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Hearing Date (only if objections): TBA

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re :
ADELPHIA COMMUNICATIONS CORP., et al., : Case No. 02-41729 (REG)
 : Jointly Administered
 :
 Reorganized Debtors. :
 :
 :
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**MOTION OF ADELPHIA COMMUNICATIONS CORPORATION
PURSUANT TO FED. R. BANKR. P. 9019 FOR ORDER
APPROVING AND AUTHORIZING SETTLEMENT OF
REMAINING CLAIMS FOR ADDITIONAL GRID INTEREST**

Adelphia Communications Corporation, for itself and its affiliated reorganized debtors (collectively, the “Reorganized Debtors”), hereby moves the Court for entry of (i) an order, annexed hereto as Exhibit A, approving and authorizing their entry into the “Stipulation and Consent Order Allowing in Part Lender Claims for Additional Grid Interest under the Parnassos and Century-TCI Credit Facilities” (the “Stipulation”), and (ii) entering and “so-ordering” the Stipulation (Exhibit B). In support thereof, the Reorganized Debtors respectfully represent as follows:

BACKGROUND TO GRID INTEREST DISPUTE

1. On June 25, 2002 (the “Petition Date”), most of the Reorganized Debtors filed

voluntary petitions for relief under chapter 11 of the Bankruptcy Code. On June 29, 2006, this Court confirmed the *Third Modified Fourth Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code for Century-TCI Debtors and Parnassos Debtors* (the “JV Plan”).

2. Prior to the Petition Date, certain of the Debtors had entered into (i) a Credit Agreement dated as of December 30, 1998, among Parnassos L.P., as Borrower, The Bank of Nova Scotia (“BNS”), as Administrative Agent, and the lenders party thereto (the “Parnassos Lenders”), establishing the Parnassos Credit Facility, and (ii) a Credit Agreement dated as of December 3, 1999, among Century-TCI California, L.P., as Borrower, Citibank, N.A. (“Citibank” and together with BNS, the “Agents”), as Administrative Agent, and the lenders party thereto (the “Century-TCI Lenders”) establishing the Century-TCI Credit Facility.¹

3. On June 28, 2002, the Court entered the *Interim Order (I) Authorizing Debtors (A) to Obtain Post-Petition Financing Pursuant to 11 U.S.C. §§ 105, 361, 362, 364(c)(1); 364(c)(2); 364(c)(3) and 364(d)(1) and (B) to Utilize Cash Collateral Pursuant to 11 U.S.C. §§ 361, 362 and 363; (II) Granting Adequate Protection to Pre-Petition Secured Lenders Pursuant to 11 U.S.C. §§ 361, 362 and 363 and (III) Scheduling Final Hearing Pursuant to Bankruptcy Rules 4001(B) and (C)* [Docket No. 51] (the “Interim DIP Order”).

4. On August 23, 2002, the Court entered the *Final DIP Financing Order [Final Order (I) Authorizing Debtors (A) to Obtain Post-Petition Financing Pursuant to 11 U.S.C. §§ 105, 361, 362, 364(c)(1); 364(c)(2); 364(c)(3) and 364(d)(1) and (B) to Utilize Cash Collateral Pursuant to 11 U.S.C. § 363 and (II) Granting Adequate Protection to Pre-Petition Secured Lenders Pursuant to 11 U.S.C. §§ 361, 362 and 363]* [Docket No. 525] (the “Final DIP Order”).

¹ “JV Lenders” as used herein refers to the Century-TCI Lenders collectively with the Parnassos Lenders.

5. From approximately the time of the entry of the Interim DIP Order through the effective date of the JV Plan, the Debtors paid the JV Lenders, through their respective Agents, interest in accordance with the terms of the Interim DIP Order and the Final DIP Order, respectively.

6. The Agents, for themselves and the JV Lenders, filed a series of proofs of claims asserting rights to receive approximately \$117 million of additional interest beyond that which was paid by the Debtors pursuant to the Interim DIP Order and Final DIP Order (“Grid Interest Claims”). As of the date hereof, the funds remain reserved by the Reorganized Debtors.

7. On or about February 17, 2006, the Debtors and the Official Committee of Unsecured Creditors objected to the allowance and payment of the Grid Interest Claims by filing the *Joint Objection of the Debtors and the Official Committee of Unsecured Creditors to the Allowance of Certain Claims for Additional Interest Filed by the Administrative Agents Under the Debtors’ Prepetition Credit Facilities* (the “Grid Interest Claim Objection”).

8. In a decision dated May 15, 2006, this Court granted the Grid Interest Claim Objection and disallowed the Grid Interest Claims. The Agents successfully appealed from the May 15, 2006 decision to the District Court for the Southern District of New York, which resulted in an August 21, 2008 decision (the “District Court Decision”) reversing and remanding the Grid Interest Claims back to the Bankruptcy Court for further proceedings as to whether the claims should be disallowed on grounds of waiver and estoppel. Thereafter, the Reorganized Debtors, the Agents, and a group of participating JV Lenders (collectively, the “Parties”) participated in additional discovery respecting the waiver and estoppel issues, and this Court set an evidentiary hearing on those issues for December 13, 2010 (the “Hearing Date”).

9. Following the District Court Decision, the Parties met several times to pursue settlement of the Grid Interest Claims, but found their positions to be far apart. In late 2010, after discovery concluded and with the Hearing Date approaching, the Parties voluntarily agreed among themselves to submit to a structured mediation. The highly experienced and respected bankruptcy practitioners, Marcia Goldstein, Esq. and Richard Lieb, Esq. (the “Mediators”), were selected jointly by the Parties to serve as mediators. On December 1, 2010, at the request of the Parties, the Court entered a *Stipulation and Agreed Order of the Parties for Pre-Hearing Mediation of the Dispute Regarding the Ad Hoc Committee of Non-Agent Secured Lenders in the Parnassos and Century-TCI Facilities and The Bank of Nova Scotia and Citibank, N.A. Grid Interest Claims* (the “Mediation Stipulation”), approving the Mediators and certain procedures pertaining to the mediation. Over the next two weeks, the Parties participated in the mediation process, actively and in good faith. Nonetheless, they remained at an impasse by the time of the Hearing Date.

10. On December 13, 2010, the Court conducted an evidentiary hearing (the “2010 Hearing”) with respect to the remanded issues. During the hearing, which lasted much of the day, the Court heard testimony from four live witnesses, accepted several dozen documents into evidence, and adjudicated evidentiary objections. (Legal arguments were not heard during the 2010 Hearing, but, rather, were to be scheduled if necessary and appropriate following the submission of post-hearing briefs by the Parties.)

11. On December 20, 2010, the Parties voluntarily met again with the Mediators and each other in a multi-hour effort to resolve the Grid Interest dispute, now with the benefit of a nearly complete evidentiary record.² This time, with the vigorous assistance of the Mediators,

² A modest issue regarding use of a witness’s deposition testimony remained open.

the Parties were able to reach an agreement in principal. Thereafter, the Parties finalized and documented their complete agreement in the form of the Stipulation (Ex. B.).

THE SETTLEMENT

12. Subject to this Court's approval, the Parties have entered into a settlement agreement that resolves the dispute over the Grid Interest Claims. As detailed in Exhibit B and summarized below, the essential elements of the Settlement, which are the product of the court-approved mediation, include a payment to be made by the Reorganized Debtors to the Agents, for the benefit of the Agents and their respective participating lenders, in the net amount of \$42,405,513.52, releases among the parties with respect to Grid Interest Claims, and expungement of the Agents' proofs of claim in accordance with certain terms and conditions detailed in the Stipulation, including the express preservation of the JV Lenders' claims seeking indemnification of legal fees and expenses from the Litigation Indemnification Fund (as defined in the JV Plan) established by the JV Plan (the "JV LIF Claims").

13. The primary terms of the Settlement are summarized as follows³:

Allowance and Fixing of Grid Interest Claims. On the date upon which final, effective, unstayed and non-appealable orders approving this Stipulation and granting the within Rule 9019 motion have been entered (the "Effective Date"), the Grid Interest Claims will be allowed in the aggregate amount of \$42,405,513.52 (the "Settlement Amount"). That amount represents the net of \$42.5 million less 50% of the "Mediation Costs" (as such term is defined in the Mediation Stipulation).

Settlement Payment. No later than three business days after the Effective Date, the Reorganized Debtors will pay 38.3857% of the Settlement Amount (\$16,277,653.20)

³ The Court and interested parties are referred to the Stipulation for its complete terms, which are intended to govern in the event there is any inconsistency between such terms and the summary contained in this motion.

to BNS, and 61.6143% of the Settlement Amount (\$26,127,860.32) to Citibank, each as Agents under their respective Facilities, for the benefit of the Agents and their respective participating JV Lenders, which shall be in full and complete satisfaction of all Grid Interest Claims. The percentages listed equal the pro rata entitlements of the Parnassos Lenders and the Century-TCI Lenders to the Settlement Amount determined by the maximum amounts of the Parnassos and Century-TCI credit facilities.

Expungement of Claims. Upon payment of the Settlement Amount, all proofs of claims filed by the Agents, any other party claiming by or through the Agents, or otherwise in respect of the Facilities, to the extent not already paid shall be forever expunged without need for a separate motion or order, including claims numbered 8810, 13384, 17724, 18055, 18059, 18064, 18978, and 19284.⁴

Releases. Subject to certain limited exceptions that include the JV LIF Claims and certain limited plan distributions, as to which the JV Lenders' and Debtors' respective rights are expressly preserved, the Reorganized Debtors, Agents and JV Lenders shall all release each other from any and all claims and liabilities relating to the Grid Interest Claims and the Credit Facilities.

JURISDICTION AND VENUE

14. This Court has jurisdiction over this matter under 28 U.S.C. §§ 157 and 1334 and pursuant to the JV Plan. Venue is proper under 28 U.S.C. §§ 1408 and 1409. The predicates for this motion include Federal Rule of Bankruptcy Procedure 9019.

⁴ By a separate motion to disallow and expunge certain bank claims in connection with District Court's approval of the settlement agreement between the Adelpia Recovery Trust and various bank defendants, the Debtors seek to disallow and expunge the following additional claims of the JV Lenders: Claim Numbers 19287, 13383 and 18058 filed by BNS and Claim Numbers 8809, 8808, 18976 and 18977 filed by Citibank.

REQUEST FOR RELIEF

15. In the exercise of its business judgment, the Reorganized Debtors believe that the settlement embodied in the Stipulation is fair and reasonable. Accordingly, they seek this Court's approval of the Settlement. Bankruptcy Rule 9019(a) provides in relevant part that "after notice and a hearing, the court may approve a compromise or settlement." Settlements and compromises are "a normal part of the process of reorganization." Protective Comm. for Indep. Stockholders of TMT Trailer Ferry, Inc. v. Anderson, 390 U.S. 414, 424 (1968) (quoting Case v. Los Angeles Lumber Prods. Co., 308 U.S. 106, 130 (1939)). The legal standard for determining the propriety of a bankruptcy settlement is whether the settlement is in the "best interests of the estate." In re Purofied Down Prods. Corp., 150 B.R. 519, 523 (S.D.N.Y. 1993).

16. In TMT Trailer Ferry v. Anderson, 390 U.S. 414 (1968), the Supreme Court held that approval of a settlement requires a finding that the settlement is "fair and equitable" based on

[an] educated estimate of the complexity, expense, and likely duration of . . . litigation, the possible difficulties of collecting on any judgment which might be obtained, and all other factors relevant to a full and fair assessment of the wisdom of the proposed compromise.

Id. at 424. See also Purofied Down Prods., 150 B.R. at 523; In re International Distribution Centers, Inc., 103 B.R. 420, 422 (S.D.N.Y. 1989) (a determination as to whether a proposed compromise is fair and equitable requires the exercise of informed, independent judgment by the court). A settlement need not be the best that the debtor could have obtained. See In re Penn Central Transp. Co., 596 F.2d 1102, 1114 (3d Cir. 1979). Rather, the settlement must fall "within the reasonable range of litigation possibilities." Id. at 1121.

17. It is not necessary for the court to conduct a "mini trial" of the facts or the merits underlying the dispute. Purofied Down Prods., 150 B.R. at 522; International Distribution

Centers, 103 B.R. at 423. Rather, the court only need be apprised of those facts that are necessary to enable it to evaluate the settlement and to make a considered and independent judgment about the settlement. See Purofied Down Prods., 150 B.R. at 523; In re Energy Cooperative, Inc., 886 F.2d 921, 924-25 (7th Cir. 1989). In doing so, the court is permitted to rely upon “opinions of the trustee, the parties, and their attorneys.” International Distribution Centers, 103 B.R. at 423. Here, however, the Court is very familiar with the facts in dispute, having already conducted two evidentiary hearings on the Grid Interest Claims, one in 2006 and another on the Hearing Date after remand.

18. Rule 9019(a) of the Federal Rules of Bankruptcy Procedure provides, in pertinent part, that “[o]n motion by the trustee and after notice and a hearing, the court may approve a compromise or settlement.” The rule empowers bankruptcy courts to approve settlements “if they are in the best interests of the estate.” Vaughn v. Drexel Burnham Lambert Group, Inc. (In re Drexel Burnham Lambert Group, Inc.), 134 B.R. 499, 505 (S.D.N.Y. 1991). The settlement need not be the best possible outcome for a debtor, but must not “fall beneath the lowest point in the range of reasonableness.” Id.

19. In determining whether a proposed settlement falls within the range of “reasonableness” this court has articulated the standard as follows:

Guided by the factors listed in TMT Trailer Ferry, 390 U.S. at 424, 88 S. Ct. 1157, the courts have identified several factors to be considered when evaluating whether a proposed settlement is within the reasonable range of litigation possibilities and in the best interest of the estate and creditors: (a) the probability of success in the litigation, (b) the difficulties, if any, to be encountered in the matter of collection, (c) the complexity of the litigation involved, and the expense, inconvenience and delay necessarily attending it, and (d) the paramount interest of creditors and a proper deference to their reasonable views. Other potentially relevant factors include (e) the competency and experience of the trustee and trustee’s counsel (although their recommendation alone

is not dispositive), (f) the nature and breadth of releases to be issued as a result of the settlement, (g) the extent to which the settlement is not the product of fraud or collusion, and (h) whether the proposed settlement is supported by an adequate record.

In re Remsen Partners, Ltd., 294 B.R. 557, 565 (Bankr. S.D.N.Y. 2002) (citations omitted). See also In re Mrs. Weinberg's Kosher Foods, Inc., 278 B.R. 358, 362 (Bankr. S.D.N.Y. 2002); In re Ashford Hotels, Ltd., 226 B.R. 797, 804 (Bankr. S.D.N.Y. 1998); In re Best Prods. Co., 168 B.R. 35, 50 (Bankr. S.D.N.Y. 1994). The "reasonableness" of a settlement depends upon all of these factors. In re Ionosphere Clubs, Inc., 156 B.R. 414, 426 (S.D.N.Y. 1993), aff'd, 17 F.3d 600 (2d Cir. 1994).

20. The court may consider the opinions of the trustee that the settlement is fair and reasonable. In re Purofied Down Prods. Corp., 150 B.R. 519, 522 (S.D.N.Y. 1993). In addition, the Court may also exercise its discretion "in light of the general public policy favoring settlements." In re Hibbard Brown & Co., 217 B.R. 41 (Bankr. S.D.N.Y. 1998); see also Shugrue, 165 B.R. at 123. Analysis of these factors demonstrates that the Settlement falls well within the range of reasonableness and therefore should be approved.

21. The Settlement meets the TMT Trailer standards. First, there can be no debate that the Settlement was negotiated at arms length. Not only was it negotiated among parties with no affiliation and separate professionals, it was the product of mediation sessions conducted by two independent, nationally respected, and highly sophisticated members of the bankruptcy bar in a court-approved process.

22. Second, the Grid Interest litigation is complex. Even though the evidentiary record is essentially closed, the Grid Interest litigation requires resolution of complex and appealable issues including the disputed meaning of the terms of the Interim Order and Final Order, differing recollections of negotiations that occurred almost nine years ago in May and

June of 2002, the state of various parties' knowledge of the facts underlying the Grid Interest Claims at various times between 2002 and 2004, and legal and equitable determinations regarding parties' candor and conduct in and out of court during the frenzied days leading up to and following the commencement of the Reorganized Debtors' chapter 11 cases. Given the large sum at stake and the legal nature of some of the disputed issues, it is foreseeable that an unsuccessful party will appeal from an unfavorable decision of the Bankruptcy Court if the Grid Interest dispute is not resolved by settlement. In addition, if not otherwise moot, the Reorganized Debtors would intend to appeal from the District Court Decision to the Court of Appeals for the Second Circuit when timely.⁵ Thus, reaching final litigated resolution of the Grid Interest Claims reasonably can be expected to take at least another year, and quite likely much longer.

23. The settlement was negotiated on behalf of the Reorganized Debtors by the independent post-petition "Plan Administrator" appointed in connection with consummation of the "Main Plan." The identity of the Plan Administrator and its qualifications was made known to all stakeholders in 2007 and the selection garnered no opposition. The Plan Administrator and Reorganized Debtors are motivated by the singular desire of maximizing recoveries for stakeholders and distributing assets fairly and lawfully. In agreeing to the Stipulation, the Reorganized Debtors' representatives carefully considered all appropriate factors, personally attended and observed the mediation sessions and the December 13, 2010 hearing, and received extensive professional advice.

24. The Reorganized Debtors believe they have a high probability of success in the Grid Interest litigation (the Agents and JV Lenders of course would disagree). However,

⁵ The Reorganized Debtors already sought, but were denied, immediate interlocutory appeal of the District Court Decision.

significant litigable and possibly appealable issues remain, and the ultimate resolution of the litigation is uncertain. In all events, final non-appealable resolution of the Grid Interest Claims is unlikely to occur for at least one and possibly several more years, eroding value through the passage of time and accrual of litigation expense. Accordingly, the Reorganized Debtors, in their independent judgment, have concluded that the settlement of approximately \$117 million of Grid Interest Claims for a payment of approximately \$42.4 million adequately reflects the potential risks and rewards of continuing the litigation, in view of their analyses of the likelihood of success on the merits based upon the factual record in the Action and all of the other pleadings and motions filed in connection with the Grid Interest Claims before this Court and the District Court.

PROCEDURE

25. Notice of this Motion will be provided to: (a) the Office of the United States Trustee for the Southern District of New York; (b) counsel for each of the Agents and counsel for the ad hoc group of participant lenders; (c) counsel for the Adelpia Recovery Trust; (d) all other parties that have served a written request on the Debtors on or after the date of the Confirmation Order for service of such pleadings; and (e) all parties receiving notices through the Court's Electronic Filing System.

26. Because the authority for the relief requested is cited herein, and because the motion does not raise any novel issues of law, the Reorganized Debtors respectfully request that the Court waive the requirement of Local Bankruptcy Rule 9013-1(b) that a separate memorandum of law be submitted herewith.

27. No previous motion has been made for the relief sought herein.

CONCLUSION

For the above stated reasons, and upon the entire record of the Grid Interest dispute, the Reorganized Debtors request the Court to (i) enter an order approving and authorizing the Settlement, (ii) enter and “so order” the Stipulation annexed hereto as Exhibit B, and (iii) grant such other and further relief as the Court may deem necessary and proper.

Dated: February 28, 2011
New York, New York

KASOWITZ, BENSON, TORRES
& FRIEDMAN LLP

By: /s/ Robert M. Novick
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Robert M. Novick
1633 Broadway
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Counsel to the Reorganized Debtors

EXHIBIT A

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

-----X
In re :
: Case No. 02-41729 (REG)
ADELPHIA COMMUNICATIONS CORP., et al., : Jointly Administered
: Reorganized Debtors.
: :
-----X

[PROPOSED] ORDER GRANTING MOTION OF ADELPHIA COMMUNICATIONS CORPORATION AUTHORIZING THE REORGANIZED DEBTORS TO ENTER INTO THE STIPULATION AND CONSENT ORDER ALLOWING IN PART LENDER CLAIMS FOR ADDITIONAL GRID INTEREST UNDER THE PARNASSOS AND CENTURY-TCI CREDIT FACILITIES

Upon the Motion (the "Settlement Motion") of Adelphia Communications Corporation, for itself and its affiliated reorganized debtors (collectively, the "Reorganized Debtors"), Pursuant to Rule 9019 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), for an Order Approving and Authorizing the Reorganized Debtors to enter into the *Stipulation and Consent Order Allowing in Part Lender Claims for Additional Grid Interest under the Parnassos and Century-TCI Credit Facilities* (the "Stipulation") annexed to said Motion; it appearing that notice of the Settlement Motion and Notice of Presentment of the Stipulation was due and proper; and no other or further notice being necessary or required; and upon consideration of any responses or objections to the Settlement Motion and upon the entire record of these chapter 11 cases, it is hereby

1. ORDERED, that the terms of the Stipulation are fair and equitable, are in the best interest of the Reorganized Debtors, their estates and creditors, are within the range of reasonableness, and good and sufficient cause exists for granting the Settlement Motion; and it is further

2. ORDERED, that the Settlement Motion is granted in its entirety and the Stipulation is approved in its entirety; and it is further

3. ORDERED, that the Reorganized Debtors are authorized, but not required, to take further actions, execute and deliver such further documents as may be necessary to effectuate the Stipulation; and it is further

4. ORDERED, that this Court shall retain jurisdiction over any and all matters arising out of or related to the Stipulation, including the interpretation and enforcement thereof.

Dated: New York, New York
March __, 2011

HONORABLE ROBERT E. GERBER
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT B

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re: :
: Chapter 11
ADELPHIA COMMUNICATIONS CORP., *et al.*, :
: Case No. 02-41729 (REG)
Reorganized Debtors. : Jointly Administered

**STIPULATION AND CONSENT ORDER ALLOWING
IN PART LENDER CLAIMS FOR ADDITIONAL GRID INTEREST
UNDER THE PARNASSOS AND CENTURY-TCI CREDIT FACILITIES**

This Stipulation and Consent Order (the "Stipulation") is entered into as of this 4 day of February, 2011 (the "Stipulation Date"), by and among Adelphia Communications Corp. and its affiliated debtors (collectively, the "Debtors") in the above-captioned chapter 11 cases (the "Cases"), The Bank of Nova Scotia ("BNS") and Citibank, N.A ("Citibank"), as administrative agents (the "Agents") for, respectively, the Parnassos Credit Facility and the Century-TCI Credit Facility (the "Facilities"), and the lenders under the Facilities who are members of the Ad Hoc Committee of Non-Agent Secured Lenders in the Parnassos and Century-TCI Facilities (the "Non-Agent Lenders"; the Agents, the Non-Agent Lenders and the Debtors collectively, the "Parties"), in settlement of the "Grid Interest Claims," defined below, subject only to approval by the United States Bankruptcy Court for the Southern District of New York (the "Court") upon motion by the Debtors pursuant to Rule 9019 of the Bankruptcy Rules (the "Rule 9019 Motion").

RECITALS

WHEREAS:

- A. On June 25, 2002 (the "Petition Date"), most of the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code;
- B. Prior to the Petition Date, certain of the Debtors entered into a Credit Agreement dated as of December 30, 1998, among Parnassos L.P., as Borrower, BNS, as Administrative

Agent, and the lenders party thereto (the “BNS Lenders”), establishing the Parnassos Credit Facility, and certain of the Debtors entered into the Credit Agreement dated as of December 3, 1999, among Century-TCI California, L.P., as Borrower, Citibank, as Administrative Agent, and the lenders party thereto (the “Century-TCI Lenders” and, together with the BNS Lenders, the “JV Lenders”), establishing the Century-TCI Credit Facility;

C. On June 28, 2002, the Court entered the *Interim Order (I) Authorizing Debtors (A) to Obtain Post-Petition Financing Pursuant to 11 U.S.C. §§ 105, 361, 362, 364(c)(1); 364(c)(2); 364(c)(3) and 364(d)(1) and (B) to Utilize Cash Collateral Pursuant to 11 U.S.C. §§ 361, 362 and 363; (II) Granting Adequate Protection to Pre-Petition Secured Lenders Pursuant to 11 U.S.C. §§ 361, 362 and 363 and (III) Scheduling Final Hearing Pursuant to Bankruptcy Rules 4001(B) and (C)* [Docket No. 51] (the “Interim DIP Order”);

D. On August 23, 2002, the Court entered the *Final DIP Financing Order [Final Order (I) Authorizing Debtors (A) to Obtain Post-Petition Financing Pursuant to 11 U.S.C. §§ 105, 361, 362, 364(c)(1); 364(c)(2); 364(c)(3) and 364(d)(1) and (B) to Utilize Cash Collateral Pursuant to 11 U.S.C. § 363 and (II) Granting Adequate Protection to Pre-Petition Secured Lenders Pursuant to 11 U.S.C. §§ 361, 362 and 363]* [Docket No. 525] (the “Final DIP Order”);

E. The Debtors paid the JV Lenders, through their respective Agents, interest during the pendency of the Cases pursuant to the terms of the Interim DIP Order and Final DIP Order;

F. The Agents, for themselves and the JV Lenders, filed a series of proofs of claims asserting rights to receive additional interest beyond that which was paid by the Debtors pursuant to the Interim DIP Order and Final DIP Order (“Grid Interest Claims”);

G. On or about February 17, 2006, the Debtors, and the Official Committee of Unsecured Creditors appointed in the Cases, filed the *Joint Objection of the Debtors and the*

Official Committee of Unsecured Creditors to the Allowance of Certain Claims for Additional Interest Filed by the Administrative Agents Under the Debtors' Prepetition Credit Facilities, through which they objected, *inter alia*, to the allowance and payment of the Grid Interest Claims;

H. On June 29, 2006, the Court confirmed the *Third Modified Fourth Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code for Century-TCI Debtors and Parnassos Debtors* (the "JV Plan");

I. On December 1, 2010, the Court entered the *Stipulation and Agreed Order of the Parties for Pre-Hearing Mediation of the Dispute Regarding the Ad Hoc Committee of Non-Agent Secured Lenders in the Parnassos and Century-TCI Facilities and The Bank of Nova Scotia and Citibank, N.A. Grid Interest Claims* (the "Mediation Stipulation"), and the Parties thereafter participated in mediation as contemplated by the Mediation Stipulation; and

J. The Parties have agreed to fully and finally resolve their disputes over the Grid Interest Claims, subject to approval by the Court upon the Rule 9019 Motion, on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the promises and undertakings set forth herein, and intending to be legally bound, the Parties hereby stipulate and agree as follows:

AGREEMENT

1. The above-referenced Recitals are hereby incorporated herein by reference and shall be contractual.
2. By executing this Stipulation, the Parties agree and acknowledge as follows:
 - (i) This Stipulation and the Settlement embodied herein shall be effective on the date upon which final, effective, unstayed and non-appealable orders approving this Stipulation and granting the Rule 9019 Motion have been entered (the "Effective Date").

- (ii) Upon the Effective Date, the aggregate Grid Interest Claims shall be allowed in the amount of \$42,405,513.52 (the "Settlement Amount"), which represents the net of \$42.5 million, less 50% of the "Mediation Costs" as such term is defined in the Mediation Stipulation.
- (iii) Not later than three business days after the Effective Date, the Debtors shall cause 38.3857% of the Settlement Amount (\$16,277,653.20) to be transferred to BNS, and 61.6143% of the Settlement Amount (\$26,127,860.32) to be transferred to Citibank, each as Agents under their respective Facilities, for the benefit of the Agents and their respective participating JV Lenders.
- (iv) The payment of the Settlement Amount as set forth above and in section 4 of this Agreement shall be in full and complete satisfaction of all Grid Interest Claims that have been asserted against the Debtors.
- (v) Upon payment of the Settlement Amount, all proofs of claims filed by the Agents, any other party claiming by or through the Agents, or otherwise in respect of the Facilities, to the extent not already paid shall be forever expunged without need for a separate motion or order, including claims numbered 8810, 13384, 17724, 18055, 18059, 18064, 18978, and 19284.¹

3. Releases

a. Except for the obligations expressly set forth in this Stipulation, and subject to subsections 3(c) and 3(d) hereof, upon the Effective Date, each of the Debtors and each of their respective estates, successors and assigns, and any person or entity claiming by or through any of the foregoing (collectively, the "Debtor Releasing Parties"), for good and valuable consideration, the sufficiency of which is hereby acknowledged, release and discharge the Agents and the JV Lenders and each of their present and former subsidiaries, parents, affiliates, insurers, controlled companies, predecessors, successors, assigns, transferees, principals, partners, members, shareholders, officers, directors, agents, employees,

¹ By a separate motion to disallow and expunge certain bank claims in connection with District Court's approval of the settlement agreement between the Adelpia Recovery Trust and various bank defendants, the Debtors seek to disallow and expunge the following additional claims of the JV Lenders: Claim Numbers 1928700, 1338300 and 1805800 filed by BNS and Claim Numbers 880900, 880800, 1897600 and 1897700 filed by Citibank."

representatives and attorneys (collectively, the “Lender Released Parties”) from any and all claims and causes of action, whether known or unknown, of any nature or type, that the Debtors have or may have against the Lender Released Parties arising from or relating to the obligation to pay interest under the Facilities, except for any claims and defenses specifically relating to indemnification of fees and expenses incurred by the Agents and the JV Lenders after the Effective Date of the JV Plan in connection with the Grid Interest Claims or the Facilities.

b. Except for the obligations contained in this Stipulation, and subject to subsections 3(c) and 3(d) hereof, upon the Effective Date, each Agent, JV Lender, and each of their respective successors and assigns, and any person or entity claiming by or through any of the foregoing or otherwise under the Credit Facilities (collectively, the “Lender Releasing Parties”), for good and valuable consideration, the sufficiency of which is hereby acknowledged, release and discharge the Debtors and each of their respective estates, Plan Administrators, present and former subsidiaries, parents, affiliates, insurers, controlled companies, predecessors, successors, assigns, transferees, principals, partners, members, shareholders, officers, directors, agents, employees, representatives and attorneys (collectively, the “Debtor Released Parties”), from any and all claims and causes of action, whether known or unknown, of any nature or type, that the Lender Releasing Parties have or may have against the Debtor Released Parties arising from or relating to the obligation to pay interest under the Facilities, except for any claims and defenses specifically relating to indemnification of fees and expenses incurred by the Agents and the JV Lenders after the Effective Date of the JV Plan in connection with the Grid Interest Claims or the Facilities.

c. Notwithstanding anything to the contrary set forth in subsections 3(a) and 3(b) above, nothing in these Releases shall be deemed to release or prejudice any alleged Bank Lender Post-Effect Date Fee Claims under the JV Plan nor any defenses thereto.

d. Notwithstanding anything to the contrary set forth in this section 3, nothing in these Releases shall be deemed to waive or release any claim of any JV Lender for plan distributions of interest or principal on account of Bank Claims, as defined in the JV Plan, that were withheld pursuant to Sections 4.17(c)(i) and 4.22(c)(i) of the JV Plan or otherwise.

e. **The releases contained in this Stipulation shall be and are effective as a full and final accord and satisfaction and general release of any and all claims released pursuant to these Releases. In furtherance thereof, the Parties represent that they are familiar with section 1542 of the California Civil Code, which provides as follows:**

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

The Debtor Releasing Parties and the Lender Releasing Parties waive and relinquish any right or benefit any of them may have under section 1542 of the California Civil Code, and any similar provision of statutory or nonstatutory law of any other jurisdiction, to the fullest extent that such person may lawfully waive all such rights and benefits pertaining to the subject matter of these Releases.

4. Following the Effective Date, the distribution by the Agents to their respective JV Lenders of those JV Lenders' pro rata portions of the Settlement Amount [in the case of any Electing Lender, as defined in the Stipulation and Consent Order Regarding Century-TCI Credit

Facility, approved July 19, 2007 (the "Century-TCI Stipulation"), net of any outstanding sums for which said Electing Lender is obligated pursuant to the Century-TCI Stipulation] shall effect a release by the JV Lenders of any and all claims against the Agents or any other JV Lender arising out of or in any way related to the Grid Interest Claims, other than any claims for reimbursement of any fees and expenses previously held back by the Agents from the Plan Distributions of any JV Lenders to the extent that such fees and expenses have been recovered from the JV LIF.

5. Subject only to approval by the Court upon the Rule 9019 Motion, each of the Parties to this Stipulation represents and warrants that it has the capacity and authority to enter into this Stipulation, and that the signatories hereto are authorized to bind their respective clients, including all members of the Non-Agent Lender Committee, to this Stipulation.

6. This Stipulation will be presented to the Court for approval by the Debtors pursuant to Bankruptcy Rule 9019.

7. Each of the Parties agrees to use its best reasonable efforts to obtain entry of an order by the Court approving this Stipulation at the earliest convenience of the Court following the filing of the Rule 9019 Motion. Each of the Parties warrants that its intention is to obtain approval of this Stipulation from the Court.

8. Upon entry of (i) a final, non-appealable and unstayed order approving this Stipulation and (ii) a final, non-appealable and unstayed order approving the Rule 9019 Motion, this Stipulation shall be binding upon the Debtor Releasing Parties and the Lender Releasing Parties from the Stipulation Date, except that the provisions of sections 4 through 13 (including this section 8) shall be effective as to the Parties immediately upon execution of this Stipulation.

9. Each of the Parties hereto represents that it has carefully read this Stipulation in its entirety; that it has had an adequate opportunity to consider it and to consult with any advisor of its choice about it; that it understands all of its terms; that it has the capacity to enter into this Stipulation subject to approval by the Court upon the Rule 9019 Motion; that it is duly authorized, subject to approval by the Court upon the Rule 9019 Motion, to enter into this Stipulation; that it voluntarily assents to all the terms and conditions contained herein; and that by signing this Stipulation it agrees and acknowledges to be bound, subject to approval by the Court of the Rule 9019 Motion, by the terms and conditions contained herein.

10. This Stipulation contains and constitutes the entire understanding and agreement among the Parties regarding the Grid Interest Claims and the other matters addressed herein and cancels all previous oral and written negotiations, agreements, orders, commitments, and writings in connection with the Grid Interest Claims.

11. The Parties affirm that no other promises or agreements of any kind have been made to them by any person or entity whatsoever to cause them to sign this Stipulation, and that they fully understand the meaning and intent of this Stipulation.

12. This Stipulation shall be construed as if all Parties jointly prepared it and any uncertainty or ambiguity shall not be interpreted against any Party.


13. This Stipulation may be executed in one or more counterparts, any of which need not contain the signatures of more than one Party, but all such counterparts taken together shall constitute one and the same agreement. Facsimile and electronically transmitted Adobe "pdf" signatures shall be deemed to have the full force and effect of original ink signatures.

14. The Court shall retain jurisdiction to hear any disputes regarding this Stipulation.

15. Upon Court approval of this Stipulation and the Rule 9019 Motion, this Stipulation shall become an order of the Court.

SO STIPULATED AS OF THE STIPULATION DATE WRITTEN ABOVE:

HUGHES HUBBARD & REED LLP

By: 

Michael Luskin
George A. Tsougarakis
Christopher Gartman

One Battery Park Plaza
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Counsel for The Bank of Nova Scotia, as Lender and Administrative Agent for the Lenders under the Parnassos Credit Facility

JONES DAY

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Counsel for the Ad Hoc Committee of Non-Agent Secured Lenders in its capacity as representative of the non-agent lenders in the Parnassos and Century-TCI Facilities

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KASOWITZ, BENSON, TORRES & FRIEDMAN LLP

By: 

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Robert M. Novick

1633 Broadway
New York, New York 10019
(212) 506-1700

Counsel for the Reorganized Debtors

SO ORDERED

United States Bankruptcy Judge

15. Upon Court approval of this Stipulation and the Rule 9019 Motion, this Stipulation shall become an order of the Court.

SO STIPULATED AS OF THE STIPULATION DATE WRITTEN ABOVE:

HUGHES HUBBARD & REED LLP

By: _____

Michael Luskin
George A. Tsougarakis
Christopher Gartman

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Counsel for the Reorganized Debtors

SO ORDERED

United States Bankruptcy Judge

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By: _____

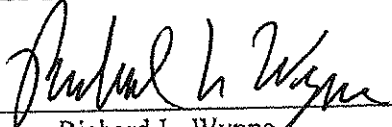
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SO ORDERED

United States Bankruptcy Judge