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Reorganized Debtors

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re: : Chapter 11
: : Case No. 04-13638 (RDD)
RCN CORPORATION, et al., : Jointly Administered
: :
Reorganized Debtors. :
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**STIPULATION AND CONSENT ORDER BETWEEN
RCN CORPORATION ET AL. AND
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED**

This Stipulation and Consent Order (the "Stipulation") is entered into by and between RCN Corporation, one of the reorganized debtors in the above-captioned cases, on behalf of itself and certain of its reorganized debtor-subidiaries¹ (collectively, "RCN"), and Merrill Lynch, Pierce, Fenner & Smith, Incorporated ("Merrill" and, together with RCN, the "Parties").

WHEREAS, on May 27, 2004 (the "Petition Date"), RCN filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1330 (as amended, the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York; and

¹ Specifically, RCN Finance, LLC, Tec Air, Inc., RLH Property Corporation, Hot Spots Production, Inc., RCN Entertainment, Inc., RCN Cable TV of Chicago, Inc., RCN Telecom Services of Virginia, Inc., 21st Century Telecom Services, Inc., and ON TV, Inc.

WHEREAS, Merrill timely filed ten proofs of claim against RCN -- Nos. 1459 through 1463 and 2046 through 2050 (collectively, the "Merrill Claims"), each in the amount of \$9.8 million (plus additional unliquidated amounts for legal fees) on account of certain engagement letters entered by the Parties prior to the Petition Date (collectively, the "Engagement Letter"); and

WHEREAS, on or about November 12, 2004, RCN commenced an adversary proceeding in this Court against Merrill (No. 04-04524-rdd) (the "Adversary Proceeding"), whereby, among other things, RCN objected to each of the Merrill Claims, as well as sought substantial damages against Merrill in connection with Merrill's performance under the Engagement Letter; and

WHEREAS, on December 8, 2004, this Court confirmed the Joint Plan Of Reorganization Of RCN Corporation And Certain Subsidiaries, dated October 12, 2004 (the "Plan"); and

WHEREAS, in an effort to avoid expenses and delay of litigation, the Parties are desirous of resolving the issues between them and have agreed to enter into this Stipulation, subject to approval of the Court.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Stipulation, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed by and between the Parties as follows:

1. Merrill Claims. Upon Stipulation being so-ordered and entered on the docket of this Court, (a) Claim No. 1462 against RCN Corporation shall be deemed allowed as a general unsecured claim in an amount sufficient to receive four million dollars (\$4,000,000) in

actual fair market value of New Common Stock (as defined in the Plan) (the “Stock Distribution”), and (b) all other Merrill Claims shall be disallowed in their entirety and expunged.

2. Plan Treatment. Claim No. 1462 shall be classified as a Class 5 Claim under the Plan, entitled, in accordance with the provisions of the Plan, in its full and final satisfaction, to receive the Stock Distribution, and shall not be entitled to any other distributions from RCN’s estates or from reorganized RCN or any of its affiliates.

3. Distribution. No later than four (4) business days following the date (the “Effective Date”) that the Court so-orders this Stipulation , in full and final satisfaction of Claim No. 1462, RCN shall distribute, to the account designated by Merrill prior to such date, the number of shares of New Common Stock with an actual fair market value of \$4 million, based on the closing price per share on the next business day following the Effective Date.

Notwithstanding anything in the Plan to the contrary, Merrill shall not be entitled to any further distributions on account of Claim No. 1462 or otherwise. The Parties agree that, upon the execution of this Stipulation by the Parties, before this Stipulation has been so-ordered by the Court, Merrill shall be entitled to invoice RCN for \$4 million, it being understood, however, that such invoice shall be payable only in the form of the Stock Distribution and only upon approval of this Stipulation by the Court.

4. Adversary Proceeding. Upon the distribution of the shares of New Common Stock to Merrill pursuant to paragraph 3 hereof, the Adversary Proceeding shall be deemed dismissed with prejudice.

5. Release and Waiver. Upon the distribution of the shares of New Common Stock to Merrill pursuant to paragraph 3 hereof, the Parties shall be deemed to have released

each other, all of each other's subsidiaries and affiliates, and all of each other's present and former directors, officers, shareholders, agents, representatives, employees, successors and assigns (collectively, the "Released Parties"), to the fullest extent allowable by law, from all claims, charges, causes of action, and damages existing from the beginning of time to the Effective Date, whether in connection with the Engagement Letter, the Merrill Claims, these chapter 11 cases, or otherwise, and to have waived any and all right to proceed on such released claims against the Released Parties at law or in equity in any forum, other than to enforce the terms of this Stipulation in this Court.

6. Authority and Representations. The Parties represent and warrant to each other that: (i) the signatories to this Stipulation are authorized to execute this Stipulation; (ii) each has full power and authority to enter into this Stipulation; and (iii) this Stipulation is duly executed and delivered, and constitutes a valid, binding agreement in accordance with its terms.

7. Binding Nature. This Stipulation (i) shall inure to the benefit of and be enforceable by the Parties and their respective successors and permitted assigns and (ii) shall be binding upon and enforceable against the Parties and their respective successors and assigns upon the entry of this Stipulation on the docket of this Court.

8. Non-Severability. The provisions of this Stipulation are mutually interdependent, indivisible and non-severable.

9. Effective Date. This Stipulation may be executed in one or more counterparts and by facsimile, all of which shall be considered one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the Parties and delivered to all Parties, and the Court has "so ordered" and entered the Stipulation on its docket.

10. Retention of Jurisdiction. The Court shall retain exclusive jurisdiction to interpret and enforce the provisions of this Stipulation.

IN WITNESS WHEREOF, the Parties have executed this Stipulation on December 29, 2005.

RCN CORPORATION
(on behalf of itself and its subsidiaries)

By: /s/ Peter D. Aquino
Peter D. Aquino
President and Chief Executive Officer

196 Van Buren Street
Herndon, Virginia 20170

Attorneys for RCN Corporation,
Reorganized Debtor.

**MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED**

By: /s/ Mark Bush
Mark Bush, Managing Director

4 World Financial Center, 29th Floor
New York, NY 10080

So Ordered on January 12, 2006

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