

Morgan, Lewis & Bockius LLP  
101 Park Avenue  
New York, NY 10178-0060  
Tel: 212.309.6000  
Fax: 212.309.6001  
www.morganlewis.com

**Morgan Lewis**  
C O U N S E L O R S   A T   L A W

**Jay Teitelbaum**  
(212) 309-6305  
jteitelbaum@morganlewis.com

December 16, 2005

**BY HAND**

Honorable Robert D. Drain, United States Bankruptcy Judge  
United States Bankruptcy Court  
Southern District of New York  
Alexander Hamilton Custom House  
One Bowling Green  
New York, New York 10004-1408

Re: In re RCN Corporation – 04-13638 (RDD)

Dear Judge Drain:

This letter is submitted in response to the concern expressed by the Court during this morning's hearing that Mega Cable has changed its position regarding the existence of an agreement (the S&G Agreement) between Mega Cable and RCN Corporation. As stated in Court today and as set forth in pleadings filed in this Court, and in the arbitration filed in Paris, Mega Cable has been, since at least 1997, under the good faith belief that RCN, as successor to C-TEC, succeeded to the rights and obligations of C-TEC under the S&G Agreement. Any doubts raised in this regard were solely a result of the statements made by RCN's counsel in its Reply filed on the eve of today's hearing (see, e.g., paragraph 40).

The statements in the Reply came as a surprise, since they are directly contrary to the 10-year course of dealing of the parties and, most recently, a letter, dated August 10, 2005, from counsel for RCN which responded to the e-mail, dated June 22, 2005, annexed to the Motion as Exhibit D. A copy of the August 10 letter is annexed hereto. This letter was not attached to RCN's Motion. RCN's counsel states, in pertinent part:

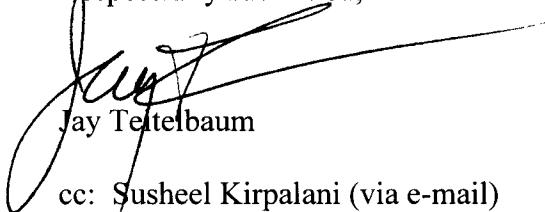
**In connection with that spin-off, RCN assumed the rights and obligations of C-TEC under the S&G Agreement.** In September

Honorable Robert D. Drain  
December 16, 2005  
Page 2

1997, Megacable and its shareholders executed a consent pursuant to which they consented to the spin-off of RCN and the assumption by RCN of the rights and obligations of C-TEC under the S&G Agreement. Accordingly, C-TEC has no ongoing obligations or involvement with RCN or its interests in Megacable. **RCN remains party to the S&G Agreement** and RCN International remains party to the related Subscription Agreement and Shareholder Agreement. (Emphasis added.)

While we do not intend this to be litigation by letter, given the concern raised by the Court, we believed it appropriate to respond as soon as possible.

Respectfully submitted,



Jay Teitelbaum

cc: Susheel Kirpalani (via e-mail)

**MILBANK, TWEED, HADLEY & MCCLOY LLP**

1 CHASE MANHATTAN PLAZA

NEW YORK, N.Y. 10005-1413

212-530-5000

FAX: 212-530-5219

THOMAS C. JANSON

PARTNER

DIRECT DIAL NUMBER

212-530-5921

FAX: 212-522-5999

E-MAIL: tjanson@milbank.com

LOS ANGELES

213-892-4000

FAX: 213-629-5063

PALO ALTO

650-739-7000

FAX: 650-739-7100

WASHINGTON, D.C.

202-835-7500

FAX: 202-835-7556

LONDON

44-207-448-3000

FAX: 44-207-448-3029

MUNICH

49-89-25559-3600

FAX: 49-89-25559-3700

FRANKFURT

49-69-7593-7170

FAX: 49-69-7593-6303

TOKYO

813-3504-1050

FAX: 813-3595-2790

HONG KONG

852-2971-4888

FAX: 852-2840-0792

SINGAPORE

65-6428-2400

FAX: 65-6428-2500

August 10, 2005

Ing. Javier Bours Castelo  
Chairman of the Board  
Megacable, S.A. de C.V.  
c/o Grupo Bours  
Avenida Miguel Aleman # 300 Norte,  
Colonia Centro, CP. 85000  
Ciudad Obregon, Sonora- México

BY EMAIL AND FEDERAL EXPRESS

RE: **MEGACABLE, S.A. DE C.V. – SUPPORT AND GUARANTY AGREEMENT**

Dear Mr. Bours:

On behalf of RCN Corporation ("RCN"), I am writing in response to the questions and concerns you raised regarding the Support and Guaranty Agreement, dated January 19, 1995, among Megacable, S.A. de C.V. ("Megacable"), C-TEC Corporation ("C-TEC") and the private shareholders of Megacable named therein (the "S&G Agreement").

As you know, C-TEC consummated a restructuring in September 1997 whereby RCN Corporation ("RCN") was spun-off to C-TEC's shareholders and RCN International Holdings, Inc. ("RCN International"), the entity that holds shares of Megacable, became a wholly-owned subsidiary RCN. In connection with that spin-off, RCN assumed the rights and obligations of C-TEC under the S&G Agreement. In September 1997, Megacable and its shareholders executed a consent pursuant to which they consented to the spin-off of RCN and the assumption by RCN of the rights and obligations of C-TEC under the S&G Agreement. Accordingly, C-TEC has no ongoing obligations or involvement with RCN or its interests in Megacable. RCN remains party to the S&G Agreement and RCN International remains party to the related Subscription Agreement and Shareholder Agreement.

The reorganization of RCN and certain of its subsidiaries (the "RCN Debtor Subsidiaries") in 2004 under Chapter 11 of the United States Bankruptcy Code did not affect the S&G Agreement. You have expressed concern that the S&G Agreement may have been rejected by RCN through its court-approved plan of reorganization since it was not specifically assumed by such plan. That is not the case.

While it is true that all "executory" contracts to which RCN or any of the RCN Debtor Subsidiaries was a party were rejected unless specifically assumed, the S&G Agreement was not an "executory" contract and thus was not susceptible to being rejected in Chapter 11. An "executory" contract is a contract under which *both* the debtor and the counter-party have ongoing, material unperformed obligations. Since neither Megacable nor any of the shareholders party thereto have any ongoing material obligations under the S&G Agreement, the Agreement was not rejected in the Chapter 11 reorganization and remains in effect.

In addition, Section 3.2 of the S&G Agreement states that the obligations of RCN under the agreement "shall remain in full force and effect without regard to, and shall not be released, discharged or in any way affected by . . . any voluntary or involuntary bankruptcy, insolvency, reorganization . . . or similar proceedings with respect to the Investor [RCN International], the Guarantor [RCN] or any other person or any of their respective properties or creditors, or any action taken by any trustee or receiver or by any court in any proceeding."

On a related point, RCN International was not one of the RCN Debtor Subsidiaries and thus its contractual obligations (including those under the Megacable Shareholders Agreement and Subscription Agreement) were not affected in any way by RCN's bankruptcy proceedings.

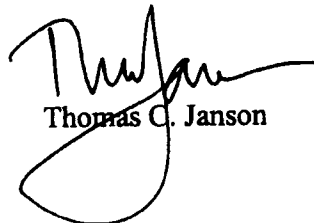
Subsequent to assuming C-TEC's obligations under the S&G Agreement in 1997, RCN has continued to comply with the ongoing covenants and obligations contained in that agreement (*e.g.*, continuing to own 100% of RCN International; not acquiring additional shares of Megacable; and not competing with Megacable in Mexico).

As representatives of RCN have expressed previously, RCN values its interest in and relationship with Megacable and intends to continue to comply with its contractual obligations and work with you to improve the partnership for the mutual benefit of RCN and the other shareholder of Megacable.

Ing. Javier Bours Castelo  
August 10, 2005  
Page 3

If you have any questions or would like to discuss these matters further,  
feel free to contact me at the phone number or address listed above.

Sincerely,



Thomas C. Janson

cc: Ricardo Rios Ferrer  
James Mooney  
Peter D. Aquino  
Stephen A. Bogiages, Esq.  
Michael Sicoli  
Tracey Heaton