365 Authorizing And Approving (A) The Assumption Of Certain Executory Contracts And (B) The Renewal Of Insurance Programs”, among other things, RCN sought authority from the Court to assume the Insurance Programs and the Service Agreements.

F. Following the filing of the Assumption Motion, RCN and Royal engaged in negotiations with respect to the “cure” amount due and payable by RCN to Royal pursuant to Bankruptcy Code § 365(b)(1)(A) upon assumption of the Insurance Programs and the Service Agreements, and the other terms upon which the Insurance Programs and the Service Agreements could be assumed on a consensual basis.

IT IS HEREBY STIPULATED AND AGREED by and among the parties hereto, by their respective counsel, as follows:

1. Royal consents to the granting of the Assumption Motion and the assumption of the Insurance Programs and the Service Agreements on the terms and conditions set forth in this Stipulation.

2. This Stipulation is subject to the Court's entry of an order approving its terms and conditions (an "Approval Order"). In the event that this Stipulation in its entirety is not so approved, then this Stipulation shall be without force and effect and deemed null and void, and none of the provisions hereof (including the "recitals") shall be used or referred to in any subsequent proceeding or shall prejudice or impair any of the rights or remedies of any of the parties hereto.

3. Within three (3) business days following the date of entry of an Approval Order, RCN shall pay to Royal the amount of US \$165,394.77 by wire transfer (the "Payment") in accordance with the following wire transfer instructions: Wachovia Bank, National Association, 9300 Arrowpoint Boulevard, Charlotte, NC 28273, ABA No. 053000219, for credit to Royal & Sunalliance, Account No. 2079900118720. The Payment shall be in full and complete compliance with, and satisfaction of, RCN's obligations under Bankruptcy Code § 365(b)(1) with respect to the Insurance Programs and the Service Agreements and any and all defaults of RCN that have been, or could be, alleged by Royal to exist thereunder as of the date hereof.

4. Upon Royal's receipt of the Payment in good funds, the Insurance Programs and the Service Agreements shall be deemed assumed in their entireties pursuant to Bankruptcy Code § 365(a).

5. Within three (3) business days following the later to occur of (a) Royal's receipt of the Payment in good funds, and (b) Royal's receipt from the L/C Issuer of an amendment (in form and substance reasonably acceptable to Royal) to the L/C that reduces the undrawn amount of the L/C by \$517,000 to a new undrawn amount of \$1,139,000:

(i) Royal shall reduce the Escrow Deposits by \$94,000 to a new balance of \$48,000 by payment of such \$94,000 to RCN by wire transfer in accordance with the following wire transfer instructions: PNC Bank, N.A., 201 Penn Avenue, Scranton, PA 18503, ABA No. 031000053, for credit to RCN Financial Management, Inc., Account No. 9004953723; and

(ii) Royal shall consent to such amendment to the L/C and shall execute and return to the L/C Issuer such documentation as the L/C Issuer shall reasonably request to confirm such consent.

6. Royal and RCN acknowledge and agree that the foregoing reductions of the Escrow Deposits and the L/C are interim in nature and that all future reductions and/or adjustments to the Escrow Deposits and/or the L/C shall be in accordance with the terms and conditions of the Insurance Programs and the Service Agreements.

7. This Stipulation shall be binding upon and inure to the benefit of the parties hereto and their respective representatives, successors and assigns.

8. This Stipulation may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties, by their respective counsel, have executed this

Stipulation and agree to be bound by the terms and conditions hereof.

Dated: June 21, 2005

MILBANK, TWEED, HADLEY & McCLOY LLP
Attorneys for the Reorganized Debtors
One Chase Manhattan Plaza
New York, New York 10005-1413
(212) 530-5000

HAHN & HESSEN LLP
Attorneys for Royal
488 Madison Avenue
New York, New York 10022
(212) 478-7200

By: /s/ Lena Mandel
Dennis F. Dunne (DD 7543)
Susheel Kirpalani (SK 8926)
Lena Mandel (LM 3769)

By: /s/ Joshua I. Divack
Joshua I. Divack (JD 7202)
A Member of the Firm

AS STIPULATED, SO ORDERED AND APPROVED
this 8th day of July, 2005:

/s/Robert D. Drain
HONORABLE ROBERT D. DRAIN
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT A

Policy Description	Policy Number
Automobile Liability	P2TS468478
Automobile Liability	P2TW468479
Commercial General Liability	P2tR468475
Owners & Contractors Protective Liability	R2TS468745
Owners & Contractors Protective Liability	R2TS468746
Railroad Protective Liability	R2TS468750
Railroad Protective Liability	R2TS468747
Railroad Protective Liability	R2TS468748
Railroad Protective Liability	R2TS468749
Workers Compensation	R2IJ000178
Workers Compensation	R2TO468476