Presentment Date: August 22, 2011 at 12:00 noon
Objection Deadline: August 22, 2011 at 9:00 a.m.

Alan Vinegrad
Covington & Burling LLP
The New York Times Building
620 Eighth Avenue
New York, NY 10018
(212) 841-1000

- and -

Donald W. Brown (DB-5009)
Covington & Burling LLP
One Front Street
San Francisco, CA 94111
(415) 591-6000

Special Counsel for Reorganized Debtors
Adelphia Communications Corporation, et al.

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

REORGANIZED DEBTORS' MOTION FOR ORDER APPROVING SETTLEMENT FUNDING AGREEMENT WITH D&O INSURERS AND OTHER D&O POLICY INSUREDS

**TO THE HONORABLE ROBERT E. GERBER
UNITED STATES BANKRUPTCY JUDGE**

By this motion (the "Motion"), Reorganized Debtor Adelphia Communications Corporation ("Adelphia") and its affiliated Reorganized Debtors (collectively, the "Reorganized Debtors") hereby move the Court, pursuant to section 105(a) of title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (the "Bankruptcy Code") and Rule 9019 of the Federal Rules of

Bankruptcy Procedure (the "Bankruptcy Rules"), for an order approving a settlement agreement ("the Opt-Out Settlement Funding Agreement"), a copy of which is attached hereto as Exhibit A, that Adelphia has made with the "Insurers" (Associated Electric & Gas Insurance Services Limited ("AEGIS"), Federal Insurance Company ("Federal"), and Greenwich Insurance Company ("Greenwich")) that issued three directors and officers liability insurance policies with a total of $50 million in limits to Adelphia ("D&O Policies"), and with four individuals who are Insureds under the D&O Policies: Dennis P. Coyle, Leslie J. Gelber, Erland E. Kailbourne and Pete J. Metros (the "Independent Directors").

INTRODUCTION

Adelphia seeks to enter into the Opt-Out Settlement Funding Agreement in order to implement an earlier settlement agreement approved by this Court on March 7, 2008 [Docket No. 14046] (the "Main Insurance Settlement Agreement"), a copy of which is attached hereto as Exhibit B. At the same time that it approved the Main Insurance Settlement Agreement, the Court reviewed and approved two Additional Agreements addressing contingent liabilities that were submitted to the Court under seal (the "Additional Agreements"). [Docket No. 14046].

The Main Insurance Settlement Agreement required the Insurers to pay $32,703,242.36 in exchange for a release by Adelphia, the Adelphia Recovery Trust (the "Trust"), and the Individual Insureds from any further obligations of the Insurers pursuant to the D&O Policies. It required that $14.5 million of the Settlement Amount be used to settle seven securities lawsuits, including a class action, as against the Independent Directors. Amounts paid to settle those lawsuits on behalf of the Independent Directors, as well as continuing defense costs incurred by the Independent Directors, otherwise would have been paid by Adelphia pursuant to its continuing prepetition indemnity obligations as provided in Section 16.23(a) of

the Plan.[1] Also, the Main Insurance Settlement Agreement released the Reorganized Debtors from their indemnification obligations to the Independent Directors pursuant to their corporate charters and by-laws, including those provided by Section 16.23(a) of the Plan, except for an obligation to pay certain litigation-related expenses in a total amount capped at $250,000. Finally, the Main Insurance Settlement Agreement resolved the lawsuit filed by the Insurers in the Eastern District of Pennsylvania seeking to rescind the D&O Policies or otherwise obtain a judicial declaration of no coverage ("Coverage Action"), relieving Adelphia of the financial and other burdens of proceeding with that litigation.

Certain releases in the Main Insurance Settlement Agreement, including the release of the Reorganized Debtors' Section 16.23 plan indemnification obligations, were to become effective upon the "Effective Date," defined in the Main Insurance Settlement Agreement as "the date on which all court approval required to make the settlement agreements and releases resolving the seven Securities Actions as to the four Independent Directors . . . valid, binding, and effective have been obtained and are no longer subject to appeal." (Main Insurance Settlement Agreement, ¶ 1.20)

In the three years since this Court approved the Main Insurance Settlement Agreement, the parties have run into an obstacle: a number of plaintiffs opted out of the class and filed an additional lawsuit against the Independent Directors, and the value of the asserted opt-out claims exceed the amount in a threshold agreement reached pursuant to Rule 23 of the Federal Rules of Civil Procedure, between the Independent Directors and the plaintiffs in the securities class action.

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[1] First Modified Fifth Amended Joint Chapter 11 Plan for Adelphia Communications Corporation and Certain of Its Affiliated Debtors, as Confirmed on January 5, 2007, sec. 16.23(a). A copy of section 16.23(a) is attached hereto as Exhibit C. Section 16.23(a) provides that Adelphia's continuing indemnity obligation will be reduced "dollar for dollar" by the amount of any insurance proceeds received by the Independent Directors after the Confirmation Date.

The consequence of opt-out claims having been made in excess of the Rule 23 threshold amount is that the Independent Directors have the right to terminate the settlement in the securities class action. If that happens, the Effective Date of the Main Insurance Settlement Agreement will not occur, and the parties will return to the status quo ante as of November 2007, pursuant to the terms of the Main Insurance Settlement Agreement.

In order to ensure that the Effective Date of the Main Insurance Settlement Agreement occurs, the parties (with the assistance of the mediator charged with responsibility for settling the seven securities actions) have agreed to provide additional funds in order to settle the opt-out litigation that was filed against the Independent Directors. The Opt-Out Settlement Funding Agreement provides that Adelphia will contribute $6,062,500 toward the settlement of the opt-out claims. Simultaneously, the beneficiaries to the confidential Additional Agreements (the Insurers and the Independent Directors) will release their claims to certain funds and reserves established by Adelphia pursuant those Additional Agreements. Federal and Greenwich will also contribute from their policies $175,000 toward the settlement between the Independent Directors and the opt-out claimants, and certain of the Independent Directors will pay $46,875 of their own funds to help fund the settlement.

The proposed Opt-Out Settlement Funding Agreement is necessary in order to reach the Effective Date established in the Main Insurer Settlement Agreement. Upon the Effective Date, Adelphia will realize all the benefit of the previously approved Main Insurance Settlement Agreement, as described in the motion to approve that settlement (Adelphia's prior Motion to Approve Settlement is attached as Exhibit D). Among other things, Adelphia's obligations to indemnify its independent directors will be terminated, and Adelphia will be able to release approximately $19 million that it had previously set aside for prepetition indemnity

obligations according to Section 16.23 of the Plan. Approval of the Opt-Out Settlement Funding Agreement is therefore beneficial to the estate.

JURISDICTION AND VENUE

1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334, 157(b)(2)(A), (M) and (O). Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A) and (O). The statutory predicates for the requested relief are 11 U.S.C. §§ 105(a) and Bankruptcy Rule 9019.

FACTUAL BACKGROUND

2. On April 20, 2001, Adelphia, on behalf of itself and its subsidiaries, purchased a Directors and Officers Liability Insurance Policy from AEGIS, policy number D0999A1A00 (the "AEGIS Policy"). The AEGIS Policy provides $25 million of insurance coverage for claims first made during the period December 31, 2000, to December 31, 2005. Adelphia also (on behalf of itself and its subsidiaries) bought two "excess" policies that together provide an additional $25 million of coverage for claims first made between December 31, 2000, and December 31, 2003: $15 million from Federal (policy number 8181-10-37) and $10 million from Greenwich (policy number ELU 82137-00) (all three Policies will be referred to collectively as the "D&O Policies").

3. The D&O Policies cover defense costs and indemnity obligations imposed by judgments or settlements in relation to claims made by third parties alleging damages arising out of "Wrongful Acts" by one or more Insureds. The D&O Policies cover such costs and indemnity obligations incurred by individual officers and directors, whether Adelphia reimburses those costs and indemnity obligations (in which case the insurance benefits Adelphia) (so-called "Indemnification Coverage") or Adelphia does not reimburse those costs and indemnity obligations due to insolvency (in which case the insurance benefits the individual officers and directors). The D&O Policies also cover the Reorganized Debtors' own defense costs and indemnity obligations imposed by judgments or settlements in relation to "Securities Claims" (so-called "Entity Coverage").

4. The Independent Directors were named as defendants in the following private civil actions in which claimants seek to hold them liable for, among other things, alleged misconduct in the course of their serving as directors and/or officers of Reorganized Debtors or by reason of their being such directors and/or officers: In re Adelphia Commc'n Corp. Sec. & Deriv. Litig., No. 03 MD 1529 (LMM) (S.D.N.Y.); New York City Employees Ret. Sys. v. Rigas, et al., No. 02-CV-9804 (S.D.N.Y.); Los Angeles County Employees Ret. Ass'n v. Rigas, et al., No. 03-CV-5750 (S.D.N.Y.); Franklin Strategic Income Fund v. Rigas, et al., No. 03-CV-5751 (S.D.N.Y.); Bent v. Rigas, et al., No. 03-CV-5793 (S.D.N.Y.); New Jersey Div. of Inv. v. Rigas, et al., No. 03-CV-7300 (S.D.N.Y.); and AIG DKR Soundshore Holdings, Ltd. v Kailbourne, et al., No. 117940/02 (N.Y. Sup. Ct.) (collectively, the "Securities Actions").

5. The Reorganized Debtors presented the Insurers with claims for more than $82.5 million under the D&O Policies, including: (i) defense costs incurred by Adelphia, which Adelphia contends are covered by the D&O Policies' Entity Coverage; and (ii) defense costs incurred by individual directors and officers, which the Reorganized Debtors paid pursuant to corporate indemnity obligations, and which Adelphia contends are covered by the D&O Policies' Indemnification Coverage. The Insurers have denied any obligation to cover these losses.

6. In November 2007, Adelphia and the Trust entered into the Main Insurance Settlement Agreement with the Insurers and twelve Individual Insureds, including the Independent Directors. The Main Insurance Settlement Agreement requires the Insurers to pay $32,703,242.36 (including the $13,272,744.76 already advanced to certain Individual Insureds) ("Settlement Amount"). In return, Adelphia, the Trust, and the Individual Insureds agree to release the Insurers from any further obligations pursuant to the D&O Policies. The insurance proceeds are to be allocated among the Individual Insureds in amounts specified in the Main Insurance Settlement Agreement, including $14.5 million to settle all seven Securities Actions on behalf of the Independent Directors.

7. The Main Insurance Settlement Agreement also includes a significant reduction of Adelphia's $27 million in prepetition indemnification obligations to the Independent

Directors, pursuant to Section 16.23(a) of the Plan. However, the reduction in Adelphia's obligations and the releases of the settling Insurers do not take place until the Effective Date is reached. The Effective Date is defined in the Main Insurance Settlement Agreement as "the date on which all court approval required to make the settlement agreements and releases resolving the seven Securities Actions as to the four Independent Directors . . . valid, binding, and effective have been obtained and are no longer subject to appeal." (Main Insurance Settlement Agreement, ¶ 1.20)

8. The Bankruptcy Court approved the Main Insurance Settlement Agreement and two Additional Agreements addressing contingent liabilities (submitted under seal) on March 7, 2008 [Docket No. 14046].

9. Settlements in the six individual Securities Actions have been signed. The class action settlement in the seventh Securities Action, In re Adelphia Commc'n Corp. Sec. & Deriv. Litig., No. 03 MD 1529 (LMM) (S.D.N.Y.), must be approved by the Court after a fairness hearing, which will be scheduled in the near future.

10. Pursuant to a Rule 23 threshold exclusion agreement that they separately entered into with the class plaintiffs, the Independent Directors have a right to terminate the class action settlement if the value of claims asserted by entities opting out of the proposed class action settlement exceed a certain threshold amount.

11. In May 2010, a number of claimants filed notice that they were opting out of the proposed class action settlement. Those claimants subsequently initiated litigation against the Independent Directors: *Accident Fund Insurance Company of America, et al. v. Dennis P. Coyle, et al.,* Civil Action No. 10-CV-4539 (S.D.N.Y.). The value of the claims held by the opt-out plaintiffs exceed the threshold amount set forth in the Independent Directors' Rule 23 threshold exclusion agreement. As a consequence, the Independent Directors presently have a right to terminate the class action settlement.

THE OPT-OUT SETTLEMENT FUNDING AGREEMENT

12. The Opt-Out Settlement Funding Agreement between Adelphia, the Independent Directors, and the Insurers provides funding for a settlement between the Independent Directors and the opt-out plaintiffs that resolves the opt-out litigation and removes the final obstacle to settlement of the securities class action. Settlement of the securities class action in turn would bring about the Effective Date in the Main Insurance Settlement Agreement.

13. The Opt-Out Settlement Funding Agreement's pertinent terms include:

a. Adelphia is to pay $6,0625,000 to the opt-out plaintiffs.

b. The Independent Directors release their right to terminate the class action settlement.

c. The Independent Directors release certain contingent rights pursuant to one of the Additional Agreement previously filed under seal with the Court, and agree that Adelphia may use money set aside pursuant to that agreement to help fund its $6,0625,000 payment.

d. The Insurers release certain funds held in escrow for their benefit pursuant one of the Additional Agreement previously filed under seal with the Court, and agree that Adelphia may use the money released from escrow to help fund its $6,0625,000 payment.

e. Federal and Greenwich are to pay $175,000 from their policies to the opt-out plaintiffs.

f. Certain of the Independent Directors are to pay $46,875 to the opt-out plaintiffs.

BASIS FOR RELIEF REQUESTED

14. This Court has the authority to approve the Opt-Out Settlement Funding Agreement and Additional Agreements pursuant to section 105(a) of the Bankruptcy Code and Bankruptcy Rule 9019(a), which provides that "[o]n motion by the Trustee, and after a hearing . . . the Court may approve a compromise or settlement." Fed. R. Bankr. P. 9019(a).

15. 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). To determine that a settlement is in the best interests of the estate, the settlement must be "fair and equitable." Protective Comm. for Indep. Stockholders of TMT Trailer Ferry v. Anderson, 390 U.S. 414, 424 (1968), In re Ashford Hotels Ltd., 235 B.R. 734, 740 (S.D.N.Y. 1999); see also In re Enron Corp., 2003 U.S. Dist. LEXIS 1383, at *4-5 (S.D.N.Y. Feb. 3, 2003). The bankruptcy court should form an informed and independent judgment as to whether a proposed compromise is in the best interests of the debtor's estate. In re Purofied Down Prods. Corp., 150 B.R. at 523. Such a finding is to be 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. Basic to this process, in every instance of course, is the need to compare the terms of the compromise with the likely rewards of litigation.

Id. See also Purofied, 150 B.R. at 523; In re Int'l Distrib. Ctrs., Inc., 103 B.R. 420, 422 (S.D.N.Y. 1989) (determination as to whether proposed compromise is fair and equitable requires exercise of informed, independent judgment by court).

16. A bankruptcy court need not conduct an independent investigation into the reasonableness of the settlement but must only "canvass the issues and see whether the settlement falls below the lowest point in the range of reasonableness." In re W.T. Grant Co., 699 F.2d 599, 608 (2d Cir.) (internal quotation marks omitted), cert. denied, 464 U.S. 822 (1983). In determining whether to approve a proposed compromise and settlement, a court should consider the following factors, where applicable:

> (a) The probabilities of success should the case go to trial versus the benefits of the settlement without the delay and expense of a trial and subsequent appeals;

(b) The prospect of complex and protracted litigation if the settlement is not approved;

(c) The proportion of the class members who do not object or who affirmatively support the proposed settlement;

(d) The competency and experience of counsel who support the settlement;

(e) The relative benefits to be received by individuals or groups within the class;

(f) The nature and breadth of releases to be obtained by the directors and officers as a result of the settlement; and

(g) The extent to which the settlement is a product of arm's length negotiating.

In re Texaco, Inc., 84 B.R. 893, 902 (Bankr. S.D.N.Y. 1988).

17. The decision whether to accept or reject a compromise lies within the sound discretion of the Court. See In re Adelphia Communications Corp., 327 B.R. 143, 159 (Bankr. S.D.N.Y. 2005), aff'd, 337 B.R. 475 (S.D.N.Y. 2006); Purofied, 150 B.R. at 523 ("A Bankruptcy Court's decision to approve a settlement should not be overturned unless its decision is manifestly erroneous and a 'clear abuse of discretion.'") (citations omitted). It is not necessary for the Court to conduct a "mini trial" of the facts or the merits underlying the dispute. Adelphia, 327 B.R. at 159; Purofied, 150 B.R. at 522. The Court need only be apprised of those facts that are necessary to enable it to evaluate the settlement and to make a considered and independent judgment. Adelphia, 327 B.R. at 159; Purofied, 150 B.R. at 523.

THE OPT-OUT SETTLEMENT FUNDING AGREEMENT SHOULD BE APPROVED

18. The Opt-Out Settlement Funding Agreement satisfies the above criteria and should be approved by this Court. If the Agreement is not approved, the Effective Date in the Main Insurance Settlement Agreement previously approved by this Court will not occur and the parties will return to the status quo ante as of November 2007, with all the attendant risks of

litigation over the D&O Policies previously described in Adelphia's Motion to Approve the Main Insurance Settlement Agreement. If the parties return to the 2007 status quo and the Insurers prevail in coverage litigation over the D&O Policies, Adelphia will receive nothing under the D&O Policies, neither for its past costs nor for amounts it is obligated to pay prospectively on behalf of the Independent Directors. In addition, Adelphia's prepetition indemnity obligations will remain as set forth in Section 16.23(a) of the Plan.

19. If, on the other hand, the Opt-Out Settlement Funding Agreement is approved, Adelphia will pay $6,0625,000 in exchange for: (a) removal of the final obstacle to certain recovery of $14.5 million of insurance proceeds dedicated to the settlement of the seven Securities Actions on behalf of the Independent Directors; (b) the benefit of the near elimination of its potential liabilities pursuant to Section 16.23(a) of the Plan due to the release provided by the Independent Directors as well as other releases described in the Main Insurance Settlement Agreement; and (c) avoidance of the financial and other burdens that would be imposed on Adelphia should it be required to litigate a coverage action against the Insurers. In addition, the Opt-Out Settlement Funding Agreement allows Adelphia to free up certain funds previously set aside for contingent liabilities pursuant to the Additional Agreements, and to use those funds toward its payment under Opt-Out Settlement Funding Agreement.

20. The Opt-Out Settlement Funding Agreement is the result of significant effort by the assigned mediator in the securities actions to salvage the class action settlement after it was revealed that certain class members with significant claims had opted out of the settlement. Such settlement agreement was heavily negotiated by experienced counsel for the parties over the course of many months and reflects the results of such extensive, arm's length negotiations. The settlement represents a sound business decision by the Reorganized Debtors,

made in good faith, with disinterestedness and due care, and does not constitute an abuse of discretion or a waste of corporate assets.

21. The Opt-Out Settlement Funding Agreement is contingent on the Court's entry of an order approving the settlement. The Court has the power to enter such an order under section 105(a) of the Bankruptcy Code, which expressly authorizes bankruptcy courts to "issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title." 11 U.S.C. § 105(a).

NOTICE, PRIOR APPLICATIONS AND WAIVER OF BRIEF

22. Notice of this Motion has been provided to: (a) the U.S. Trustee; (b) counsel to the Trust; (c) counsel to the Insurers; (d) counsel to all other signatories to the Opt-Out Settlement Funding Agreement; and (e) all other parties that have served a written request on the Reorganized Debtors on or after the date of the Confirmation Order for service of such pleadings. The Reorganized Debtors submit that such notice is appropriate and sufficient and is in accordance with the requirements of the Bankruptcy Rules. The Reorganized Debtors respectfully submit that no further notice of the Motion is required. No prior request for the relief sought herein has been made to this Court or any other court.

23. The Reorganized Debtors submit that this Motion presents no novel issues of law requiring the citation to any authority other than that referred to above and, accordingly, no brief is necessary.

CONCLUSION

24. WHEREFORE, Reorganized Debtors, by their undersigned attorneys, respectfully request that the Court enter an order approving the Opt-Out Settlement Funding Agreement, substantially in the form annexed hereto as Exhibit E, and grant such other relief as may be just and equitable.

/s/ Donald W. Brown

Alan Vinegrad
Covington & Burling LLP
The New York Times Building
620 Eighth Avenue
New York, NY 10018
(212) 841-1000

- and -

Donald W. Brown (DB 5009)
Covington & Burling LLP
One Front Street
San Francisco, CA 94111
(415) 591-6000

Special Counsel for the Debtors
and Reorganized Debtors

Dated: August 8, 2011

EXHIBIT A

OPT-OUT SETTLEMENT FUNDING AGREEMENT

This Opt-Out Settlement Funding Agreement ("Agreement") is made and entered into as of June 6, 2011 by and among Adelphia Communications Corporation and its estate and as a Reorganized Debtor, Associated Electric & Gas Services Limited, Federal Insurance Company, Greenwich Insurance Company, Erland E. Kailbourne, Dennis P. Coyle, Leslie J. Gelber, and Pete J. Metros (each a "Party," collectively "the Parties").

WHEREAS, on November 19, 2007, all of the Parties and certain others entered into a separate Settlement Agreement, a true and correct copy of which is attached hereto as Exhibit A and by reference incorporated herein;

WHEREAS, except to the extent otherwise defined herein, all capitalized terms used in this Agreement shall have the meanings ascribed to them in the Settlement Agreement;

WHEREAS, under the Settlement Agreement, the Parties agreed to certain terms and conditions with respect to the funding of a settlement of the Securities Actions;

WHEREAS, in connection with the Settlement Agreement, Adelphia entered into an Additional Agreement with Associated Electric & Gas Services Limited, Federal Insurance Company, and Greenwich Insurance Company (the "Insurer Additional Agreement") dated November 19, 2007, which was submitted to the Bankruptcy Court under seal for approval contemporaneously with the Settlement Agreement;

WHEREAS, in order to secure Adelphia's obligations under the Insurer Additional Agreement, Adelphia and the Insurers entered into an Escrow Agreement (the "Insurer Escrow Agreement") dated November 19, 2007 for the benefit of the Insurers;

WHEREAS, further in connection with the Settlement Agreement, Adelphia entered into an Additional Agreement with Erland E. Kailbourne, Dennis P. Coyle, Leslie J. Gelber, and Pete J. Metros (the "Independent Director Additional Agreement") dated November 19, 2007, which was submitted to the Bankruptcy Court under seal for approval contemporaneously with the Settlement Agreement;

WHEREAS, following notice and preliminary approval of the settlement of *In re Adelphia Communications Corporation Securities and Derivative Litigation*, No. 03-MD-1529 LMM (S.D.N.Y.) (the "*Adelphia* Litigation"), various persons – including the Pennsylvania State Employees' Retirement System ("SERS") and numerous investment management clients of W.R. Huff Asset Management Co. LLC ("Huff"), Appaloosa Investment LP 1 ("Appaloosa") , and Franklin Mutual Beacon ("Franklin") – gave notice of their intention to opt out of the settlement of the *Adelphia* Litigation;

WHEREAS, SERS and the clients of Huff, Appaloosa, and Franklin have now agreed to release all claims that they had arising out of and relating to the *Adelphia* Litigation in exchange for a collective payment to those opt-outs of $6,284,375.00 (the "Opt-Out Plaintiffs Settlements");

WHEREAS, the Parties have now reached an agreement among themselves with respect to the manner in which the Opt-Out Plaintiffs Settlements will be funded;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and intending to be legally bound hereby, and conditioned upon the fulfillment of the conditions precedent identified in paragraph 9 below, the Parties hereby agree as follows:

1. Adelphia and the Insurers shall notify the Escrow Agent to terminate the Insurer Escrow Agreement and to release all funds in escrow pursuant to the Insurer Escrow Agreement, including accrued interest, to Adelphia (the "Released Escrow Funds"). It is further understood and agreed that Adelphia may use the Insurer Released Escrow Funds to help fund the Opt-Out Plaintiffs Settlements as set forth in paragraph 3 below, and that the notice specified in this paragraph shall be given to the Escrow Agent no later than ten (10) business days prior to the date that payment is due under the Opt-Out Plaintiffs Settlements.

2. The Independent Directors hereby release their claim to all but $337,500 of funds set aside pursuant to the Independent Director Additional Agreement to Adelphia. The Independent Directors' claims to the remaining $337,500 in funds shall expire pursuant to the terms of the Independent Director Additional Agreement. It is further understood and agreed that Adelphia may use the funds released pursuant to this paragraph and paragraph 9 to help fund the Opt-Out Plaintiffs Settlements as set forth in paragraph 3 below.

3. Adelphia shall contribute $6,062,500 toward the Opt-Out Plaintiffs Settlements, said payment to be made at the time specified under the terms of the Opt-Out Plaintiffs Settlements. The Parties further agree that any remaining funds or claims to funds released by the Insurers and/or the Independent Directors shall be retained by Adelphia for its own use.

4. In addition to agreeing to the release of the Released Escrow Funds, Federal and Greenwich agree to pay a total of $175,000 to help fund the Opt-Out Plaintiffs Settlements, with Federal and Greenwich agreeing to pay the following amounts: (a) Federal will pay $105,000 from Federal Policy No. 8181-10-37; and (b) Greenwich will pay $70,000 from Greenwich Policy No. 82137-00.

5. In addition to agreeing to the release of the Independent Director Released Escrow Funds, certain of the Independent Directors agree to pay $46,875 of their own funds to help fund the Opt-Out Plaintiffs Settlements.

6. All payments made pursuant to paragraphs 3 through 5 above shall be made at the time specified in the Opt-Out Plaintiffs Settlements. Barring any unforeseen event that materially impairs the benefit of the bargain that is the subject of the Opt-Out Plaintiffs' Settlements, the Independent Directors will not exercise their right to terminate the settlement of the *Adelphia* Litigation in accordance with the Stipulation of Settlement in that Litigation.

7. In exchange for the Released Escrow Funds and the payment specified in paragraph 4 above, upon the Effective Date Adelphia and the Independent Directors shall release each of the Insurers, and their present, former and future parents, divisions, subsidiaries, affiliates, associates, representatives, predecessors, successors, heirs, owners, assigns, executors, administrators, and their present, former or future directors, agents, partners, principals, officers, employees, trustees, insurers and reinsurers, representatives or any of them, and their attorneys and all persons acting by, through, under or in concert with them or any of them, from any and all claims, rights, demands, losses or causes of action, in law or in equity, of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, based upon, in consequence of, arising out of or in any manner related to the AEGIS Policy or the Excess Policies. This release is in addition to and in no way replaces, limits, or supersedes the release in the Settlement Agreement.

8. In exchange for Adelphia's agreement to contribute to the Opt-Out Plaintiffs Settlements specified above, the Independent Directors hereby release Adelphia from all indemnification obligations specified in the Independent Director Additional Agreement except for the $337,500 in retained obligations, which shall expire according to the terms of that Agreement. In addition, upon the Effective Date, and without the need for execution and delivery of additional documentation, the Independent Directors shall release the Adelphia Releasees from any and all Claims, rights, demands, losses or causes of action, or other interests in law or in equity, based upon, in consequence of, arising out of or in any manner related to (i) the D&O Policies, (ii) any indemnification obligations of the Debtors pursuant to their corporate charters and by-laws, including but not limited to those obligations of the Debtors and Estates as provided by Section 16.23(a) of Plan, and (iii) all proofs of claim filed by the Independent Directors in Adelphia's bankruptcy case. The releases described in this paragraph are in addition to and in no way replace, limit, or supersede the release in the Settlement Agreement.

9. Before the payment obligations and releases provided by Paragraphs 1 through 8 of this Agreement, above, become binding, and the amounts described in said Paragraphs become due and owing, (1) this Agreement must be executed by all Parties; and (2) the Bankruptcy Court must issue an order granting a motion filed by Adelphia with the Bankruptcy Court seeking approval of this Settlement Agreement, and, if any entity files objections to Adelphia's Motion, the order approving the settlement must become final by the passage of time or on appeal.

10. Each of the Parties separately represents and warrants as follows:

(i) Subject to the required Bankruptcy Court approval described in paragraph 9 above, it has the requisite power and authority to enter into this Agreement and to perform the obligations imposed on it by this Agreement;

(ii) The execution and delivery of, and the performance of the obligations contemplated by, this Agreement have been approved by duly authorized representatives of the Party, and by all other necessary actions of the Party;

(iii) Each Party has expressly authorized its undersigned representative to execute this Agreement on the Party's behalf as its duly authorized agent;

(iv) This Agreement has been thoroughly negotiated and analyzed by its counsel and has been executed and delivered in good faith, pursuant to arms' length negotiations, and for value and valuable consideration.

11. This Agreement and the Previous Settlement Agreements constitute a single integrated written contract that expresses the entire agreement and understanding between and among all of the Parties with respect to matters that are the subject of this Agreement and the Previous Settlement Agreements. Except as otherwise expressly provided, this Agreement and the Previous Settlement Agreement supersede all prior communications, settlements, and understandings between the Parties and their representatives regarding the matters addressed by this Agreement and the Previous Settlement Agreements. Except as explicitly set forth in this Agreement and the Previous Settlement Agreements, there are no representations, warranties, promises, or inducements, whether oral, written, expressed, or implied, that in any way affect or condition the validity of this Agreement or the Previous Settlement Agreements or alter or supplement their terms. Any statements, promises, or inducements, whether made by any Party or any agents of any Party, that are not contained in this Agreement or the Previous Settlement Agreements shall not be valid or binding.

12. Each Party agrees to take such steps and to execute such documents as may be reasonably necessary or proper to effectuate the purpose and intent of this Agreement and to preserve its validity and enforceability.

13. This Agreement was negotiated among the Parties hereto at arm's length and in good faith, with each Party receiving advice from independent legal counsel. It is agreed among the Parties hereto that this is not an insurance contract and that no special rules of construction apply to this Agreement, including the doctrine of contra proferentem.

14. All notices, demands, payments, accountings or other communications that any Party desires or is required to give shall be given in writing and shall be deemed to have been given if hand delivered, faxed, or mailed by United States first-class mail, postage prepaid, to the Parties at the addresses noted below, or such other address as any Party may designate in writing from time to time:

If to Adelphia:

Barry D. Shalov, Member
Quest Turnaround Advisors
RiverView at Purchase
287 Bowman Avenue
Purchase, NY 10577

With a copy to:	Donald W. Brown, Esq. Covington & Burling LLP One Front Street San Francisco, CA 94111
If to AEGIS:	Helen Lynch, Esq. Associated Electric & Gas Insurance Services Ltd. One Meadowlands Plaza Rutherford, New Jersey 07073
With a copy to:	Michael R. Goodstein, Esq. Bailey Cavalieri LLC One Columbus 10 West Broad Street, Suite 2100 Columbus, Ohio 43215-3422
If to Federal:	Irene Petillo, Esq. Chubb & Son, a division of Federal Insurance Company 15 Mountain View Road Warren, New Jersey 07059
With a copy to:	Peter R. Bisio, Esq. Hogan Lovells US LLP 555 13th Street, N.W. Washington, D.C. 20004-1109
If to Greenwich:	Steven J. Gladstone, Esq. XL Professional 100 Constitution Plaza, 13th Floor Hartford, Connecticut 06103
With a copy to:	Leslie S. Ahari, Esq. Troutman Sanders LLP 1660 International Drive, Suite 600 McLean, VA 22102
If to the Independent Directors	Alvin B. Davis, Esq. Squire, Sanders & Dempsey, LLP 200 South Biscayne Blvd, Suite 4000 Miami, FL 33131

With a copy to:

Alvin B. Davis, Esq.
Squire, Sanders & Dempsey, LLP
200 South Biscayne Blvd, Suite 4000
Miami, FL 33131

15. This Agreement may be executed in counterpart originals, all of which, when so executed and taken together, shall be deemed an original and all of which shall constitute one and the same instrument. Each counterpart may be delivered by facsimile or emailed (as a .pdf attachment), and a faxed or emailed signature shall have the same force and effect as an original signature.

16. This Agreement may not be amended, altered or modified except by a written agreement duly executed by each Party (or its successors or assigns).

17. Neither the waiver by a Party hereto of a breach of or a default under any of the provisions of this Agreement, nor the failure of a Party, on one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right or privilege hereunder shall thereafter be construed as a waiver of any subsequent breach or default of a similar nature, or as a waiver of any such provisions, rights, or privileges hereunder.

18. Negotiations leading up to this Agreement and all related discussions and negotiations shall be deemed to fall within the protection afforded to compromises and to offers to compromise by Rule 408 of the Federal Rules of Evidence and any similar state law provisions. Any evidence of the terms of this Agreement or negotiations or discussions associated with this Agreement shall be inadmissible in any action or proceeding for purposes of establishing any rights, duties, or obligations of the Parties, except in (i) an action or proceeding to enforce the terms of this Agreement, (ii) any possible action or proceeding between the Insurers and any of their reinsurers, (iii) as otherwise directed by any court of competent jurisdiction, or (iv) as otherwise provided herein. This Agreement shall not be used as evidence or in any other manner, in any court or dispute resolution proceeding, to create, prove, or interpret the Parties' obligations under any insurance policy.

IN WITNESS WHEREOF, the Parties, by their duly authorized representatives, have caused this Agreement to be duly executed as of the date set forth with the respective signatures below:

Adelphia Communications Corporation and its estate and as a Reorganized Debtor:

By: Quest Turnaround Advisors LLC, by Barry Shalov member

Name: BARRY SHALOV

Title: member of ASSOCIATE COUNSEL

Date: 4/16/11

Associated Electric & Gas Insurance Services Limited:

By: _____

Name: _____

Title: _____

Date: _____

Chubb and Son, a division of Federal Insurance Company:

By: _____

Name: _____

Title: _____

Date: _____

Adelphia Communications Corporation and its estate and as a Reorganized Debtor:

By:_____

Name: _____

Title: _____

Date:_____

Associated Electric & Gas Insurance Services Limited:

By: Helen K. Lynch

Name: Helen K. Lynch

Title: Senior Litigation Counsel
Aegis Insurance Services, Inc.

Date: June 9, 2011

Chubb and Son, a division of Federal Insurance Company:

By:_____

Name: Peter Bisio

Title: Outside Counsel

Date: 7/25/11

Greenwich Insurance Company:

By: _____

Name: Steven Gladstone

Title: Sr. Vice President

Date: 06/10/11

Dennis P. Coyle

By: _____

Name: _____

Title: _____

Date: _____

Leslie J. Gelber:

By: _____

Name: _____

Title: _____

Date: _____

Greenwich Insurance Company:

By:_____

Name: _____

Title: _____

Date:_____

Dennis P. Coyle

By:_____

Name: Allan Davis

Title: Counsel

Date: 6.9.11

Leslie J. Gelber:

By:_____

Name: Allan Davis

Title: Counsel

Date: 6.9.11

Pete J. Metros:

By: Pete J. Metros

Name: Pete J. Metros

Title: Retired

Date: June 9, 2011

Erland E. Kailbourne:

By: _____

Name: _____

Title: _____

Date: _____

Pete J. Metros:

By: _____

Name: _____

Title: _____

Date: _____

Erland E. Kailbourne:

By: _____

Name: ALVIN DAVIS

Title: COUNSEL

Date: 6-9-11

EXHIBIT B

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is made and entered into as of November 19, 2007 by and among Adelphia Communications Corporation and its estate and as a Reorganized Debtor ("Adelphia"), and its affiliated Reorganized Debtors (as defined below, collectively, the "Debtors"), the Adelphia Recovery Trust (as defined below), Dennis P. Coyle, Leslie J. Gelber, Erland E. Kailbourne, Pete J. Metros, Michael C. Mulcahey, Doris Rigas, James P. Rigas, John J. Rigas, Michael J. Rigas, Timothy J. Rigas, Ellen Rigas Venetis, Peter L. Venetis (Messrs. Coyle, Gelber, Kailbourne, Metros, Mulcahey, James Rigas, John Rigas, Michael Rigas, Timothy Rigas, and Venetis and Mesdames Rigas and Venetis collectively are, as defined below, the "Individual Insureds"), Associated Electric & Gas Insurance Services Limited ("AEGIS"), Federal Insurance Company ("Federal"), and Greenwich Insurance Company ("Greenwich") (as defined below, collectively, "the Insurers"). The Debtors, the Adelphia Recovery Trust, the Individual Insureds, and the Insurers (each a "Party," collectively, "the Parties") hereby agree as follows:

WHEREAS, Adelphia purchased a primary directors and officers liability insurance policy from AEGIS, policy number D0999A1A00, for the period December 31, 2000, to December 31, 2003, and purchased an extended discovery period of December 31, 2003, to December 31, 2005;

WHEREAS, Adelphia purchased an excess directors and officers liability insurance policy from Federal, Excess Policy number 8181-10-37, for the period December 31, 2000, to December 31, 2003;

WHEREAS, Adelphia purchased a second excess directors and officers liability insurance policy from Greenwich, Excess Policy number ELU 82137-00, also for the period December 31, 2000, to December 31, 2003. (AEGIS Policy No. D0999A1A00, Federal Policy No. 8181-10-37, and Greenwich Policy No. 82137-00 are referred to collectively as "the D&O Policies");

WHEREAS, beginning in 2002, the Debtors each filed a voluntary petition under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York, captioned as *In re Adelphia Communications Corp., et al.*, Case No. 02-41729 (REG) (Jointly Administered) ("Bankruptcy Cases");

WHEREAS, on July 24, 2002, the United States Department of Justice commenced criminal proceedings against former directors and/or officers John, Timothy, and Michael Rigas, James Brown, and Michael Mulcahey, including the proceedings captioned *United States v. Rigas, et al.*, No. 02-CRIM 1306 (S.D.N.Y.) and 02 MAG 1438 (S.D.N.Y.) (the "Criminal Proceedings");

WHEREAS, on July 24, 2002, the United States Securities and Exchange Commission filed a lawsuit against Adelphia and John, Timothy, and Michael Rigas, James Brown, and Michael Mulcahey, alleging violations of the federal securities laws captioned *Securities and Exchange Commission v. Adelphia Comm. Corp., et al.*, No. 02 Civ. 5776 (S.D.N.Y.);

WHEREAS, on July 24, 2002, Adelphia filed an adversary proceeding in the Bankruptcy Cases against former directors and/or officers John, Timothy, Michael and James Rigas, Peter Venetis, James Brown, Michael Mulcahey and others alleging

violations of the Racketeering and Corrupt Organizations Act ("RICO") and other wrongdoing, *Adelphia Communications Corp. v. Rigas, et al.*, Adv. Proc. No. 02-8051 (Bankr. S.D.N.Y.) (the "Adelphia RICO Action");

WHEREAS, the Individual Insureds have been named as defendants in the following private civil actions in which claimants seek to hold them liable for, among other things, alleged misconduct in the course of their serving as directors and/or officers of Debtors or by reason of their being such directors and/or officers: *In re Adelphia Communications Corp. Securities & Deriv. Litig.*, No. 03 MD 1529 (LMM) (S.D.N.Y.); *New York City Employees Retirement System v. Rigas, et al.*, No. 02-CV-9804 (S.D.N.Y.); *Los Angeles County Employees Retirement Association v. Rigas, et al.*, No. 03-CV-5750 (S.D.N.Y.); *Franklin Strategic Income Fund v. Rigas, et al.*, No. 03-CV-5751 (S.D.N.Y.); *Bent v. Rigas, et al.*, No. 03-CV-5793 (S.D.N.Y.); *New Jersey Division of Investment v. Rigas, et al.*, No. 03-CV-7300 (S.D.N.Y.); and *AIG DKR Soundshore Holdings, Ltd. v Kailbourne, et al.*, No. 117940/02 (N.Y. Sup. Ct.) (collectively, the "Securities Actions");

WHEREAS, certain of the Individual Insureds are or have been named as defendants and/or cross-defendants in one or more additional private civil actions in which claimants seek to hold them liable for, among other things, alleged misconduct in the course of their serving as directors and/or officers of Debtors or by reason of their being such directors and/or officers, including but not limited to the suit captioned *Adelphia Communications Corp. v. Deloitte & Touche*, November Term, 2002, No. 000598 (Court of Common Pleas, Philadelphia County);

WHEREAS, the Debtors, the Adelphia Recovery Trust, and the Individual Insureds have and/or may assert claims to insurance coverage under one or more of the D&O Policies with respect to the criminal and civil actions described above;

WHEREAS, on September 24, 2002, the Insurers commenced an action captioned *AEGIS v. Rigas, et al.*, No. 02-7444 (E.D. Pa.) (the "Coverage Action");

WHEREAS, the Insurers also have sought (1) to rescind the D&O Policies vis-à-vis Adelphia; (2) alternatively, to obtain a declaratory judgment that, to the extent the D&O Policies are not rescinded, they nevertheless do not cover any Defense Costs incurred in relation to or liabilities imposed in the civil and criminal actions described above; and (3) to assert claims for fraud against Adelphia, but have been precluded from naming Adelphia in the Coverage Action by orders of the court in the Bankruptcy Cases;

WHEREAS, the Insurers also have been precluded from pursuing their rescission and other claims against the Individual Insureds in the Coverage Action by preliminary injunctions issued in the Bankruptcy Cases staying discovery and most other proceedings in the Coverage Action pursuant to section 105(a) of the Bankruptcy Code;

WHEREAS, the court in the Coverage Action has ordered AEGIS to advance certain Defense Costs, subject to certain conditions;

WHEREAS, pursuant to such orders, as of the date of this Agreement, AEGIS had advanced a total amount of $13,272,744.76 for Defense Costs incurred by certain of the Individual Insureds in one or more of the lawsuits described above;

WHEREAS, the Debtors claim to have paid in excess of $82.5 million toward defense costs incurred by the Individual Insureds in one or more of the lawsuits described above and for attorney fees and legal expenses incurred to investigate,

negotiate, defend and settle the Securities Actions described above, and the Debtors and the Adelphia Recovery Trust contend that the Insurers are obligated to reimburse those amounts pursuant to the terms and conditions of the D&O Policies, subject to the D&O Policies' limits of liability;

WHEREAS, on April 25, 2005, the Debtors entered into a non-prosecution agreement with the United States by which Adelphia committed (subject to the terms and conditions of that agreement) to pay $715 million to be used to compensate security holders of Adelphia for losses suffered as a result of the securities law violations alleged in the two governmental actions described above, both brought on July 24, 2002, and the Debtors contend that the Insurers are obligated to pay that amount pursuant to the terms and conditions of the D&O Policies, subject to the D&O Policies' limits of liability;

WHEREAS, on April 25, 2005, the Debtors and John, Michael, Timothy and James Rigas and Peter Venetis entered into a Settlement Agreement by which they covenanted and agreed, *inter alia*, not to sue each other or in any manner assert, bring or commence any claim, action or proceeding against the other (except that the Debtors' covenant and agreement did not extend to John, Michael, and Timothy Rigas), on account of any obligation or liability arising from or relating to broad categories of matters, facts, transactions and occurrences, which covenant and agreement encompasses any claim for reimbursement of or indemnification against fees, costs and/or liabilities to pay sums in settlement or satisfaction of judgments that have been or may be incurred in connection with the criminal and civil actions described above, all as more particularly set forth in the Settlement Agreement;

WHEREAS, on November 20, 2006, the Debtors and the Insurers entered into a Settlement and Purchase Agreement by which the Debtors agreed to sell the D&O Policies back to the Insurers for Sale Consideration (as defined in that Agreement) totaling $32.5 million, which Agreement was conditioned upon Bankruptcy Court approval and the Court's issuance of a channeling injunction requiring that any claims against the Insurers relating to the D&O Policies attach to the $32.5 million sale proceeds and be channeled to the trust or other entity holding those funds;

WHEREAS, on January 16, 2007, James and Michael Rigas commenced an action captioned *Rigas, et al. v. Associated Electric & Gas Ins. Services, Ltd., et al.*, No. 07-CV-00168 (E.D. Pa.) (the "Bad Faith Action") by which the Rigases contend that by entering into the Settlement and Purchase Agreement, the Insurers violated their duty of good faith and fair dealing to their insureds, seek a judgment that the Insurers are obligated to continue advancing Defense Costs to the Rigases in excess of policy limits, and also seek consequential and punitive damages;

WHEREAS, on March 6, 2007, the Bankruptcy Court denied without prejudice the Debtor's motion seeking approval of the November 20, 2006, Settlement and Purchase Agreement (the "Settlement Motion") and declined to issue a channeling injunction and, therefore, the Settlement and Purchase Agreement never became effective;

WHEREAS, the Insurers dispute all liability under the D&O Policies, contend that the D&O Policies are and/or should be rescinded such that the Insurers are not obligated to make any payments on behalf of the Individual Insureds or the Debtors, and that to the extent the D&O Policies are not rescinded they nonetheless do not cover

any Defense Costs incurred in relation to or liabilities imposed in the criminal and civil actions described above, including the monies advanced to pay Defense Costs incurred by the Individual Insureds as described above, and seek recovery of all such amounts;

WHEREAS, the Insurers have raised certain objections to Debtors' plan of reorganization in the Bankruptcy Cases (collectively, the "Insurers' Objection"), which objections were resolved with the plan having been confirmed by the Bankruptcy Court;

WHEREAS, the Insurers have filed certain Proofs of Claim against the Debtors' estates;

WHEREAS, on March 22, 2007, the Debtors, the Adelphia Recovery Trust, and the Individual Insureds reached an agreement by which they agreed that the Insurers would pay certain amounts to resolve any and all claims the Debtors, the Adelphia Recovery Trust, and the Individual Insureds have or might have with respect to the D&O Policies, and the Debtors, the Adelphia Recovery Trust and the Individual Insureds agreed to a final allocation of said amounts among them (the "March 22, 2007, Memorandum of Understanding" or "MOU"), said agreement being conditional and binding if and only if the mediator charged with responsibility for the Securities Actions fully settled all seven Securities Actions on behalf of the four Independent Directors (Messrs. Gelber, Metros, Coyle and Kailbourne) for a total of no more than $14.5 million within thirty (30) days after March 22, 2007;

WHEREAS, on April 19, 2007, the mediator informed the Parties that the plaintiffs in the seven Securities Actions had agreed to settle those cases as against the four Independent Directors and to fully release those Independent Directors in return for amounts totaling to $14.5 million, thus satisfying the condition of the March 22, 2007,

Memorandum of Understanding and making the MOU binding on the parties to the MOU; and

WHEREAS, the Parties, subject to the terms and conditions of this Agreement, now wish fully and finally to compromise and resolve all disputes among them;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and intending to be legally bound hereby, the Parties hereby agree as follows:

I. DEFINITIONS

As used in this Agreement, the following terms have the following meanings:

1.1 "**Adelphia**" means Adelphia Communications Corporation and its estate and as a Reorganized Debtor.

1.2 "**Adelphia Recovery Trust**" means that trust established pursuant to the Plan, the Bankruptcy Court's order approving the Plan, and the Contingent Value Vehicle established pursuant to a Trust Agreement dated as of December 7, 2006, and a certificate of trust, filed with the Secretary of State of the State of Delaware on December 7, 2006, and governed by the Amended and Restated Declaration of Trust for Adelphia Contingent Value Vehicle dated as of February 13, 2007.

1.3 "**Adelphia RICO Action**" means *Adelphia Communications Corp. v. Rigas, et al.*, No. 02-8051 (Bankr. S.D.N.Y.).

1.4 "**Advances**" means those sums AEGIS has advanced to pay Defense Costs incurred by certain of the Individual Insureds, amounting to $13,272,744.76 advanced as of the date of this Agreement, which advancements are to be repaid to AEGIS if and when it is determined that the AEGIS Policy is rescinded or otherwise does not cover some or all of the advanced Defense Costs.

1.5 "**AEGIS Policy**" means AEGIS Policy No. D0999A1A00.

1.6 "**AEGIS Payment Date**" means the date (10) business days after the date on which the Bankruptcy Court's order granting the Bankruptcy Court Approval Motion becomes final by the passage of time or on appeal.

1.7 "**AEGIS Release Date**" means the date on which AEGIS fully pays its share of the Settlement Amount, as provided below in Section 2.1.

1.8 "**AEGIS's Reimbursement Rights**" means AEGIS's rights to recover all or some of the Advances.

1.9 **"Bad Faith Action"** means the action captioned *Rigas, et al. v. Associated Electric & Gas Insurance Services, Ltd., et al.*, No. 07-CV-00168 (MBB), which Michael and James Rigas commenced in the United States District Court for the Eastern District of Pennsylvania on January 16, 2007.

1.10 **"Bankruptcy Cases"** means the chapter 11 cases initiated by the voluntary petitions that the Debtors each filed under chapter 11 of the

Bankruptcy Code in the Bankruptcy Court, captioned as *In re Adelphia Communications Corp., et al.,* No. 02-41729 (REG) (Jointly Administered).

1.11 **"Bankruptcy Court"** means the United States Bankruptcy Court for the Southern District of New York, to the extent it exercises jurisdiction over the Bankruptcy Cases.

1.12 "**Bankruptcy Court Approval Motion**" means a motion filed by Adelphia with the Bankruptcy Court seeking approval of this Settlement Agreement.

1.13 "**Civil Litigation**" means all private civil actions other than the Securities Actions in which claimants seek to hold Individual Insureds liable for alleged misconduct in the course of their serving as directors and/or officers of Debtors or by reason of their being such directors and/or officers, including but not limited to the suit captioned *Adelphia Communications Corp. v. Deloitte & Touche*, No. 000598 (Court of Common Pleas, Philadelphia County);

1.14 **"Claim" or "Claims"** has the meaning set forth in section 101(5) of the Bankruptcy Code.

1.15 **"Coverage Action"** means the action captioned *Associated Electric & Gas Insurance Services, Ltd. v. Rigas*, No. Civ.A. 02-7444, which the

Insurers commenced in the United States District Court for the Eastern District of Pennsylvania on September 24, 2002.

1.16 "**Criminal Litigation**" means all investigations, actions or cases commenced by any governmental entity, including but not limited to the United States of America, alleging violations of any criminal law or regulation by any of the Individual Insureds and/or the Debtors, including but not limited to the proceedings captioned *United States v. Rigas, et al.*, No. 02-CRIM 1306 (S.D.N.Y.) and 02 MAG 1438 (S.D.N.Y.), all related proceedings and/or appeals therein, and the matters resolved by the non-prosecution agreement the Debtors entered into with the United States on April 25, 2005.

1.17 **"D&O Policies"** means the AEGIS Policy and the Excess Policies.

1.18 **"Debtors"** means Adelphia and all its affiliated debtors whose chapter 11 cases were jointly administered in the Bankruptcy Cases.

1.19 "**Defense Costs**" has the meaning set forth in the D&O Policies.

1.20 "**Effective Date**" means the date on which all court approval required to make the settlement agreements and releases resolving the seven Securities Actions as to the four Independent Directors, Venetis and Mulcahey valid, binding, and effective have been obtained and are no longer subject to appeal.

1.21 "**Excess Insurer Payment Date**" means the date ten (10) business days after the date on which the Excess Insurers receive written notice that all the conditions specified in paragraph 3.2 of this Agreement, below, have occurred. Such notice shall include copies of fully-executed settlement agreements and releases resolving the seven Securities Actions as to the four Independent Directors, Venetis and Mulcahey.

1.22 "**Excess Insurers**" means Federal and Greenwich.

1.23 "**Excess Policies**" means Federal Policy No. 8181-10-37, and Greenwich Policy No. 82137-00.

1.24 "**Independent Directors**" means Dennis P. Coyle, Leslie J. Gelber, Erland E. Kailbourne, and Pete J. Metros.

1.25 "**Individual Insureds**" means Dennis P. Coyle, Leslie J Gelber, Erland E. Kailbourne, Pete J. Metros, Michael C. Mulcahey, Doris Rigas, James P. Rigas, John J. Rigas, Michael J. Rigas, Timothy J. Rigas, and Peter L. Venetis, and Ellen Rigas Venetis.

1.26 **"Insurers"** means AEGIS, Federal and Greenwich.

1.27 **"Person"** means an individual; a corporation, including but not limited to the Debtors and their estates and as Reorganized Debtors; a partnership, a joint venture, an association, a joint stock company, a limited liability company, a limited liability partnership, an estate, an unincorporated

organization, a trust, including but not limited to the Adelphia Recovery Trust; a class or group of individuals, or any other entity or organization, including any federal, state or local governmental or quasi-governmental body or political subdivision, department, agency or instrumentality thereof.

1.28 "**Plan**" means the First Modified Fifth Amended Joint Chapter 11 Plan For Adelphia Communications Corporation And Certain Of Its Affiliated Debtors, as amended.

1.29 **"Proofs of Claim"** means the following proofs of claim filed by the Insurers against the Debtors' estate: (a) claim numbers 16317 and 16743 filed by AEGIS; (b) claim number 13464 filed by Federal; and (c) claim number 11156 filed by Greenwich.

1.30 "**SEC Proceedings**" means any and all investigations, inquiries and/or lawsuits commenced by the Securities and Exchange Commission concerning the Individual Insureds and/or the Debtors, including but not limited to the lawsuit captioned *Securities and Exchange Commission v. Adelphia Comm. Corp.*, et al., No. 02 Civ. 5776 (S.D.N.Y.).

1.31 "**Securities Actions**" means *In re Adelphia Communications Corp. Securities & Deriv. Litig.*, No. 03 MD 1529 (LMM) (S.D.N.Y.); *New York City Employees Retirement System v. Rigas, et al.*, No. 02-CV-9804 (S.D.N.Y.); *Los Angeles County Employees Retirement Association v.*

Rigas, et al., No. 03-CV-5750 (S.D.N.Y.); *Franklin Strategic Income Fund v. Rigas, et al.*, No. 03-CV-5751 (S.D.N.Y.); *Bent v. Rigas, et al.*, No. 03-CV-5793 (S.D.N.Y.); *New Jersey Division of Investment v. Rigas, et al.*, No. 03-CV-7300 (S.D.N.Y.); and *AIG DKR Soundshore Holdings, Ltd. v Kailbourne, et al.*, No. 117940/02 (N.Y. Sup. Ct.).

1.32 "**Securities Actions Settlement Fund**" means a fund established to hold and distribute (a) $14.5 million of the Settlement Amount pursuant to the settlement agreements made with the plaintiffs in the Securities Actions on behalf of the four Independent Directors, Peter Venetis, and Michael Mulcahey, and (b) $315,000 of the Settlement Amount that is payable to Mark J. Mahoney, defense counsel for Michael Mulcahey pursuant to this Agreement, all in accordance with an escrow agreement in the form attached hereto as Exhibit A.

1.33 "**Settlement Amount**" means the sum of $32,703,242.36, *including* the amount of the Advances

II. PAYMENT OF AEGIS'S PORTION OF THE SETTLEMENT AMOUNT, TERMINATION OF AEGIS POLICY, AND RELEASES

2.1 Conditioned on fulfillment of the conditions precedent identified in Paragraph 2.2 of this Agreement, AEGIS hereby agrees that on or before the AEGIS Payment Date, AEGIS shall pay the total amount of $7,529,075.20, by check, as follows:

1. (a) $3,665,492.60 (being $6,400,000, less Rigas defense costs paid by AEGIS since March 22, 2007) to or on behalf of the Rigases, as follows: (i) $1,300,000 to Dilworth Paxson, LLP, defense counsel for the Rigases, and

(ii) $2,365,492.60 to Treasure Lake, LP, the assignee of the Rigases, – less any Defense Costs that AEGIS will have advanced on behalf of one or more of the Rigases between November 19, 2007 and the AEGIS Release Date;

2. $850,000 to Peter Venetis

3. $100,000 to Mark J. Mahoney, defense counsel for Michael Mulcahey, and

4. $2,913,582,.60 into the Securities Actions Settlement Fund.

2.2 Before the payment obligations provided by Paragraph 2.1 of this Agreement, above, become binding, and the amounts described in said Paragraph become due and owing, (1) this Agreement must be executed by all Parties; and (2) the Bankruptcy Court must issue an order granting the Bankruptcy Court Approval Motion, and that order must become final by the passage of time or on appeal.

2.3 Upon the payment of AEGIS's portion of the Settlement Amount pursuant to Paragraph 2.1 of this Agreement, above, and without the need for execution and delivery of additional documentation, the Debtors, including each of the Debtors' estates and the Reorganized Debtors, the Adelphia Recovery Trust, and the Individual Insureds hereby irrevocably and unconditionally release and discharge AEGIS and its present, former and future parents, divisions, subsidiaries, affiliates, associates, representatives, predecessors, successors, heirs, owners, assigns, executors, estates and administrators, and their present, former and future directors, agents, partners, principals, officers, employees, trustees, insurers, reinsurers, representatives or any of them, and their attorneys (collectively, the "AEGIS Releasees") from, and waive any rights to assert, any and all Claims, rights, demands, losses or causes of action, or other interests in law or in equity, of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, against AEGIS and/or the AEGIS Releasees, or any of them, arising out of,

based on, or in any way involving, directly or indirectly, in whole or in part (i) the AEGIS Policy, (ii) any and all Claims, demands or causes of action made or that might be made for coverage under the AEGIS Policy for any lawsuit, claim or matter whatsoever, (iii) the Securities Actions, the Civil Litigation, the Criminal Litigation, the SEC Proceedings, and the Adelphia RICO Action, (iv) all matters at issue in the Coverage Action, the Bad Faith Action, and the Bankruptcy Cases, and (v) all Claims, demands or causes of action based upon or arising out of AEGIS's conduct and the conduct of litigation in the Bankruptcy Cases, the Bad Faith Action, and the Coverage Action.

2.4 Upon payment of AEGIS's portion of the Settlement Amount pursuant to Paragraph 2.1 of this Agreement, above, and without the need for execution and delivery of additional documentation, AEGIS, the Individual Insureds, the Adelphia Recovery Trust, and the Debtors agree that the AEGIS Policy shall be deemed terminated and shall no longer have any force or effect. In that event, the Individual Insureds, the Adelphia Recovery Trust, and the Debtors, including their estates and the reorganized Debtors, covenant and agree that none of them shall (i) file any claim or demand, commence or prosecute any litigation, action or proceeding of any nature against AEGIS relating to the matters released in Paragraph 2.3 of this Agreement, above, or (ii) directly or indirectly aid any Person in making any claim or demand or commencing or prosecuting any litigation, action or proceeding of any nature filed against AEGIS.

2.5 Upon payment of AEGIS's portion of the Settlement Amount pursuant to Paragraph 2.1 of this Agreement, above, and without the need for execution and delivery of additional documentation, AEGIS, on its own behalf and on behalf of its present,

former and future parents, divisions, subsidiaries, affiliates, associates, representatives, predecessors, successors, heirs, owners, assigns, executors, trustees, estates, purchasers and administrators, hereby releases and discharges the Individual Insureds, the Adelphia Recovery Trust, the Debtors, including each of the Debtors' estates and the reorganized Debtors, and their present, former and future parents, divisions, subsidiaries, affiliates, associates, representatives, predecessors, successors, heirs, owners, assigns, executors, estates and administrators, and their present, former and future directors, agents, partners, principals, officers, employees, trustees, insurers, reinsurers, representatives or any of them, and their attorneys (collectively, the "Insured Releasees") from, and waives any right to assert, any and all Claims, rights, demands, losses or causes of action, or other interests in law or in equity, of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, against the Debtors, the Adelphia Recovery Trust, the Individual Insureds, and/or the Insured Releasees, or any of them, arising out of, based on, or in any way involving directly or indirectly, in whole or in part (i) the AEGIS Policy, (ii) AEGIS's Reimbursement Rights, (iii) the Securities Actions, the Civil Litigation, the Criminal Litigation, the SEC Proceedings, and the Adelphia RICO Action, (iv) all matters at issue in the Coverage Action, the Bad Faith Action, and the Bankruptcy Cases, and (v) all Claims, demands, or causes of action based upon or arising out of the Individual Insureds' and the Debtors' conduct and the conduct of litigation in the Bankruptcy Cases, the Bad Faith Action, and the Coverage Action. Effective on the AEGIS Release Date, AEGIS shall be deemed to have withdrawn its support for Insurers' Objection, and to have withdrawn its Proofs of Claim, with prejudice, and the Debtors

shall be deemed to have withdrawn their objections to AEGIS's Proofs of Claim, with prejudice.

2.6 Upon payment of AEGIS's portion of the Settlement Amount pursuant to Paragraph 2.1 of this Agreement, above, and without the need for execution and delivery of additional documentation, AEGIS shall dismiss all of its claims in the Coverage Action as to the Parties to this Agreement, with prejudice, with each Party bearing its/his own costs and attorney fees. AEGIS shall have no obligation to dismiss any claims as to any Person who is not a Party to this Agreement.

2.7 Upon payment of AEGIS's portion of the Settlement Amount pursuant to Paragraph 2.1 of this Agreement, above, and without the need for execution and delivery of additional documentation, Doris Rigas, James P. Rigas, John J. Rigas, Michael J. Rigas, Timothy J. Rigas, Ellen Rigas Venetis, and Peter L. Venetis hereby irrevocably and unconditionally release and discharge the Excess Insurers and their present, former and future parents, divisions, subsidiaries, affiliates, associates, representatives, predecessors, successors, heirs, owners, assigns, executors, estates and administrators, and their present, former and future directors, agents, partners, principals, officers, employees, trustees, insurers, reinsurers, representatives or any of them, and their attorneys (collectively, the "Excess Insurer Releasees") from, and waive any right to assert, any and all Claims, rights, demands, losses or causes of action, or other interests in law or in equity, of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, against the Excess Insurers and/or the Excess Insurer Releasees, or any of them, arising out of, based on, or in any way involving, directly or

indirectly, in whole or in part (i) the Excess Policies, (ii) any and all Claims, demands or causes of action made or that might be made for coverage under the Excess Policies for any lawsuit, claim or matter whatsoever, (iii) the Securities Actions, the Civil Litigation, the Criminal Litigation, the SEC Proceedings, and the Adelphia RICO Action, (iv) all matters at issue in the Coverage Action, the Bad Faith Action, and the Bankruptcy Cases, and (v) all Claims, demands or causes of action based upon or arising out of the Excess Insurers' conduct and the conduct of litigation in the Bankruptcy Cases, the Bad Faith Action, and the Coverage Action.

2.8 Upon payment of AEGIS's portion of the Settlement Amount pursuant to Paragraph 2.1 of this Agreement, above, and without the need for execution and delivery of additional documentation, Doris Rigas James P. Rigas, John J. Rigas, Michael J. Rigas, Timothy J. Rigas, Ellen Rigas Venetis, and Peter L. Venetis covenant and agree that none of them shall (i) file any claim or demand, commence or prosecute any litigation, action or proceeding of any nature against the Excess Insurers relating to the matters released in Paragraph 2.7 of this Agreement or (ii) directly or indirectly aid any Person in making any claim or demand or commencing or prosecuting any litigation, action or proceeding of any nature filed against the Excess Insurers.

2.9 Upon payment of AEGIS's portion of the Settlement Amount pursuant to Paragraph 2.1 of this Agreement, above, and without the need for execution and delivery of additional documentation, the Excess Insurers, on their own behalf and on behalf of their present, former and future parents, divisions, subsidiaries, affiliates, associates, representatives, predecessors, successors, heirs, owners, assigns, executors, trustees,

estates, purchasers and administrators, hereby release and discharge Doris Rigas, James P. Rigas, John J. Rigas, Michael J. Rigas, Timothy J. Rigas, Ellen Rigas Venetis, and Peter L. Venetis, and their present, former and future associates, representatives, predecessors, successors, heirs, assigns, executors, estates and administrators, and their present, former and future agents, partners, principals, employees, trustees, insurers, representatives or any of them, and their attorneys (collectively, the "Group I Insured Releasees") from, and waive any right to assert, any and all Claims, rights, demands, losses or causes of action, or other interests in law or in equity, of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, against Doris Rigas, James P. Rigas, John J. Rigas, Michael J. Rigas, Timothy J. Rigas, Ellen Rigas Venetis, and Peter L. Venetis and/or the Group I Insured Releasees, or any of them, arising out of, based on, or in any way involving directly or indirectly, in whole or in part (i) the Excess Policies, (ii) the Securities Actions, the Civil Litigation, the Criminal Litigation, the SEC Proceedings, and the Adelphia RICO Action, (iii) all matters at issue in the Coverage Action, the Bad Faith Action, and the Bankruptcy Cases, and (iv) all Claims, demands, or causes of action based upon or arising out of Doris Rigas, James P. Rigas, John J. Rigas, Michael J. Rigas, Timothy J. Rigas, Ellen Rigas Venetis, and Peter L. Venetis's conduct and the conduct of litigation in the Bankruptcy Cases, the Bad Faith Action, and the Coverage Action.

2.10 Upon payment of AEGIS's portion of the Settlement Amount pursuant to Paragraph 2.1 of this Agreement, above, and without the need for execution and delivery of additional documentation, the Excess Insurers shall dismiss their claims in the Coverage Action, with prejudice, insofar as those claims are or may be asserted against

Doris Rigas, James P. Rigas, John J. Rigas, Michael J. Rigas, Timothy J. Rigas, Ellen Rigas Venetis, and Peter L. Venetis with each party thereto bearing its/his own costs and attorney fees.

2.11 Upon payment of AEGIS's portion of the Settlement Amount pursuant to Paragraph 2.1 of this Agreement, above, and without the need for execution and delivery of additional documentation, Michael and James Rigas shall dismiss the Bad Faith Action in its entirety, with prejudice, with each party thereto bearing its/his own costs and attorney fees.

2.12 If the conditions precedent set forth in Paragraph 2.2 of this Agreement, above, are not fully satisfied, or if for any reason the payments required by Paragraph 2.1 of this Agreement are not made on or before the AEGIS Payment Date, the obligations and releases provided by Paragraphs 2.1 and 2.3 through 2.11, of this Agreement, above, shall not have any force or effect, and the Parties shall return to the status quo *ante* as of March 21, 2007. However, the Rigases shall not be obligated by this Agreement to return any advances made to them after March 21, 2007. Such advancements shall be treated in the same manner as advancements made prior to March 21, 2007.

III. PAYMENT OF THE EXCESS INSURERS' PORTION OF THE SETTLEMENT AMOUNT, TERMINATION OF THE EXCESS POLICIES, AND RELEASES

3.1 Conditioned on fulfillment of the conditions precedent identified in Paragraph 3.2 of this Agreement, below, Federal and Greenwich hereby agree that on or before the Excess Insurer Payment Date, each of them severally and not jointly shall pay

its allocated share of the Settlement Amount into the Securities Actions Settlement Fund; specifically, Federal will pay $7,140,850.44 and Greenwich will pay $4,760,566.96.

3.2 Before the payment obligations provided by Paragraph 3.1 of this Agreement, above, become binding, and the amounts described in said Paragraph become due and owing, the following must occur: (1) this Agreement must be executed by all Parties; (2) the Bankruptcy Court must issue an order granting the Bankruptcy Court Approval Motion, and that order must become final by the passage of time or on appeal; (3) AEGIS must have fulfilled its payment obligations pursuant to Paragraph 2.1 of this Agreement; (4) all four Independent Directors, Peter Venetis and Mulcahey must have executed with all the plaintiffs in the seven Securities Actions formal settlement agreements in a form approved by the Excess Insurers, such approval not to be unreasonably withheld, finally resolving all seven Securities Actions insofar as they are or may be asserted against the Independent Directors, Peter Venetis, and Mulcahey, and fully releasing each of the Independent Directors, Peter Venetis and Mulcahey from any and all actual or potential liability for alleged misconduct in the course of their serving as directors and/or officers of Debtors or by reason of their being such directors and/or officers, in return for payments by the Insurers on behalf of the Independent Directors, Peter Venetis and Mulcahey totaling collectively among all seven Securities Actions to no more than $14.5 million; and the Adelphia Recovery Trust will cause the RICO action to have been dismissed as to Michael Mulcahey.

3.3 The Excess Insurers are not obligated under this Agreement and in no event shall the Excess Insurers have any obligation under this Agreement to pay any fees

and costs relating to the negotiation of settlement agreements finally resolving all seven Securities Actions, seeking approval of such settlement agreements, and providing notice to the class of such settlement agreements.

3.4 Upon the Effective Date, and without the need for execution and delivery of additional documentation, the Debtors, including each of the Debtors' estates and the reorganized Debtors, the Adelphia Recovery Trust, Mulcahey and the Independent Directors hereby irrevocably and unconditionally release and discharge the Excess Insurers and their present, former and future parents, divisions, subsidiaries, affiliates, associates, representatives, predecessors, successors, heirs, owners, assigns, executors, estates and administrators, and their present, former and future directors, agents, partners, principals, officers, employees, trustees, insurers, reinsurers, representatives or any of them, and their attorneys (collectively, the "Excess Insurer Releasees") from, and waive any right to assert, any and all Claims, rights, demands, losses or causes of action, or other interests in law or in equity, of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, against the Excess Insurers and/or the Excess Insurer Releasees, or any of them, arising out of, based on, or in any way involving, directly or indirectly, in whole or in part (i) the Excess Policies, (ii) any and all Claims, demands or causes of action made or that might be made for coverage under the Excess Policies for any lawsuit, claim or matter whatsoever, (iii) the Securities Actions, the Civil Litigation, the Criminal Litigation, the SEC Proceedings, and the Adelphia RICO Action, (iv) all matters at issue in the Coverage Action, the Bad Faith Action, and the Bankruptcy Cases, and (v) all Claims, demands or causes of action based upon or

arising out of the Excess Insurers' conduct and the conduct of litigation in the Bankruptcy Cases, the Bad Faith Action, and the Coverage Action.

3.5 Upon the Effective Date, and without the need for execution and delivery of additional documentation, the Excess Policies shall be deemed terminated and shall no longer have any force or effect. In that event, the Independent Directors, Mulcahey, the Adelphia Recovery Trust, and the Debtors, including their estates and the Reorganized Debtors, covenant and agree that none of them shall (i) file any claim or demand, commence or prosecute any litigation, action or proceeding of any nature against the Excess Insurers relating to the matters released in Paragraph 3.4 of this Agreement, above, or (ii) directly or indirectly aid any Person in making any claim or demand, or commencing or prosecuting any litigation, action or proceeding of any nature filed against the Excess Insurers.

3.6 Upon the Effective Date, and without the need for execution and delivery of additional documentation, the Excess Insurers, on their own behalf and on behalf of their present, former and future parents, divisions, subsidiaries, affiliates, associates, representatives, predecessors, successors, heirs, owners, assigns, executors, trustees, estates, purchasers and administrators hereby release and discharge the Independent Directors, Mulcahey, the Adelphia Recovery Trust, the Debtors, including each of the Debtors' estates and the Reorganized Debtors, and their present, former and future parents, divisions, subsidiaries, affiliates, associates, representatives, predecessors, successors, heirs, owners, assigns, executors, estates and administrators, and their present, former and future directors, agents, partners, principals, officers, employees,

trustees, insurers, reinsurers, representatives or any of them, and their attorneys (collectively, the "Group II Insured Releasees") from, and waive any right to assert, any and all Claims, rights, demands, losses or causes of action, or other interests in law or in equity, of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, against the Debtors, the Adelphia Recovery Trust, the Independent Directors, Mulcahey, and/or the Group II Insured Releasees, or any of them, arising out of, based on, or in any way involving directly or indirectly, in whole or in part (i) the Excess Policies, (ii) the Securities Actions, the Civil Litigation, the Criminal Litigation, the SEC Proceedings, and the Adelphia RICO Action, (iii) all matters at issue in the Coverage Action, the Bad Faith Action, and the Bankruptcy Cases, and (iv) all Claims, demands, or causes of action based upon or arising out of the Individual Insureds' and the Debtors' conduct and the conduct of litigation in the Bankruptcy Cases, the Bad Faith Action, and the Coverage Action. Effective on the Effective Date, the Excess Insurers shall have be deemed to have withdrawn their support for the Insurers' Objection, and to have withdrawn their Proofs of Claim, with prejudice, and the Debtors shall be deemed to have withdrawn their objections to the Excess Insurers' Proofs of Claim, with prejudice.

3.7 Upon the Effective Date, and without the need for execution and delivery of additional documentation, the Excess Insurers shall dismiss all of their claims in the Coverage Action as to the Parties to this Agreement, with prejudice, with each Party bearing its/his own costs and attorney fees. The Excess Insurers shall have no obligation to dismiss any claims as to any person who is not a Party to this Agreement.

3.8 Upon the Effective Date, and without the need for execution and delivery of additional documentation, the Independent Directors, Mulcahey, and Venetis hereby irrevocably and unconditionally release and discharge the Adelphia Recovery Trust, the Debtors, including each of the Debtors' estates, the Reorganized Debtors, and their attorneys (collectively, the "Adelphia Releasees") from, and waive any rights to assert, any and all Claims, rights, demands, losses or causes of action, or other interests in law or in equity, of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, against the Adelphia Recovery Trust, the Debtors and/or the Adelphia Releasees, or any of them, arising out of, based on, or in any way involving directly or indirectly, in whole or in part (i) the D&O Policies, (ii) any indemnification obligations of the Debtors pursuant to their corporate charters and by-laws, including but not limited to those obligations of the Debtors and Estates as provided by Section 16.23(a) of Plan, (iii) AEGIS's Reimbursement Rights, (iv) all matters at issue in the Coverage Action, the Bad Faith Action, and the Bankruptcy Cases, and (v) all Claims based upon or arising out of the Debtors' conduct and the conduct of litigation in the Bankruptcy Case and the Coverage Action.

3.9 Notwithstanding the foregoing release provided by Paragraph 3.8(ii) of this Agreement, above, the prepetition indemnity obligations of the Debtors pursuant to their corporate charters and by-laws shall continue as obligations of each of the Debtors and the Estates as provided in Section 16.23(a) of the Plan, but shall be limited to the reimbursement of reasonable expenses (*i.e.*, reasonable attorney fees and travel & lodging costs) the Independent Directors may incur after the AEGIS Release Date in connection with their being subpoenaed to testify or otherwise required or asked by the Debtor to

cooperate in the prosecution or defense of Adelphia-related litigation, and shall be limited to an aggregate amount not to exceed $250,000.00.

3.10 (a) The Claims, rights, demands, losses, causes of action, and other interests in law and in equity described in Paragraphs 3.4 and 3.6 of this Agreement are collectively referred to as "Excess Insurer Released Claims."

(b) In exchange for the consideration set forth in this Agreement and effective upon the execution of this Agreement by all Parties, the Debtors, the Adelphia Recovery Trust, the Independent Directors, and Mulcahey covenant and agree not to sue or to assert or to prosecute, institute or cooperate in the institution, commencement, filing, or prosecution of any suit or proceeding against either Excess Insurer, in any forum, that is based upon, in consequence of, arises out of or relates in any way in whole or in part to any Excess Insurer Released Claims.

(c) In exchange for the consideration set forth in this Agreement and effective upon the execution of this Agreement by all Parties, the Excess Insurers covenant and agree not to sue or to assert or to prosecute, institute or cooperate in the institution, commencement, filing, or prosecution of any suit or proceeding against the Debtors, the Adelphia Recovery Trust, the Independent Directors, or Mulcahey, in any forum, that is based upon, in consequence of, arises out of or relates in any way in whole or in part to any Excess Insurer Released Claims.

(d) The Excess Insurers, the Debtors, the Adelphia Recovery Trust, the Independent Directors, and Mulcahey agree that, with respect to any claim not brought by

reason of the provisions of this Paragraph 3.10, any defense based on the passage of time including, but not limited to any applicable statute of limitations, statutes of repose, or theory of laches, estoppel or waiver under any federal or state statutory or common law or otherwise by virtue of the passage of time, shall be tolled for the period beginning on March 22, 2007 and ending sixty (60) days after any Party provides written notice verifying that the conditions precedent set forth in Paragraph 3.2 of this Agreement, above, are not and cannot be fully satisfied; provided, however, that nothing in this Agreement shall apply to extend any statutes of limitations or other time periods which may have expired prior to the beginning of such period.

3.11 If the Effective Date does not occur for any reason, (i) the obligations and releases provided by Paragraphs 3.1 and 3.3 through 3.8 of this Agreement, above, shall not have any force or effect, (ii) the portions of the Settlement Amount paid by the Excess Carriers into the Securities Actions Settlement Fund and all interest on earned on such portions shall be returned to the Excess Carriers, and (iii) the Parties subject to Section III of this Agreement – *i.e.*, the Debtors, the Adelphia Recovery Trust, the Independent Directors, Mulcahey and the Excess Insurers – shall, with respect to the matters encompassed by said Section III, return to the status quo *ante* as of March 21, 2007.

3.12 The Parties subject to Section III of this Agreement agree that AEGIS's payments to date and AEGIS's payments pursuant to Paragraph 2.1 of this Agreement do not exhaust the limit of the AEGIS Policy. The Parties subject to Section III of this Agreement further agree that, if they return to the status quo *ante* as of March 21, 2007,

per Paragraph 3.11 of this Agreement, any arguments that such Parties may have with respect to whether the limit of the AEGIS Policy needs to be exhausted and, if so, has been exhausted, are preserved, including, without limitation, whether the payment of money to Mulcahey pursuant to Paragraph 2.1 contributes to the exhaustion of the AEGIS Policy. Nothing in this Paragraph 3.12 shall limit or otherwise affect the releases provided to AEGIS in Section II of this Agreement.

3.13 The Parties subject to Section III of this Agreement agree that, if they return to the status quo *ante* as of March 21, 2007, per Paragraph 3.11 of this Agreement, all funds remaining in the Securities Actions Settlement Fund (after the portions of the Settlement Amount paid by the Excess Carriers into the Securities Actions Settlement Fund and all interest on earned on such portions has been returned to the Excess Carriers pursuant to Paragraph 3.11 above) shall be paid into the Bankruptcy Court, by interpleader or otherwise, and treated as proceeds of the AEGIS Policy to be distributed in accordance with the terms and conditions of the AEGIS Policy as determined by the Bankruptcy Court. If for any reason such funds cannot be paid into the Bankruptcy Court, then such funds shall be paid into the United States District Court for the Southern District of New York, by interpleader or otherwise, to be distributed in accordance with the terms and conditions of the AEGIS Policy as determined by that court.

IV. REPRESENTATIONS AND WARRANTIES OF THE PARTIES

4.1. Each of the Parties separately represents and warrants as follows:

(a) It/he has the requisite power and authority to enter into this Agreement and to perform the obligations imposed on it by this Agreement;

(b) It/he is the owner of and has not assigned or transferred any of the claims, demands, actions and/or causes of action released by each of them herein. If, contrary to this representation and warranty, any Party assigned or has assigned such right to any other person or entity, that Party shall defend, indemnify, and hold harmless the other Parties with respect to any claim or action brought by an assignee of any interest assigned contrary to this representation and warranty;

(c) The execution and delivery of, and the performance of the obligations contemplated by, this Agreement have been approved by duly authorized representatives of the Party, and by all other necessary actions of the Party;

(d) Each Party has expressly authorized its undersigned representative to execute this Agreement on the Party's behalf as its duly authorized agent;

(e) This Agreement has been thoroughly negotiated and analyzed by its/his counsel and has been executed and delivered in good faith, pursuant to arms' length negotiations, and for value and valuable consideration.

4.2. Adelphia, the Debtors, the Adelphia Recovery Trust, and the Individual Insureds represent that, to the best of their knowledge, no current or former directors, officers, or trustees of Adelphia, the Debtors, or Adelphia Business Solutions, Inc., other than the Individual Insureds, are currently defendants in any pending lawsuit arising out of or based on, in whole or in part, the Securities Actions, the Civil

Litigation, the Criminal Litigation, the SEC Proceedings, and the Adelphia RICO Action or any of the facts or circumstances alleged therein.

V. GENERAL TERMS AND CONDITIONS

5.1 This Agreement constitutes a single integrated written contract that expresses the entire agreement and understanding between the Parties with respect to matters that are the subject of this Agreement. Except as otherwise expressly provided, this Agreement supersedes all prior communications, settlements, and understandings between the Parties and their representatives regarding the matters addressed by this Agreement. Except as explicitly set forth in this Agreement, there are no representations, warranties, promises, or inducements, whether oral, written, expressed, or implied, that in any way affect or condition the validity of this Agreement or alter or supplement its terms. Any statements, promises, or inducements, whether made by any Party or any agents of any Party, that are not contained in this Agreement shall not be valid or binding.

5.2 Except as necessary to enforce any undertakings set forth in this Agreement, nothing contained in this Agreement is or shall be deemed to be (a) an admission by the Insurers that any Party was or is entitled to any insurance coverage with respect to any Claims or as to the validity of any of the coverage positions that have been or could have been asserted by such Party; or (b) an admission by Debtors or the Individual Insureds as to the validity of any of the coverage positions or defenses to coverage that have been or could have been asserted by the Insurers with respect to any Claims.

5.3 By entering into this Agreement, the Parties have not waived nor shall be deemed to have waived any right, obligation, privilege, defense or position they may have asserted or might assert in connection with any Claim, matter, Person or insurance policy outside the scope of this Agreement. Without limiting the foregoing sentence and notwithstanding Paragraphs 2.5 and 3.6 above, the Insurers expressly reserve, and do not waive any and all rights they have under the D&O Policies and at law with respect to any person or entity who is not a Party to this Agreement and who may seek coverage under the D&O Policies, including but not limited to any arguments the Insurers may have with respect to whether the limit of any of the D&O Policies needs to be exhausted and, if so, has been exhausted.

5.4 This Agreement represents a compromise of disputed Claims and shall not be deemed an admission or concession by any Party of liability, culpability, or wrongdoing. The Insurers' entry into this Agreement does not constitute an endorsement of any plan of reorganization for the Debtors or a statement of position of any kind as to whether any such plan of reorganization as proposed or confirmed is lawful or unlawful.

5.5 The Parties intend that the execution and performance of this Agreement shall, as provided above, be effective as a full and final settlement of, and as a bar to, the claims released pursuant to Sections II and III (collectively, the "Released Claims"). The Parties hereto covenant and agree that if they hereafter discovery facts different from or in addition to the facts that they now know or believe to be true with respect to the subject matter of this Agreement, it is nevertheless their intent hereby to settle and release fully and finally the Released Claims. In furtherance of such intention, the releases

herein shall be and will remain in effect as releases notwithstanding the discovery of any such different or additional facts. It is expressly understood and agreed by the Parties that the Release Claims may encompass claims or matters the nature of which have not yet been discovered, and it is understood and agreed that to the extent they may be alleged to be applicable, all protections under California Civil Code § 1542, which reads, "A GENERAL RELEASE DOES NOT EXTEND TO THE CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR," or any similar provision of the statutory or nonstatutory law of any other jurisdiction, are hereby waived.

5.6 Each Party agrees to take such steps and to execute such documents as may be reasonably necessary or proper to effectuate the purpose and intent of this Agreement and to preserve its validity and enforceability.

5.7 This Agreement was negotiated among the Parties hereto at arm's length and in good faith, with each Party receiving advice from independent legal counsel. It is agreed among the Parties hereto that this is not an insurance contract and that no special rules of construction apply to this Agreement, including the doctrine of contra proferentem.

5.8 All notices, demands, payments, accountings or other communications that any Party desires or is required to give shall be given in writing and shall be deemed to have been given if hand delivered, faxed, or mailed by United States first-class mail,

postage prepaid, to the Parties at the addresses noted below, or such other address as any Party may designate in writing from time to time:

If to the Debtors:	Barry D. Shalov, Member Quest Turnaround Advisors RiverView at Purchase 287 Bowman Avenue Purchase, NY 10577
With a copy to:	Donald W. Brown, Esq. Covington & Burling LLP One Front Street San Francisco, CA 94111
If to the Adelphia Recovery Trust:	Adelphia Recovery Trust c/o Dean A. Ziehl, Esq. Pachulski Stang Ziehl & Jones LLP 919 North Market Street, 17th Floor P.O. Box 8705 Wilmington, DE 19899-8705
With a copy to:	Deirdre E. Connell Jenner & Block LLP 330 N. Wabash Chicago IL 60611
If to AEGIS:	Helen Lynch, Esq. Associated Electric & Gas Insurance Services Ltd. One Meadowlands Plaza Rutherford, New Jersey 07073
With a copy to:	Michael R. Goodstein, Esq. Bailey Cavalieri LLC One Columbus 10 West Broad Street, Suite 2100 Columbus, Ohio 43215-3422
If to Federal:	Irene Petillo, Esq. Chubb & Son, a division of Federal Insurance Company 15 Mountain View Road Warren, New Jersey 07059

With a copy to:	Peter R. Bisio, Esq. Hogan & Hartson, LLP 555 13th Street, N.W. Washington, D.C. 20004-1109
If to Greenwich:	Steven J. Gladstone, Esq. XL Professional 100 Constitution Plaza, 17th Floor Hartford, Connecticut 06103
With a copy to:	Leslie S. Ahari, Esq. Ross, Dixon & Bell, LLP 2001 K Street, N.W., Washington, D.C. 20006
If to Dennis P. Coyle:	Alvin B. Davis, P.A. Squire, Sanders & Dempsey L.L.P. 200 South Biscayne Boulevard Suite 4000 Miami, FL 33131
With a copy to:	Alvin B. Davis, P.A. Squire, Sanders & Dempsey L.L.P. 200 South Biscayne Boulevard Suite 4000 Miami, FL 33131
If to Leslie J. Gelber:	Alvin B. Davis, P.A. Squire, Sanders & Dempsey L.L.P. 200 South Biscayne Boulevard Suite 4000 Miami, FL 33131
With a copy to:	Alvin B. Davis, P.A. Squire, Sanders & Dempsey L.L.P. 200 South Biscayne Boulevard Suite 4000 Miami, FL 33131
If to Erland E. Kailbourne:	Alvin B. Davis, P.A. Squire, Sanders & Dempsey L.L.P. 200 South Biscayne Boulevard Suite 4000 Miami, FL 33131
With a copy to:	Alvin B. Davis, P.A. Squire, Sanders & Dempsey L.L.P. 200 South Biscayne Boulevard Suite 4000 Miami, FL 33131
If to Pete J. Metros:	5204 Newstead Manor Lane

	Raleigh, NC 27606
With a copy to:	Stephen M. Kramarsky Dewey Pegno & Kramarsky LLP 220 East 42nd Street New York, NY 10017
If to Michael C. Mulcahey:	119 Maple Street Port Allegany, PA 16743-1348
With a copy to:	Mark J. Mahoney Harrington & Mahoney 1620 Statler Towers Buffalo, New York 14202
If to Doris Rigas, James P. Rigas, John J. Rigas, Michael J. Rigas, or Timothy J. Rigas:	769 Route 49 East P.O. Box 850 Coudersport, PA 16915
With a copy to:	Lawrence McMichael Dilworth Paxson LLP 3200 Mellon Bank Center 1735 Market Street Philadelphia, PA 19103-7595
If to Peter L. Venetis:	20 West 75th Street, Apt. 3 New York, NY 10023
With a copy to:	Jeffrey T. Golenbock Golenbock Eiseman Assor Bell & Peskoe LLP 437 Madison Avenue New York, NY 10022

5.9 Titles and captions contained in the Agreement are inserted only as a matter of convenience and are for reference purposes only. Such titles and captions in no way are intended to define, limit, expand or describe the scope of this Agreement, nor the intent of any provision thereof.

5.10 This Agreement may be executed in counterpart originals, all of which, when so executed and taken together, shall be deemed an original and all of which shall

constitute one and the same instrument. Each counterpart may be delivered by facsimile or emailed (as a .pdf attachment), and a faxed or emailed signature shall have the same force and effect as an original signature.

5.11 The Parties agree that before resorting to litigation they will attempt to resolve informally any disputes arising under this Agreement through good faith negotiations for a period of sixty (60) days after written notification regarding such dispute.

5.12 Except as expressly provided by this Agreement or by the Plan, this Agreement shall not be assignable by any Party hereto without the prior written consent of all of the Parties.

5.13 This Agreement may not be amended, altered or modified except by a written agreement duly executed by each Party (or its/his successors or assigns).

5.14 Neither the waiver by a Party hereto of a breach of or a default under any of the provisions of this Agreement, nor the failure of a Party, on one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right or privilege hereunder shall thereafter be construed as a waiver of any subsequent breach or default of a similar nature, or as a waiver of any such provisions, rights, or privileges hereunder.

5.15 Negotiations leading up to this Agreement and all related discussions and negotiations shall be deemed to fall within the protection afforded to compromises and to offers to compromise by Rule 408 of the Federal Rules of Evidence and any similar state law provisions. Any evidence of the terms of this Agreement or negotiations or

discussions associated with this Agreement shall be inadmissible in any action or proceeding for purposes of establishing any rights, duties, or obligations of the Parties, except in (i) an action or proceeding to enforce the terms of this Agreement, (ii) any possible action or proceeding between the Insurers and any of their reinsurers, (iii) as otherwise directed by any court of competent jurisdiction, or (iv) as otherwise provided herein. This Agreement shall not be used as evidence or in any other manner, in any court or dispute resolution proceeding, to create, prove, or interpret the Parties' obligations under any insurance policy.

IN WITNESS WHEREOF, the Parties, by their duly authorized representatives, have caused this Agreement to be duly executed as of the date set forth with the respective signatures below:

The Debtors, as defined above:

By: _____

Name: _____

Title: _____

Date: _____

Adelphia Recovery Trust:

By: _____

Name: _____

Title: _____

Date: _____

Associated Electric & Gas Insurance Services Limited:

By: _____

Name: _____

Title: _____

Date: _____

The Debtors, as defined above:

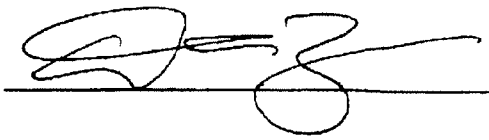
By: _____

Name: _____

Title: _____

Date: _____

Adelphia Recovery Trust:

By:  _____

Name: DEAN A. ZIEHL

Title: TRUSTEE

Date: 12/21/07

Associated Electric & Gas Insurance Services Limited:

By: _____

Name: _____

Title: _____

Date: _____

The Debtors, as defined above:

By: _____

Name: _____

Title: _____

Date: _____

Adelphia Recovery Trust:

By: _____

Name: _____

Title: _____

Date: _____

Associated Electric & Gas Insurance Services Limited:

By: _____

Name: MICHAEL GOODSTEIN

Title: OUTSIDE COUNSEL

Date: 2/4/08

Chubb and Son, a division of Federal Insurance Company:

By: _____

Name: _____

Title: _____

Date: _____

Greenwich Insurance Company:

By: [signature]

Name: Steven Gladstone

Title: Sr. Vice President

Date: 12/21/07

Dennis P. Coyle:

_____

Date: _____

Chubb and Son, a division of Federal Insurance Company:

By: _____

Name: Tracy S. Trac

Title: Senior Claims Officer

Date: 12/28/07

Greenwich Insurance Company:

By: _____

Name: _____

Title: _____

Date: _____

Dennis P. Coyle:

_____

Date: _____

Chubb and Son, a division of Federal Insurance Company:

By: _____

Name: _____

Title: _____

Date: _____

Greenwich Insurance Company:

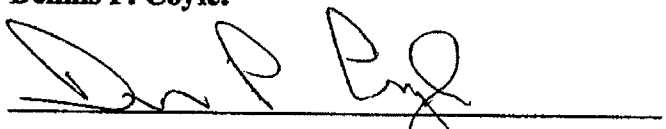
By: _____

Name: _____

Title: _____

Date: _____

Dennis P. Coyle:



Date: January 7, 2005

James P. Rigas:

James P Rigas

Date: 11/27/07

John J. Rigas:

John J Rigas

Date: 11/19/07

Michael J. Rigas:

Michael J. Rigas

Date: 11/27/07

Timothy J. Rigas:

Timothy J Rigas

Date: 11/19/07

Ellen Rigas Venetis:

_____

Date: _____

Pete J. Metros:

Date: January 4, 2008

Michael C. Mulcahey:

Date: _____

Doris Rigas:

Date: _____

James P. Rigas:

Date: _____

John J. Rigas:

Date: _____

Michael J. Rigas:

Date: _____

Leslie J. Gelber:

_____

Date: _____

Erland E. Kailbourne:

_____

Date: _____

Pete J. Metros:

_____

Date: _____

Michael C. Mulcahey:

_____

Date: _____

Doris Rigas:

Doris M. Rigas

Date: 11/30/07

Leslie J. Gelber:

_____

Date: _____

Erland E. Kailbourne:

_____

Date: _____

Pete J. Metros:

_____

Date: _____

Michael C. Mulcahey:

Michael Mulcahey

Date: 11/26/07

Doris Rigas:

_____

Date: _____

James P. Rigas:

_____

Date: _____

John J. Rigas:

_____

Date: _____

Michael J. Rigas:

_____

Date: _____

Timothy J. Rigas:

_____

Date: _____

Ellen Rigas Venetis:

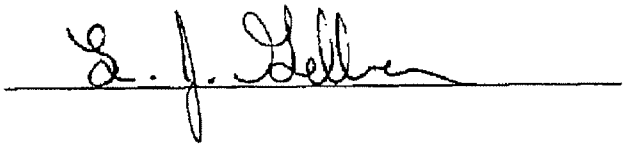
Ellen Rigas Venetis

Date: 12/3/07

Peter L. Venetis:

Date: 12/4/07

Leslie J. Gelber:



Date: _____

Erland E. Kailbourne:

_____

Date: _____

Pete J. Metros:

_____

Date: _____

Michael C. Mulcahey:

_____

Date: _____

Doris Rigas:

_____

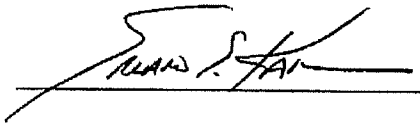
Date: _____

Leslie J. Gelber:

_____

Date: _____

Erland E. Kailbourne:



Date: JAN - 14 - 2008

Pete J. Metros:

_____

Date: _____

Michael C. Mulcahey:

_____

Date: _____

Doris Rigas:

_____

Date: _____

Error! Unknown switch argument.

ESCROW AGREEMENT

This Escrow Agreement ("Agreement") is made and entered into as of December __, 2007, by and among Adelphia Communications Corporation and its estate and as a Reorganized Debtor, and its affiliated Reorganized Debtors, Dennis P. Coyle, Leslie J. Gelber, Erland E. Kailbourne, Pete J. Metros, Michael C. Mulcahey, Associated Electric & Gas Insurance Services Limited, Federal Insurance Company, Greenwich Insurance Company, and U.S. Bank, as escrow agent ("Escrow Agent") (each a "Party," and collectively the "Parties").

WHEREAS, on November 19, 2007, all the Parties (other than the Escrow Agent) entered into a separate Settlement Agreement, a true and correct copy of which is attached hereto as Exhibit A and by reference incorporated herein;

WHEREAS, except to the extent otherwise defined herein, all capitalized terms used in this Agreement shall have the meanings ascribed to them in the Settlement Agreement;

WHEREAS, the Parties who also are parties to the Settlement Agreement (the "Settling Parties") agreed to establish a Securities Actions Settlement Fund in the form of an escrow account ("Escrow Account") to hold and distribute (a) $14.5 million of the Settlement Amount pursuant to the settlement agreements made with the plaintiffs in the Securities Actions on behalf of the four Independent Directors, Peter Venetis, and Michael Mulcahey, and (b) $315,000 of the Settlement Amount that is payable to Michael Mulcahey, in accordance with an escrow agreement in the form of this Agreement;

WHEREAS, the Escrow Agent has agreed to act as the agent and custodian for the Escrow Account for the benefit of the Settling Parties; and

WHEREAS, the Settling Parties hereto desire to set forth further terms and conditions in addition to those set forth in the Settlement Agreement relating to the operation of the Escrow Account;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and as additional consideration for the Settlement Agreement and intending to be legally bound hereby, the Parties hereby agree as follows:

ARTICLE 1
ESTABLISHMENT OF ESCROW

(a) The Settling Parties each hereby appoints the Escrow Agent to act as agent and custodian for the Escrow Account for their respective benefit pursuant to the terms of this Agreement, and the Escrow Agent hereby accepts such appointment pursuant to such terms.

(b) Upon fulfillment of the conditions precedent identified in Paragraph 2.2 of the Settlement Agreement, and pursuant to the terms of Paragraph 2.1 therein, AEGIS will, on or

before the AEGIS Payment Date, cause to be delivered to, and directly deposited with, the Escrow Agent the amount of $2,913,582.60 for the Escrow Account.

(c) Upon fulfillment of the conditions precedent identified in Paragraph 3.2 of the Settlement Agreement, and pursuant to the terms of Paragraph 3.1 therein, Federal will, on or before the Excess Insurer Payment Date, cause to be delivered to, and directly deposited with, the Escrow Agent the amount of $7,140,850.44 for the Escrow Account.

(d) Upon fulfillment of the conditions precedent identified in Paragraph 3.2 of the Settlement Agreement, and pursuant to the terms of Paragraph 3.1 therein, Greenwich will, on or before the Excess Insurer Payment Date, cause to be delivered to, and directly deposited with, the Escrow Agent the amount of $4,760,566.96 for the Escrow Account.

(e) The funds deposited with the Escrow Agent for the Escrow Account as described in this Article shall be retained, managed and disbursed by the Escrow Agent subject to the terms and conditions of this Agreement and the Settlement Agreement. In the event that the terms of this Agreement conflict in any way with the provisions of the Settlement Agreement, the Settlement Agreement shall control.

ARTICLE 2
RELEASE OF ESCROW FUNDS

(a) Within ten (10) business days after the Effective Date, the Independent Directors, Peter Venetis, and Michael Mulcahey shall provide the Escrow Agent with the written notice required by the Settlement Agreement, *i.e.*, that all the conditions specified in paragraph 3.2 of the Settlement Agreement have occurred, and including copies of fully-executed settlement agreements and releases resolving the seven Securities Actions as to the four Independent Directors, Peter Venetis and Michael Mulcahey, and shall provide the Excess Insurers with copies of the written notice provided to Escrow Agent.

(b) Ten (10) business days after the Escrow Agent receives the notice required by subdivision (a) of this Article, unless the Excess Insurers notify the Escrow Agent within that time that they disagree that the Effective Date has occurred, the Escrow Agent, shall (i) release from the Escrow Account the total amount of up to $14,500,000.00 for the payment of the several amounts due under the seven settlement agreements resolving the Securities Actions, including any remaining interest (*i.e.*, after taxes and fees) accrued on that amount, in accordance with the payment instructions provided by those agreements, and (ii) release from the Escrow Account the total amount of $315,000.00, plus any remaining interest (*i.e.*, after taxes and fees) accrued on that amount, to Mark J. Mahoney, defense counsel for Michael Mulcahey.

ARTICLE 3
INVESTMENT

The funds held in the Escrow Account shall be invested and reinvested in a Bank Money Market Account, as further described in Exhibit B attached hereto. Any interest accruing in the Escrow Account shall be deemed to be a part of the Escrow Account, and any income taxes thereon shall be paid out of funds held in the Escrow Account. The Escrow Agent shall be

responsible only for income reporting to the Internal Revenue Service with respect to income earned on the Escrow Account. Pursuant to such income reporting, the Escrow Agent shall prepare and deliver to the Parties a Form 1099-B to the extent required by, and in accordance with, U.S. Treasury Regulations. The Escrow Agent shall have no responsibility to verify the accuracy of, nor incur any liability for acting in accordance with, any information contained in the Form W-9s received by it.

ARTICLE 4
DISPOSITION OF ESCROW ACCOUNT

(a) Within thirty days after written notice to the Escrow Agent on behalf of all of the Settling Parties that the Effective Date will not or cannot occur, the Escrow Agent, in accordance with Paragraphs 3.11 and 3.13 of the Settlement Agreement, shall (1) release from the Escrow Account to Federal and Greenwich the amounts each paid into the Escrow Account and all interest on earned on such amounts, and (ii) release all funds remaining in the Escrow Account (after the portion of the Settlement Amount paid by Federal and Greenwich into the Escrow Account and all interest on earned on such portion has been returned to them) into the Bankruptcy Court, by interpleader or otherwise, to be treated as proceeds of the AEGIS Policy to be distributed in accordance with the terms and conditions of the AEGIS Policy as determined by the Bankruptcy Court. If for any reason such funds cannot be paid into the Bankruptcy Court, then such funds shall be paid into the United States District Court for the Southern District of New York, by interpleader or otherwise, to be distributed in accordance with the terms and conditions of the AEGIS Policy as determined by that court.

(b) The escrow established by this Agreement shall continue in effect until release of the entire Escrow Account pursuant to the provisions hereof.

ARTICLE 5
PROVISIONS RELATING TO THE ESCROW AGENT

(a) If the Escrow Agent reasonably requires other or further instruments in connection with performance of its duties as set forth herein, the necessary Parties hereto shall join in furnishing such instruments.

(b) The Escrow Agent shall have no duties or responsibilities whatsoever with respect to the Escrow Account except as are specifically set forth herein. The Escrow Agent may conclusively rely upon, and shall be fully protected from all liability, loss, cost, damage or expense in acting or omitting to act pursuant to any written notice, instrument, request, consent, certificate, document, letter, telegram, opinion, order, resolution or other writing hereunder without being required to determine the authenticity of such document, the correctness of any fact stated therein, the propriety of the service thereof or the capacity, identity or authority of any party purporting to sign or deliver such document. The Escrow Agent shall have no responsibility for the contents of any such writing contemplated herein and may rely without any liability upon the contents thereof.

(c) The Escrow Agent shall not be liable for any action taken or omitted by it in good faith and reasonably believed by it to be authorized hereby or with the rights or powers conferred upon it hereunder, nor for action taken or omitted by it in good faith, and in accordance with advice of counsel (which counsel may be of the Escrow Agent's own choosing), and shall not be liable for any mistake of fact or error of judgment or for any acts or omissions of any kind except for its own willful misconduct or gross negligence.

(d) The Settling Parties jointly and severally agree to indemnify the Escrow Agent and its employees, directors, officers and agents and hold each harmless against any and all liabilities incurred by it hereunder as a consequence of such person's actions, except for such liabilities resulting from willful misconduct or gross negligence.

(e) The Escrow Agent may resign as such following 60 days' prior written notice to the Settling Parties. Similarly, the Escrow Agent may be removed and replaced following 60 days' prior written notice to the Escrow Agent jointly by the Settling Parties. In either event, the duties of the Escrow Agent shall terminate 60 days after the date of such notice (or at such earlier date as may be mutually agreeable), except for its obligations to hold and deliver the Escrow Account to the successor Escrow Agent; and the Escrow Agent shall then deliver the balance of the Escrow Account then in its possession to such a successor Escrow Agent as shall be appointed by the Settling Parties as evidenced by a written notice filed with the Escrow Agent. If the Settling Parties are unable to agree upon a successor Escrow Agent by the effective date of such resignation or removal, the then-acting Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor Escrow Agent or other appropriate relief, and any such resulting appointment shall be binding upon all of the Parties hereto. Upon acknowledgement by any successor Escrow Agent of the receipt of the then remaining balance of the Escrow Account, the then-acting Escrow Agent shall be fully released and relieved of all duties, responsibilities and obligations under this Escrow Agreement.

(f) The Escrow Agent shall not be bound in any way by any agreement, other than this Agreement. The Escrow Agent understands that the terms of the Settling Parties' obligations are set forth in Paragraphs 1.32, 2.1-2.2, 2.12, 3.1-3.2, 3.11 and 3.13 of the Settlement Agreement. The Settlement Agreement forms an integral part of this Escrow Agreement and, therefore, Paragraphs 1.32, 2.1-2.2, 2.12, 3.1-3.2, 3.11 and 3.13 are hereby incorporated by reference herein.

(g) The Escrow Agent shall be under no duty to institute or defend any arbitration or legal proceeding with respect to the Escrow Account or under this Agreement, and none of the costs or expenses of any such proceeding shall be borne by the Escrow Agent. The costs and expenses of any such proceeding shall be borne as decided by the arbitrators or court and shall not be satisfied in any way by the Escrow Account.

(h) To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. For a non-individual person such as a business entity, a charity, a Trust or other legal entity, the Escrow Agent will ask for documentation to verify its formation and existence as a legal entity. The Escrow Agent may also

ask to see financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.

ARTICLE 6
NOTICES

All notices, demands, payments, accountings or other communications that any Party desires or is required to give shall be given in writing and shall be deemed to have been given if hand delivered, faxed, or mailed by United States first-class mail, postage prepaid, to the Parties at the addresses noted below, or such other address as any Party may designate in writing from time to time:

If to the Debtors:	Barry D. Shalov, Member Quest Turnaround Advisors RiverView at Purchase 287 Bowman Avenue Purchase, NY 10577
With a copy to:	Donald W. Brown, Esq. Covington & Burling LLP One Front Street San Francisco, CA 94111
If to AEGIS:	Helen Lynch, Esq. Associated Electric & Gas Insurance Services Ltd. One Meadowlands Plaza Rutherford, New Jersey 07073
With a copy to:	Michael R. Goodstein, Esq. Bailey Cavalieri LLC One Columbus

10 West Broad Street, Suite 2100

Columbus, Ohio 43215-3422

If to Federal:

Irene Petillo, Esq.

Chubb & Son, a division of Federal Insurance Company

15 Mountain View Road

Warren, New Jersey 07059

With a copy to:

Peter R. Bisio, Esq.

Hogan & Hartson, LLP

555 13th Street, N.W.

Washington, D.C. 20004-1109

If to Greenwich:

Steven J. Gladstone, Esq.

XL Professional

100 Constitution Plaza, 17th Floor

Hartford, Connecticut 06103

With a copy to:

Leslie S. Ahari, Esq.

Ross, Dixon & Bell, LLP

2001 K Street, N.W.,

Washington, D.C. 20006

If to Dennis P. Coyle:

Alvin B. Davis, P.A.

Squire, Sanders & Dempsey L.L.P.
200 South Biscayne Boulevard
Suite 4000
Miami, FL 33131

With a copy to:

Alvin B. Davis, P.A.
Squire, Sanders & Dempsey L.L.P.
200 South Biscayne Boulevard
Suite 4000
Miami, FL 33131

If to Leslie J. Gelber:

Alvin B. Davis, P.A.
Squire, Sanders & Dempsey L.L.P.
200 South Biscayne Boulevard
Suite 4000
Miami, FL 33131

With a copy to:

Alvin B. Davis, P.A.
Squire, Sanders & Dempsey L.L.P.
200 South Biscayne Boulevard
Suite 4000
Miami, FL 33131

If to Erland E. Kailbourne:

Alvin B. Davis, P.A.

Squire, Sanders & Dempsey L.L.P.
200 South Biscayne Boulevard
Suite 4000
Miami, FL 33131

With a copy to:

Alvin B. Davis, P.A.
Squire, Sanders & Dempsey L.L.P.
200 South Biscayne Boulevard
Suite 4000
Miami, FL 33131

If to Pete J. Metros:

5204 Newstead Manor Lane
Raleigh, NC 27606

With a copy to:

Stephen M. Kramarsky
Dewey Pegno & Kramarsky LLP
220 East 42nd Street
New York, NY 10017

If to Michael C. Mulcahey:

119 Maple Street
Port Allegany, PA 16743-1348

With a copy to:

Mark J. Mahoney
Harrington & Mahoney
1620 Statler Towers
Buffalo, New York 14202

If to the Escrow Agent:

With a copy to:

ARTICLE 7
BINDING EFFECT; OTHER INTERESTS

This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective heirs, executors, administrators, successors and assigns. Nothing herein is intended or shall be construed to give any other person (including, without limitation, any creditors of Escrow Agent or the Settling Parties) any right, remedy or claim under, in or with respect to this Escrow Agreement or the Escrow Account held hereunder. The Escrow Agent shall not have a lien or adverse claim upon, or any other right whatsoever to payment from, the Escrow Account (or dividends or distributions paid thereon) for or on account of any right to payment or reimbursement hereunder or otherwise.

ARTICLE 8
COMPENSATION; EXPENSES

The Escrow Agent shall be entitled to payment from the Parties for customary fees and expenses for all services rendered by it hereunder, payable within five (5) business days after the Bankruptcy Court's order granting the Bankruptcy Approval Motion becomes final by the passage of time or on appeal, such amounts to be paid out of the interest earned on the amounts held in escrow.

ARTICLE 9
TERM

This Agreement shall terminate either on (i) the date on which any order or judgment denying the Bankruptcy Court Approval Motion becomes final; (ii) the date on which any order or judgment reversing an order or judgment granting the Bankruptcy Court Approval Motion becomes final; (iii) the date on which the obligations set forth in Article 2 have been satisfied, or (iv) the date on which funds are released pursuant to Article 4. The rights of the Escrow Agent and the obligations of the Settling Parties under Articles 5 and 8 shall survive the termination thereof and the resignation or removal of the Escrow Agent.

ARTICLE 10
AMENDMENT AND MODIFICATION

This Agreement may not be amended, altered or modified except by a written agreement duly executed by each Party (or its/his successors or assigns).

ARTICLE 11
COUNTERPARTS

This Agreement may be executed in counterpart originals, all of which, when so executed and taken together, shall be deemed an original and all of which shall constitute one and the same instrument. Each counterpart may be delivered by facsimile.

ARTICLE 12
HEADINGS

The titles and headings used in this Agreement are inserted only as a matter of convenience and are for reference purposes only. Such titles and headings in no way are intended to define, limit, expand or describe the scope of this Agreement, nor the intent of any provision hereof.

ARTICLE 13
ASSIGNABILITY

Neither this Agreement nor any interest herein or in the Escrow Account may be assigned or transferred, voluntarily or by operation of law, by any Party hereto, except pursuant to the laws of descent and distribution or in the event of legal incapacitation; *provided, however,* that a Party may, with prior written consent of all of the Parties, assign its rights and delegate its obligations hereunder as long as such Party or any of its successors remains ultimately liable for all of such Party's obligations hereunder.

ARTICLE 14
INTEGRATION

This Agreement, including the incorporated Settlement Agreement, constitutes a single integrated written contract that expresses the entire agreement and understanding between the Parties with respect to matters that are the subject of this Agreement. Except as otherwise expressly provided, this Agreement supersedes all prior communications, settlements, and understandings between the Parties and their representatives regarding the matters addressed by this Agreement. Except as explicitly set forth in this Agreement, there are no representations, warranties, promises, or inducements, whether oral, written, express, or implied, that in any way affect or condition the validity of this Agreement, or alter or supplement its terms. Any statements, promises, or inducements, whether made by any Party or any agents of any Party, that are not contained in this Agreement shall not be valid or binding.

ARTICLE 15
WAIVER

Neither the waiver by a Party hereto of a breach of or a default under any provisions of this Agreement, nor the failure of a Party, on one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right or privilege hereunder shall thereafter be construed as a waiver of any subsequent breach or default of a similar nature, or as a waiver of any such provisions, rights, or privileges hereunder.

ARTICLE 16
SEVERABILITY

If any term, provision, covenant or restriction of this Escrow Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Escrow Agreement shall continue in full force and effect and shall in no way be affected, impaired or invalidated unless such an interpretation would materially alter the rights and privileges of any Party hereto or materially alter the terms of the transactions contemplated hereby.

ARTICLE 17
MISCELLANEOUS

Negotiations leading up to this Agreement and all related discussions and negotiations shall be deemed to fall within the protection afforded to compromises and to offers to compromise by Rule 408 of the Federal Rules of Evidence and any similar state law provisions. Any evidence of the terms of this Agreement or negotiations or discussions associated with this Agreement shall be inadmissible in any action or proceeding for purposes of establishing any rights, duties, or obligations of the Parties, except in (i) an action or proceeding to enforce the terms of this Agreement, (ii) any possible action or proceeding between the Insurers and any of their reinsurers, (iii) as otherwise directed by any court of competent jurisdiction, or (iv) as otherwise provided herein. This Agreement shall not be used as evidence or in any other manner, in any court or dispute resolution proceeding, to create, prove, or interpret the Settling Parties' obligations under any insurance policy.

IN WITNESS WHEREOF, the Parties, by their duly authorized representatives, have caused this Agreement to be duly executed as of the date set forth with the respective signatures below:

The Debtors:

By:_____

Name: _____

Title: _____

Date:_____

Associated Electric & Gas Insurance Services Limited:

By: _____

Name: _____

Title: _____

Date: _____

Chubb and Son, a division of Federal Insurance Company:

By: _____

Name: _____

Title: _____

Date: _____

Greenwich Insurance Company:

By: _____

Name: _____

Title: _____

Date: _____

Dennis P. Coyle:

_____

Date: _____

Leslie J. Gelber:

_____

Date: _____

Erland E. Kailbourne:

_____

Date: _____

Pete J. Metros:

_____

Date: _____

Michael C. Mulcahey:

_____

Date: _____

U.S. Bank:

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT C

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	)	Chapter 11 Cases
Adelphia Communications Corporation, et al.,	)	Case No. 02-41729 (REG)
Debtors.	)	Jointly Administered

FIRST MODIFIED FIFTH AMENDED JOINT CHAPTER 11 PLAN FOR ADELPHIA COMMUNICATIONS CORPORATION AND CERTAIN OF ITS AFFILIATED DEBTORS

WILLKIE FARR & GALLAGHER LLP
Attorneys for the Debtors and Debtors in Possession
787 Seventh Avenue
New York, New York 10019
(212) 728-8000

KASOWITZ, BENSON, TORRES & FRIEDMAN LLP
Attorneys for the Official Committee of Unsecured Creditors
1633 Broadway
New York, New York 10019
(212) 506-1700

SIMPSON THACHER & BARTLETT LLP
Attorneys for Wachovia Bank, National Association, as Administrative Agent Under the UCA Credit Agreement, as Bank Proponents
425 Lexington Avenue
New York, New York 10017
(212) 455-2000

MAYER, BROWN, ROWE & MAW LLP
Attorneys for Bank of Montreal, as Administrative Agent Under the Olympus Credit Agreement, as Bank Proponents
1675 Broadway, Suite 1900
New York, New York 10019
(212) 506-2500

HAYNES AND BOONE, LLP
Attorneys for Bank of America, N.A., as Administrative Agent Under the Century Credit Agreement, as Bank Proponents
153 E. 53rd Street, Suite 4900
New York, New York 10022
(212) 659-7300

Dated as of January 3, 2007

16.22. Obligations Under the Sale Transaction Documents.

To the extent any obligations of any of the Debtors under the Sale Transaction Documents are transferred or assigned to, or assumed by, any successor to (or assignee of) the Debtors, including the Plan Administrator, (i) such obligations shall be fully enforceable against such successor or assignee and (ii) to the extent provided in the Sale Transaction Documents, such obligations shall remain fully enforceable against the Debtors, on a joint and several basis.

16.23. Corporate Reimbursement Obligations.

(a) Any prepetition indemnification obligations of the Debtors pursuant to their corporate charters and by-laws shall continue as obligations of each of the Debtors and the Estates, but shall be limited to the reimbursement of Persons other than Excluded Individuals, and shall be limited with respect to Persons other than Indemnified Persons to an amount not to exceed $27 million. Other than as set forth in the preceding sentence, nothing herein shall be deemed to be an assumption of any other prepetition indemnification obligation and any such obligations shall be rejected pursuant to the Plan; provided, however, that nothing herein shall prejudice or otherwise affect any right available to current or former officers and directors of the Debtors (except for Excluded Individuals) under applicable insurance policies; provided further, however, that (i) to the extent persons other than Indemnified Persons shall have received after the Confirmation Date proceeds of applicable insurance policies, each of the Debtors' and the Estates' obligations pursuant to the first sentence of Section 16.23(a) shall be reduced dollar for dollar, and (ii) to the extent that the Debtors or the Estates shall have made payments to persons other than Indemnified Persons pursuant to the first sentence of Section 16.23(a), each of the Debtors and the Estates shall be assigned (and subrogated to) an equal dollar claim against such insurance policies; and provided further, however, that the Debtors and Estates shall have no obligation to indemnify any persons other than Indemnified Persons for settlements of any litigation against those persons, unless the Plan Administrator provides prior written approval of the settlement, which approval shall not unreasonably be withheld.

(b) From and after the Effective Date, each of the Debtors and the Estates shall, to the maximum extent permitted by applicable law, indemnify and hold harmless the Indemnified Persons for any action or inaction, taken or omitted to be taken, in good faith by the Indemnified Persons in connection with the conduct of the Chapter 11 Cases, including the formulation, negotiation, balloting and implementation of this Plan. To the maximum extent permitted by applicable law, each of the Debtors and the Estates shall be obligated to advance the costs of defense to any Indemnified Person who was a director or officer of a Debtor in connection with any Cause of Action relating to the Chapter 11 Cases, and shall have the right, but not the obligation, to advance the costs of defense to other Indemnified Persons. Any costs or expenses incurred by an Indemnified Person in successfully enforcing the provisions of this Section 16.23(b) shall also be indemnified by each of the Debtors and the Estates to such Indemnified Person.

EXHIBIT D

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

Presentment Date: March 6, 2008 at 12:00 noon
Objection Deadline: March 3, 2008 at 4:00 p.m.

In re	)	Chapter 11 Cases
Adelphia Communications Corporation, et al.,	)	Case No. 02-41729 (REG)
Reorganized Debtors.	)	Jointly Administered

NOTICE OF PRESENTMENT OF ORDER APPROVING SETTLEMENT WITH D&O INSURERS AND OTHER D&O POLICY INSUREDS

PLEASE TAKE NOTICE that upon the annexed motion of the above-referenced reorganized debtors (collectively, the "Reorganized Debtors"), theundersigned will present the attached proposed Order Approving Settlement with D&O Insurers and Other D&O Policy Insureds (the "Proposed Order") to the Honorable Robert E. Gerber, United States Bankruptcy Judge, for signature on March 6, 2008, at 12:00 noon.

PLEASE TAKE FURTHER NOTICE that any responses or objections to the Proposed Order must (i) be made in writing, (ii) state with particularity the grounds therefor, (iii) conform to the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court, (iv) be filed with the Bankruptcy Court electronically in accordance with General Order M-182 (General Order M-182 and the User's Manual for the Electronic Case Filing System can be found at www.nysb.uscourts.gov, the official website for the Bankruptcy Court), by registered users of the Bankruptcy Court's case filing system and, by all other parties in interest, on a 3.5 inch disk, preferably in Portable Document Format (PDF), Microsoft Word or any other Windows-based word processing format (with a hard-copy delivered directly to Chambers), and (v) be served in accordance with General Order M-182, and upon the undersigned (Attn: Donald W. Brown, Esq.), so as to be received no later than 4:00 p.m. on March 3, 2008. Unless

objections are received by that time, the order may be signed.

PLEASE TAKE FURTHER NOTICE that if objections are received, a hearing will be scheduled before the Honorable Robert E. Gerber, in Room 621 of the United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, New York, 10004.

Dated: February 20, 2008

COVINGTON & BURLING LLP
Attorneys for the Reorganized Debtors

By: /s/ Donald W. Brown
Alan Vinegrad
Covington & Burling LLP
The New York Times Building
620 Eighth Avenue
New York, NY 10018
(212) 841-1000

- and -

Donald W. Brown (DB 5009)
Covington & Burling LLP
One Front Street
San Francisco, CA 94111
(415) 591-6000

Special Counsel for the Debtors
and Reorganized Debtors

Presentment Date and Time: March 6, 2008, 12:00 p.m.
Objection Deadline: March 3, 2008, 4:00 p.m.

Alan Vinegrad
Covington & Burling LLP
The New York Times Building
620 Eighth Avenue
New York, NY 10018
(212) 841-1000

- and -

Donald W. Brown (DB-5009)
Covington & Burling LLP
One Front Street
San Francisco, CA 94111
(415) 591-6000

Special Counsel for Reorganized Debtors
Adelphia Communications Corporation, et al.

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

REORGANIZED DEBTORS' MOTION FOR ORDER APPROVING SETTLEMENT WITH D&O INSURERS AND OTHER D&O POLICY INSUREDS

TO THE HONORABLE ROBERT E. GERBER
UNITED STATES BANKRUPTCY JUDGE

Reorganized Debtor Adelphia Communications Corporation ("Adelphia") and its affiliated Reorganized Debtors (collectively, "Reorganized Debtors") hereby move the Court pursuant to Bankruptcy Rule 9019 for an order approving a settlement agreement Adelphia and the Adelphia Recovery Trust ("Trust") have made with the "Insurers" (Associated Electric & Gas Insurance Services Limited ("AEGIS"), Federal Insurance Company ("Federal"), and Greenwich Insurance Company ("Greenwich")) that issued three directors and officers liability insurance policies to Adelphia ("D&O Policies"), and twelve individuals who are or may be Insureds under the D&O Policies (the "Individual Insureds"): Dennis P. Coyle, Leslie J. Gelber, Erland E. Kailbourne and Pete J. Metros (the "Independent Directors"); James P. Rigas, John J. Rigas, Michael J. Rigas and Timothy J. Rigas (the "Rigases"); Doris Rigas; Michael C. Mulcahey; and Peter Venetis and Ellen Rigas Venetis.

The three D&O Policies together provide $50 million of liability insurance coverage. The D&O Policies by their terms cover (a) the Reorganized Debtors' officers and directors for certain types of liabilities and associated defense costs, if not indemnified by the Reorganized Debtors; (b) the Reorganized Debtors for sums paid to indemnify officers and directors for certain types of liabilities and associated defense costs; and (c) the Reorganized Debtors for defense costs they incur and for sums they become liable to pay as a result of Securities Claims made against the Reorganized Debtors.

Adelphia previously made a settlement agreement with the Insurers by which the Insurers would have paid $32.5 million in return for being fully released by Adelphia from any further liability under the D&O policies. That previous agreement was conditioned on Adelphia's obtaining from this Court an injunction channeling claims

other insureds might make against the D&O Policies to the $32.5 million settlement fund. That settlement agreement left unresolved who among the insureds, including Adelphia and the Individual Insureds, would be entitled to share in the $32.5 million settlement fund, in what amounts. Michael and James Rigas, Peter Venetis and Michael Mulcahey ("Objectors") objected to the settlement. The Court denied Adelphia's motion seeking approval of that settlement, mainly on the ground that the Court was not authorized to issue a channeling injunction of the type required by the settlement agreement.[1]

In the wake of the March 6 Order, Adelphia and the Trust have reached a Settlement Agreement with the Insurers and the twelve Individual Insureds, including all the Objectors, dated November 19, 2007 ("Settlement Agreement"), a copy of which is attached hereto as Exhibit B. The Settlement Agreement requires the Insurers to pay somewhat more than the $32.5 million previously agreed: $32,703,242.36 ("Settlement Amount"), which includes approximately $13.3 million AEGIS already has advanced for defense costs incurred by several Individual Insureds. In return, Adelphia, the Trust, and the Individual Insureds have agreed to release the Insurers from any further obligations pursuant to the D&O Policies. The Settlement Agreement allocates the Settlement Amount among the Individual Insureds in specified amounts, obviating the Objectors' concerns about the prior settlement agreement. The Settlement Agreement does not call for any channeling injunction.

While the Settlement Agreement does not provide for payment of insurance proceeds to Adelphia, the Agreement significantly benefits Adelphia in at least three ways. The Settlement Agreement requires that $14.5 million of the Settlement Amount be used to settle seven securities lawsuits, including a class action, as against the

[1] Decision and Order on Motion for Approval of Settlement and Purchase Agreement with D&O Insurers, dated March 6, 2007 ("March 6 Order"). A copy of the March 6 Order is attached hereto as Exhibit A.

Independent Directors. Amounts paid to settle those lawsuits on behalf of the Independent Directors, as well as continuing defense costs incurred by the Independent Directors, otherwise would have been paid by Adelphia pursuant to its continuing prepetition indemnity obligations as provided in section 16.23(a) of the Plan.[2] Also, the Settlement Agreement releases the Reorganized Debtors from their indemnification obligations to the Independent Directors pursuant to their corporate charters and by-laws, including those provided by Section 16.23(a) of the Plan, except for an obligation to pay certain litigation-related expenses in a total amount capped at $250,000.[3] Finally, the Settlement Agreement will resolve the lawsuit filed by the Insurers in the Eastern District of Pennsylvania seeking to rescind the D&O Policies or otherwise obtain a judicial declaration of no coverage ("Coverage Action"), relieving Adelphia of the financial and other burdens of proceeding with that litigation.

Adelphia respectfully requests that the Court enter an order approving the compromise and settlement effected by the Settlement Agreement and Additional Agreements. Fed. R. Bankr. P. 9019; 11 U.S.C. § 105(a).

JURISDICTION AND VENUE

1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334, 157(b)(2)(A), (N) and (O). Venue is proper in this district pursuant to 28 U.S.C.

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[2] First Modified Fifth Amended Joint Chapter 11 Plan for Adelphia Communications Corporation and Certain of Its Affiliated Debtors, as Confirmed on January 5, 2007, sec. 16.23(a). A copy of section 16.23(a) is attached hereto as Exhibit C. Section 16.23(a) provides that Adelphia's continuing indemnity obligation will be reduced "dollar for dollar" by the amount of any insurance proceeds received by the Independent Directors after the Confirmation Date.

[3] Adelphia has made two additional, related agreements, one with Independent Directors, the other with the Insurers, by which Adelphia assumes certain limited, contingent obligations to those parties ("Additional Agreements"). The Additional Agreements are confidential, and will be filed under seal. While the contingent obligations in the Additional Agreements could reduce the value of the Settlement Agreement to Adelphia, more likely they will not and, in any event, the net benefit of the Settlement Agreement to Adelphia even after taking full consideration of the potential impact of the Additional Agreements plainly is in the best interests of Adelphia.

§§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (N) and (O). The statutory predicates for the requested relief are 11 U.S.C. §§ 105(a) and Rule 9019 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

FACTUAL BACKGROUND

2. On April 20, 2001, Adelphia, on behalf of itself and its subsidiaries, purchased a Directors and Officers Liability Insurance Policy from AEGIS, policy number D0999A1A00 (the "AEGIS Policy"). The AEGIS Policy provides $25 million of insurance coverage for claims first made during the period December 31, 2000, to December 31, 2005. Adelphia also (on behalf of itself and its subsidiaries) bought two "excess" policies that together provide an additional $25 million of coverage for claims first made between December 31, 2000, and December 31, 2003: $15 million from Federal (policy number 8181-10-37) and $10 million from Greenwich (policy number ELU 82137-00) (all three Policies will be referred to collectively as the "D&O Policies").

3. The D&O Policies cover defense costs and indemnity obligations imposed by judgments or settlements in relation to claims made by third parties alleging damages arising out of "Wrongful Acts" by one or more Insureds. The D&O Policies cover such costs and indemnity obligations incurred by individual officers and directors, whether Adelphia reimburses those costs and indemnity obligations (in which case the insurance benefits Adelphia) (so-called "Indemnification Coverage") or Adelphia does not reimburse those costs and indemnity obligations due to insolvency (in which case the insurance benefits the individual officers and directors). The D&O Policies also cover the Reorganized Debtors' own defense costs and indemnity obligations imposed by judgments or settlements in relation to "Securities Claims" (so-called "Entity Coverage").

4. The Rigases are former directors and officers of Adelphia and certain of its subsidiaries. The Rigases, along with two other high ranking executives placed by the Rigases in the accounting department of the Company, were arrested in connection with a criminal complaint filed by the United States Attorney for the Southern

District of New York charging them with bank, securities and wire fraud (the "Criminal Action"). John and Timothy Rigas were convicted, and Michael Rigas ultimately pled guilty to a lesser criminal charge.

5. The Securities and Exchange Commission also filed a civil complaint against, among others, the Rigases. The SEC Complaint alleges violations of the federal securities laws and accuses the Rigases of blatant and rampant self-dealing.

6. In addition to these suits against the Rigases, all or some of the Individual Insureds have been named as defendants in the following private civil actions in which claimants seek to hold them liable for, among other things, alleged misconduct in the course of their serving as directors and/or officers of Reorganized Debtors or by reason of their being such directors and/or officers: In re Adelphia Commc'n Corp. Sec. & Deriv. Litig., No. 03 MD 1529 (LMM) (S.D.N.Y.); New York City Employees Ret. Sys. v. Rigas, et al., No. 02-CV-9804 (S.D.N.Y.); Los Angeles County Employees Ret. Ass'n v. Rigas, et al., No. 03-CV-5750 (S.D.N.Y.); Franklin Strategic Income Fund v. Rigas, et al., No. 03-CV-5751 (S.D.N.Y.); Bent v. Rigas, et al., No. 03-CV-5793 (S.D.N.Y.); New Jersey Div. of Inv. v. Rigas, et al., No. 03-CV-7300 (S.D.N.Y.); and AIG DKR Soundshore Holdings, Ltd. v Kailbourne, et al., No. 117940/02 (N.Y. Sup. Ct.) (collectively, the "Securities Actions").

7. On July 24, 2002, Adelphia itself commenced an adversary proceeding against the Rigases, numerous entities owned and/or controlled by the Rigases and former accounting employees.

8. The Insurers have taken the position that alleged material misrepresentations made to them in connection with the issuance of the D&O Policies warrant rescission of the D&O Policies. Each of the Insurers has sent notices to some, if not all, of the persons covered under the D&O Policies informing them that the Insurers are rescinding coverage under the D&O Policies and are treating such coverage as void ab initio. Pursuant to their notices of rescission, the Insurers have taken the position that

they are not obligated to make any payments pursuant to the D&O Policies to the affected parties. They also take the position that Adelphia does not have coverage for payments made to indemnify any of the affected parties for their defense costs.

9. On September 24, 2002, the Insurers commenced a lawsuit in the United States District Court for the Eastern District of Pennsylvania, Civil Action No. 02-7444, against each of the directors and officers who had received a notice of rescission (the "Coverage Action"), seeking a declaration that the D&O Policies are rescinded or, alternatively, a declaratory judgment that the D&O Policies do not any cover defense costs incurred in relation to or liabilities imposed in the civil and criminal actions described above. The Insurers have sought leave and, absent a settlement, intend to add Adelphia as a defendant in the Coverage Action.

10. The Rigases obtained a summary adjudication in the Coverage Action declaring that AEGIS is obligated to advance individual officers and directors' defense costs unless and until there is a determination that the D&O Policies are rescinded. The Insurers have been precluded from pursuing their rescission and other claims against the directors and officers in the Coverage Action by preliminary injunctions issued in these bankruptcy cases staying discovery and most other proceedings in the Coverage Action pursuant to section 105(a) of the Bankruptcy Code. The injunctions, however, allow each individual director and officer in the meantime to obtain advances of defense costs in an amount up to $300,000. Over the past several years, the Rigases and others have sought and obtained advances from AEGIS, $300,000 at a time, totaling to (as of November 19, 2007, the date of the Settlement Agreement) $13,272,744.76.

11. The Reorganized Debtors have presented the Insurers with claims for more than $82.5 million under the D&O Policies, including (i) defense costs incurred by Adelphia, which Adelphia contends are covered by the D&O Policies' Entity Coverage; and (ii) defense costs incurred by individual directors and officers, which the

Reorganized Debtors have paid pursuant to corporate indemnity obligations, and which Adelphia contends are covered by the D&O Policies' Indemnification Coverage. The Insurers deny any obligation to cover these losses.

12. In addition, pursuant to the Reorganized Debtors' settlement agreement with the Department of Justice, which was approved by this Court, Adelphia has agreed to pay $715 million to the United States, which is to be used to compensate victims of the Rigas fraud for losses. Adelphia contends that this settlement amount is covered under the terms of the Entity Coverage of the D&O Policies. The Insurers deny that coverage is available for this loss.

13. On November 21, 2006, Reorganized Debtors (prior to their reorganization) filed a motion with the Bankruptcy Court pursuant to Section 363 of the Bankruptcy Code, seeking approval of a sale of the D&O Policies to the Insurers, free and clear of all claims, liens, and encumbrances, for $32.5 million, pursuant to the terms of a settlement agreement between Reorganized Debtors and the Insurers, which was conditioned on Adelphia's obtaining from this Court an injunction channeling all claims that might be made against the D&O Policies to the $32.5 million settlement fund. Michael and James Rigas, Peter Venetis, and Michael Mulcahey ("Objectors") objected to the settlement.

14. On January 16, 2007, Michael and James Rigas commenced a bad faith action against the Insurers in the United States District Court for the Eastern District of Pennsylvania, captioned *Rigas, et al. v. Associated Electric & Gas Insurance Services, Ltd., et al.*, No. 07-CV-00168 (MBB) (the "Bad Faith Action").

15. On March 6, 2007, the Court issued its order denying Reorganized Debtors' motion to approve the Section 363 sale ("March 6 Order," Exhibit A hereto). The Court noted that it would "readily approve a settlement with these monetary terms with the understanding that the requested channeling injunction would not be issued," but denied the approval of the settlement "without prejudice to a request for a modified

settlement that does not embody the requested channeling injunction." March 6 Order at 4.

16. In the wake of the March 6 Order, the Reorganized Debtors, the Trust and the Individual Insureds reached an agreement to allocate the amount the Insurers had previously agreed to pay ($32.5 million) among themselves, thus obviating the Objectors' expressed concerns about settling with the Insurers for that amount. That allocation agreement was conditional and became binding only if and when the mediator charged with responsibility for the Securities Actions fully settled all seven Securities Actions on behalf of the four Independent Directors (Messrs. Coyle, Gelber, Kailbourne, and Metros) for a total of no more than $14.5 million. The mediator subsequently informed the parties to the mediation that the plaintiffs in the seven Securities Actions had agreed to settle those cases as against the Independent Directors and to fully release them in return for insurance payments totaling to $14.5 million, thus satisfying the condition of the allocation agreement.

17. Thereafter, Adelphia and the Trust reached a Settlement Agreement with the Insurers and the twelve Individual Insureds, including all the Objectors, dated November 19, 2007 ("Settlement Agreement") (Exhibit B hereto). The Settlement Agreement requires the Insurers to pay $32,703,242.36 (including the $13,272,744.76 already advanced to certain Individual Insureds) ("Settlement Amount"). In return, Adelphia, the Trust, and the Individual Insureds have agreed to release the Insurers from any further obligations pursuant to the D&O Policies. The insurance proceeds are to be allocated among the Individual Insureds in amounts specified in the Settlement Agreement, including $14.5 million to settle the Securities Actions on behalf of the Independent Directors. The Settlement Agreement is conditioned upon approval by the Bankruptcy Court.

The Settlement Agreement

18. The Settlement Agreement in conjunction with the Additional Agreements[4] fully resolves the disputes among Adelphia, the Individual Insureds, and the Insurers with respect to their respective rights and obligations under the D&O Policies, including rescission claims and other coverage defenses raised by the Insurers in the Coverage Action, and including disputes over the allocation of insurance proceeds among the various insureds.

19. The Settlement Agreement's pertinent terms include:

a. The three Insurers together are to pay $32,703,242.36 (including $13,272,744.76 AEGIS already has advanced to certain Individual Insureds) as follows: AEGIS – $20,801,819.96; Federal – $ 7,140,850.44; Greenwich – $4,760,566.96.

b. Adelphia, the Trust, and the twelve Individual Insureds fully release the Insurers from any further obligation under the D&O Policies.

c. The Insurers are to dismiss the Coverage Action as to the parties to the Settlement Agreement, with prejudice, with each party bearing its/his own costs and attorney fees.

d. The Rigases are to dismiss the Bad Faith Action in its entirety, with prejudice, with each party thereto bearing its/his own costs and attorney fees.

e. $14.5 million of the Settlement Amount is to be put into escrow and used to fund the settlements of the seven Securities Actions on behalf of the Independent Directors. The remainder of the Settlement Amount ($4,930,497.60, after taking account of the already-advanced defense costs) is to be allocated among the Individual Insureds other than the Independent Directors.

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[4] See n. 3, *ante*.

f. The Individual Insureds fully release Adelphia and the Trust from any and all liabilities and obligations, including any obligations pursuant to section 16.23(a) of the Plan, with a limited exception capped at $250,000.

The Settlement Agreement Should be Approved

20. This Court has the authority to approve the Settlement Agreement and Additional Agreements pursuant to Bankruptcy Rule 9019(a), which provides that "[o]n motion by the Trustee, and after a hearing . . . the Court may approve a compromise or settlement."

21. 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). To determine that a settlement is in the best interests of the estate, the settlement must be "fair and equitable." Protective Comm. for Indep. Stockholders of TMT Trailer Ferry v. Anderson, 390 U.S. 414, 424 (1968). Such a finding is to be 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. Basic to this process, in every instance of course, is the need to compare the terms of the compromise with the likely rewards of litigation.

Id. See also Purofied, 150 B.R. at 523; In re Int'l Distrib. Ctrs., Inc., 103 B.R. 420, 422 (S.D.N.Y. 1989) (determination as to whether proposed compromise is fair and equitable requires exercise of informed, independent judgment by court).

22. A bankruptcy court need not conduct an independent investigation into the reasonableness of the settlement but must only "canvass the issues and see whether the settlement falls below the lowest point in the range of reasonableness." In re W.T. Grant Co., 699 F.2d 599, 608 (2d Cir.) (internal quotation marks omitted), cert.

denied, 464 U.S. 822 (1983). In determining whether to approve a proposed compromise and settlement, a court should consider the following factors, where applicable:

(a) The probabilities of success should the case go to trial versus the benefits of the settlement without the delay and expense of a trial and subsequent appeals;

(b) The prospect of complex and protracted litigation if the settlement is not approved;

(c) The proportion of the class members who do not object or who affirmatively support the proposed settlement;

(d) The competency and experience of counsel who support the settlement;

(e) The relative benefits to be received by individuals or groups within the class;

(f) The nature and breadth of releases to be obtained by the directors and officers as a result of the settlement; and

(g) The extent to which the settlement is a product of arm's length negotiating.

In re Texaco, Inc., 84 B.R. 893, 902 (Bankr. S.D.N.Y. 1988).

23. The decision whether to accept or reject a compromise lies within the sound discretion of the Court. See In re Adelphia Communications Corp., 327 B.R. 143, 159 (Bankr. S.D.N.Y. 2005), aff'd, 337 B.R. 475 (S.D.N.Y. 2006); Purofied, 150 B.R. at 523 ("A Bankruptcy Court's decision to approve a settlement should not be overturned unless its decision is manifestly erroneous and a 'clear abuse of discretion.'")

(citations omitted). It is not necessary for the Court to conduct a "mini trial" of the facts or the merits underlying the dispute. Adelphia, 327 B.R. at 159; Purofied, 150 B.R. at 522. The Court need only be apprised of those facts that are necessary to enable it to evaluate the settlement and to make a considered and independent judgment. Adelphia, 327 B.R. at 159; Purofied, 150 B.R. at 523.

24. The Settlement Agreement satisfies these criteria. The Insurers contend and are pursuing in the Coverage Action claims that the D&O Policies were procured fraudulently and are void ab initio or, alternatively, do not provide coverage for any of Adelphia's losses due to insurance policy exclusions and other coverage defenses. If the Insurers prevail, Adelphia will receive nothing under the Policies, neither for its past costs nor for amounts it is obligated to pay prospectively on behalf of the Independent Directors. If the Settlement Agreement and Additional Agreements are approved, Adelphia will receive the benefit of $14.5 million of insurance proceeds dedicated to the settlement of the seven Securities Actions on behalf of the Independent Directors, and the benefit of the further reduction of its potential liabilities pursuant to section 16.23(a) due to the release provided by the Independent Directors, as well as avoid the financial and other burdens that would be imposed on Adelphia should it be required to litigate the Coverage Action.

25. Adelphia believes that it has strong arguments to support its claims of coverage under the D&O Policies, and the substantial settlement reflects this fact. Given the wrongdoing by the Rigases set forth in the Criminal Complaint, the Adelphia RICO Action, and elsewhere, however, Adelphia recognizes that there is a risk that the D&O Policies will be rescinded, leaving Adelphia with absolutely no insurance coverage. Moreover, the twelve Individual Insureds have asserted their own claims to the proceeds of the D&O Policies and, even if the Policies are not rescinded, there is a risk that only some or none of the available policy limits would be available to Adelphia. These risks, combined with the high cost of continued litigation, have led the Reorganized Debtors to

conclude that settling the pending disputes with the Insurers and the twelve Individual Insureds pursuant to the terms of the Settlement Agreement is in the best interest of the estates.[5]

26. The Objectors who opposed the Reorganized Debtors' earlier motion to approve a Section 363 sale of the policies are signatories to the Settlement Agreement, and thus support the current motion. Adelphia is not aware of any party who opposes approval of the Settlement Agreement.

27. The Settlement Agreement was heavily negotiated by experienced coverage counsel for the parties over the course of several months and reflects the results of such extensive, arm's length negotiations. The settlement represents a sound business decision by the Reorganized Debtors, made in good faith, with disinterestedness and due care, and does not constitute an abuse of discretion or a waste of corporate assets.

28. The Reorganized Debtors acted disinterestedly and consistently in negotiating the related Additional Agreements. Given the facilitating role the Additional Agreements play in effectuating a successful settlement with the D&O Insurers and the Individual Insureds, the Additional Agreements are reasonable and necessary.

29. The Settlement Agreement is contingent on the Court's entry of an order approving the settlement. The Court has the power to enter such an order under Section 105(a) of the Bankruptcy Code, which expressly authorizes bankruptcy courts to "issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title." 11 U.S.C. § 105(a).

30. WHEREFORE, Reorganized Debtors, by their undersigned attorneys, respectfully request that the Court enter an order approving the Settlement Agreement and Additional Agreements, and granting such other relief as may be just and equitable.

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[5] See n. 3, *ante*.

NOTICE, PRIOR APPLICATIONS AND WAIVER OF BRIEF

31. Notice of this Motion has been provided to: (a) the U.S. Trustee; (b) counsel to the Trust; (c) counsel to the Insurers; (d) counsel to all other signatories to the Settlement Agreement; and (e) all other parties that have served a written request on the Reorganized Debtors on or after the date of the Confirmation Order for service of such pleadings. The Reorganized Debtors submit that such notice is appropriate and sufficient and is in accordance with the requirements of the Bankruptcy Rules. The Reorganized Debtors respectfully submit that no further notice of the Motion is required. No prior request for the relief sought herein has been made to this Court or any other court.

32. The Reorganized Debtors submit that this Motion presents no novel issues of law requiring the citation to any authority other than that referred to above and, accordingly, no brief is necessary.

/s/ Donald W. Brown

Alan Vinegrad
Covington & Burling LLP
The New York Times Building
620 Eighth Avenue
New York, NY 10018
(212) 841-1000

- and -

Donald W. Brown (DB 5009)
Covington & Burling LLP
One Front Street
San Francisco, CA 94111
(415) 591-6000

Special Counsel for the Debtors
and Reorganized Debtors

Dated: February 20, 2008

Exhibit A: March 6 Order

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 11
Adelphia Communications Corp., *et al.*,	)	Case No. 02-41729 (REG)
Debtors.	)	Jointly Administered

DECISION AND ORDER ON MOTION FOR APPROVAL OF SETTLEMENT AND PURCHASE AGREEMENT WITH D&O INSURERS

APPEARANCES:

COVINGTON & BURLING LLP
Special Counsel for the Debtors and Debtors in Possession
1330 Avenue of the Americas
New York, NY 10019
By: Alan Vinegrad, Esq.

One Front Street
San Francisco, CA 94111
By: Donald W. Brown, Esq. (argued)

KASOWITZ, BENSON, TORRES & FRIEDMAN LLP
Counsel for the Creditors' Committee
1633 Broadway
New York, NY 10019-6799
By: Daniel Zinman, Esq.

DILWORTH PAXSON, LLP
Counsel for Michael J. Rigas and James P. Rigas
3200 Mellon Bank Center
1735 Market Street
Philadelphia, PA 19103-7595
By: Lawrence G. McMichael, Esq. (argued)
Peter C. Hughes, Esq.
Christie M. Callahan, Esq.

HARRINGTON & MAHONEY
Counsel for Michael C. Mulcahey
1620 Statler Towers
Buffalo, NY 14202
By: Mark J. Mahoney, Esq.

GOLENBOCK, EISEMAN, ASSOR, BELL & PESKOE, LLP
Counsel for Peter Venetis
437 Madison Avenue
New York, NY 10022
By: Jeffrey T. Golenbock, Esq. (argued)

SQUIRE, SANDERS & DEMPSEY, LLP
Counsel for Erland Kailbourne
200 South Biscayne Boulevard
Suite 400
Miami, FL 33131
By: Alvin B. Davis, Esq.

BAILEY CAVALIERI, LLC
Counsel for Associated Electric & Gas Insurance Company
10 West Broad Street, Suite 2100
Columbus, OH 43215
By: Michael Goodstein, Esq.

FARRELL FRITZ, P.C.
Counsel for Associated Electric & Gas Insurance Company
1320 Reckson, Plaza
Uniondale, NY 11556
By: Louis A. Scarcella, Esq.

HOGAN & HARTSON, LLP
Counsel for Federal Insurance Co.
555 Thirteenth Street, N.W.
Washington, DC 20004
By Peter R. Bislo, Esq.
Edward C. Crooke, Esq.

ROSS, DIXON & BELL, LLP
Counsel for Greenwich Insurance Co.
2001 K Street, N.W.
Washington, D.C. 20006
By: Leslie S. Ahari, Esq.

BEFORE: ROBERT E. GERBER
UNITED STATES BANKRUPTCY JUDGE

In this contested matter[1] in a case under chapter 11 of the Bankruptcy Code, the Debtors move, pursuant to Bankruptcy Code section 363 and Bankruptcy Rule 9019, for approval of a settlement (the "Settlement") with the Insurers under their D&O Policies[2] under which, *inter alia*, the Debtors would sell their interest in the Policies to the Insurers for $32.5 million, with claims of others to policy proceeds (such as those of former Adelphia officers and directors) attaching to the proceeds of the sale. Certain of the Rigases and others with whom they were associated[3] (the "Objectors") object to the Settlement on a variety of grounds—but most significantly with respect to a proposed channeling injunction which would prohibit the Objectors and other directors and officers from proceeding directly against the Insurers to pursue claimed entitlements under the policies.

A settlement with the Insurers that secures this $32.5 million, in exchange for a give-up of further recoveries from the Insurers, is plainly in the interests of the Adelphia estate. And a section 363 sale of the Estate's interests in the policies and of their proceeds—even if such may have adverse consequences for the Rigases or others—is

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1 In light of the outcome of this decision, I do not have to decide whether the filing of an adversary proceeding is required to achieve a desired channeling injunction where, as here, it is sought outside of a reorganization plan, but where some or many of those to be enjoined are not unknown.

2 Familiarity with prior proceedings is presumed.

3 Michael and James Rigas, Peter Venetis, and Michael Mulcahey.

not, in my view, prohibited under the law. But I see the interests of the Estate and the Objectors in the property to be sold somewhat different than either of the parties do, and in light of the way I see it, the Estate may not want to invite the Objectors or others to lay claim to parts of the Estate's proceeds. And more importantly, I am not in a position to issue the channeling injunction that is an element of the Settlement.

I would see nothing wrong with a settlement that happened to give Adelphia a head start in getting policy proceeds that might otherwise be claimed by the Objectors. But at this stage of the Adelphia cases, with Adelphia having successfully reorganized and with Adelphia having no more than a monetary interest in recovering losses and expenses occasioned by the conduct of the Rigases and their confederates, I believe that I should not interfere with proceedings before Judge Baylson in the related litigation now pending in the Eastern District of Pennsylvania. And aside from matters that might inform the exercise of my discretion in areas where I have discretion, I believe that a channeling injunction of the type requested here cannot be issued in light of current Second Circuit authority, if it ever could have been.

Though I would readily approve a settlement with these monetary terms with the understanding that the requested channeling injunction would not be issued, I cannot unilaterally rewrite the Settlement, and it is up to the Settlement parties to determine whether they would agree to it or a variant without that protection. Accordingly, I am denying approval of the Settlement on its existing terms. This disapproval is without prejudice to a request for a modified settlement that does not embody the requested channeling injunction. The following are my Findings of Fact and Conclusions of Law in connection with this determination.

Findings of Fact

A. The D&O Policies

In 2001, Adelphia purchased three Directors and Officers Liability Insurance Policies (the "Policies"), each covering a period of December 31, 2000 though December 31, 2003:

(1) a D&O policy issued by Associated Electric & Gas Insurance Services, Ltd. ("AEGIS"), which provides a primary layer of coverage in the amount of $25 million;

(2) an excess policy providing coverage in excess of $25 million in primary coverage, issued by Federal Insurance Company, with coverage of up to $15 million; and

(3) another excess policy, issued by Greenwich Insurance Company, with coverage of up to an additional $10 million.

Thus, the Policies provide primary and excess coverage in the aggregate amount of $50 million.

The Policies cover:

(a) Adelphia's officers and directors for certain types of liabilities and associated defense costs if not indemnified by Adelphia;

(b) Adelphia itself, for sums paid to indemnify officers and directors for certain types of liabilities and associated defense costs; and

(c) Adelphia itself, for defense costs it incurs and for sums it becomes liable to pay as a result of securities claims against it.

The claims of directors and officers and Adelphia are paid on a "first come first serve" basis.[4]

B. Actions against the Rigases

John Rigas and his sons Timothy, James and Michael Rigas (the "Rigases") are former directors and officers of the parent Adelphia Communications Corporation and most of its subsidiaries. The Rigases (and Michael Mulcahey, a high-ranking employee in Adelphia's accounting department) were arrested in connection with a criminal complaint filed by the United States Attorney for the Southern District of New York charging them with bank, securities and wire fraud. John and Timothy Rigas were convicted and Michael Rigas ultimately pled guilty to a lesser criminal charge. Mulcahey was acquitted of all criminal charges, and James Rigas and Venetis[5] were not charged with any crimes—though like all of the other Objectors, they were named as defendants in civil litigation. All of the Objectors, in their capacities as former officers and directors of Adelphia, have been sued in numerous class action suits and individual securities actions.

On July 24, 2002, Adelphia itself commenced an adversary proceeding against the Rigases, numerous entities owned or controlled by them, and former accounting employees,[6] asserting numerous claims, most significantly for breach of fiduciary duty and unjust enrichment. In April 2005, Adelphia and the Rigases entered into a settlement agreement under which the Rigases forfeited to Adelphia assets valued at approximately

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4 These policies do not have a "priority of payments" endorsement, which provides that payments on account of the defense costs of directors and officers come ahead of payments for indemnification coverage and/or entity coverage.

5 Venetis, who is married to John Rigas's daughter Ellen Rigas Venetis, was a director.

6 *See Adelphia Communications Corp. v. Rigas, et al.*, Adv. Pro. No. 02-08051, in this Court.

$1.6 billion, and Adelphia covenanted not to sue or bring any claim against the Rigases and not to oppose payment of defense costs by the Insurers to the Rigases under the D&O Policies.

C. Debtors' claims under the Policies

Adelphia has presented the Insurers with claims for more than $66 million under the Policies, including defense costs incurred by Adelphia and defense costs incurred by individual directors and officers that Adelphia paid pursuant to corporate indemnity obligations. Also, pursuant to Adelphia's settlement with the DoJ and SEC, Adelphia has agreed to pay $715 million to the United States, which will be used to compensate victims of the Rigas fraud for losses. Arguing that Rigas fraud excused them from paying under the policies, the Insurers denied coverage for any of the above-mentioned losses.

D. Rescission Claims by the Insurers

On September 24, 2002, the Insurers commenced a lawsuit (the "Coverage Action") in the United States District Court for the Eastern District of Pennsylvania against certain directors and officers of Adelphia who received a notice of rescission.[7] The Coverage Action has been assigned to District Judge Michael Baylson. While the Insurers did not initially name Adelphia itself as a defendant, they later sought relief from the stay in this Court to provide Adelphia with notice of rescission and to join it in the Coverage Action.[8] The Insurers seek a declaration in the Coverage Action that the Policies are rescinded and void *ab initio* with respect to the individuals who received

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7 *Associated Elec. & Gas Ins. Servs. v. Rigas, et al.*, No. 02-7444 (E.D. Pa.) (the "Coverage Action").

8 The Insurers' renewed motion to lift the stay was continued with consent of the parties to an unspecified date.

notice of rescission, on the ground that the Policies were allegedly issued in reliance on warranty statements, financial documents and SEC filings that were false and misleading as a result of the Rigases' misconduct. The Insurers also have refused to cover Adelphia for payments made to indemnify any of the affected parties for their defense costs. In the alternative, the Insurers seek a declaration that the Policies do not provide coverage for any lawsuits brought against the defendants, or certain of them, relating to the mismanagement and "looting" of Adelphia, and that exclusions under the Policies are binding.

The Coverage Action, while still pending, has been put on hold by reason of this Court's needs. Proceedings in the Coverage Action to rescind the Policies as against Adelphia itself have been stayed under section 362(a)'s automatic stay, and most other proceedings in the Coverage Action, involving the rescission and other claims against the Directors and Officers in the Coverage Action, have been stayed by section 105(a) relief I granted by supplemental order.

Upon a motion by the Rigases for partial summary judgment, Judge Baylson ordered AEGIS to advance defense costs incurred by the Rigases and others pending a determination of rescission or coverage.[9] The Rigases and others subsequently have sought and obtained additional advances, in $300,000 increments, which are to be repaid to AEGIS if it is determined that its insurance policy is rescinded or otherwise does not cover some or all of the advanced defense costs. As of November 15, 2006, those advances totaled almost $9 million[10] After the Estate's motion for approval of the Settlement was briefed and argued, James and Michael Rigas sought an order from this

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9 *See Associated Elec. & Gas Ins. Servs., Ltd. v. Rigas*, 382 F.Supp.2d 685, 702.

10 More precisely, $8,994, 699 (*see* Motion at 3).

Court authorizing the advance of an additional $300,000 each, along with catch-up payments for other officers and directors.

E. The Settlement and Sale of Policies

In November 2006, Adelphia entered into the Settlement with the D&O Insurers that is the subject of this motion. The Settlement provides that Adelphia will sell the three Policies pursuant to section 363(b) of the Code back to the Insurers for $32.5 million—consisting of approximately $23.5 million in cash, to be deposited in an interest-bearing account, and an assignment of AEGIS's rights to recover the approximately $9.0 million advanced to date, to be delivered to a litigation trust. The trustee of the litigation trust will assess and prosecute the rights to reimbursement of advancements, and will be authorized to retain counsel for submission of applications for compensation to this Court. Proceeds paid into the interest bearing account will be released only upon further order of the Court. The trustee's and legal fees and any other expenses shall be reimbursed from $500,000 reserved from the cash proceeds of this sale.

The Settlement and Purchase Agreement provides that the sale of the Policies to the Insurers is free and clear of all claims and interests in the Policies. All such claims and interests shall instead attach to the proceeds of the sale, with the same validity and priority as they had in the Policies. The Settlement and Purchase Agreement provides for a mutual release of claims between Adelphia and the Insurers.

Significantly, the Settlement is contingent on the entry by this Court of an order providing that no party can assert claims with respect to the Policies against the Insurers, and on the issuance of a channeling injunction prohibiting the prosecution of any such claims against the Insurers.

Discussion

Approval of the Debtors' motion requires consideration of the usual factors associated with a bankruptcy court's consideration of the desirability of a settlement, under Fed. R. Bankr. P. 9019 and related caselaw; consideration of the Debtors' use of section 363 as the means to effect the Settlement; and consideration of the propriety of issuance of the channeling injunction that would be issued in connection with the Settlement. I see no problems with the first two aspects, but am not in a position to issue the channeling injunction, all for reasons described below.

I.

I discussed the standards applicable to approval of a settlement in earlier decisions in the *Adelphia* cases, most notably in my decisions on Adelphia's settlement with the SEC and DoJ,[11] and the global settlement underlying Adelphia's recently confirmed plan,[12] and need not discuss them at comparable length here. As noted there and in many cases elsewhere, the legal standard for determining the propriety of a bankruptcy settlement is whether the settlement is in the "best interests of the estate."[13] To determine that a settlement is in the best interests of the estate, the Supreme Court held in *Protective Committee for Independent Stockholders of TMT Trailer Ferry, Inc. v. Anderson*[14] that

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[11] *In re Adelphia Communications Corp.*, 327 B.R. 143 (Bankr.S.D.N.Y. 2005) (approving settlement in this Court), *adhered to on reconsideration*, 327 B.R. 175, *aff'd* 337 B.R. 475 (S.D.N.Y. 2006) (Kaplan, J.), *appeal dismissed,* No. 06-1417 (2d Cir. Dec. 26, 2006) and *aff'd on cross-appeal,* No. 06-1738 (2d Cir. Dec. 26, 2006) (the "*Adelphia DoJ/SEC Settlement Decision*").

[12] *In re Adelphia Communications Corp.*, 2007 Westlaw ------, 2007 Bankr. LEXIS -------, Slip Opinion, No. 02-41729, ECF #12920 (Bankr. S.D.N.Y. Jan. 3, 2007) ("*Adelphia Confirmation Decision*").

[13] *In re Purofied Down Prods. Corp.*, 150 B.R. 519, 523 (S.D.N.Y. 1993) (Leisure, J.) ("*Purofied Down Products*") (citations omitted).

[14] 390 U.S. 414 (1968).

the settlement must be "fair and equitable."[15] Such a finding is to be based on "the probabilities of ultimate success should the claim be litigated," and:

> an educated estimate of the complexity, expense, and likely duration of such 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. Basic to this process in every instance, of course, is the need to compare the terms of the compromise with the likely rewards of litigation.[16]

Here getting this much money, in exchange for give-ups to the Insurers of the Estate's ability to get more, plainly is in the best interests of the Adelphia Estate. The Estate has made substantial expenditures that are reimbursable under the Policies if the Policies are not rescinded. But the Estate is subject to a risk it will lose the right to that reimbursement as a consequence of Rigas misconduct. Though I can see advantages to the Settlement from the Insurers' perspective as well, this is a very sensible settlement from the perspective of the Estate.

II.

The next issue is not as plainly one-sided, but here too the Estate has satisfied me that it is on satisfactory statutory ground in invoking section 363 in selling its interests in the policies and their proceeds to the Insurers for the Settlement amount. But while invocation of section 363(b) and section 363(m) is appropriate, I regard subsection 363(f) as inapplicable.

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15 *Id.* at 424.

16 *Id.* at 424-25. *See also Purofied Down Products, 150 B.R. at 523; Official Comm. of Unsecured Creditors of Int'l Distrib. Ctrs., Inc. v. James Talcott, Inc. (In re Int'l Distrib. Ctrs., Inc.),* 103 B.R. 420, 422 (S.D.N.Y. 1989) (Conboy, J.) (determination as to whether proposed compromise is fair and equitable requires exercise of informed, independent judgment by court).

Under Bankruptcy Code section 363(b), after notice and a hearing, an estate can sell estate property, such as its interests in the policies and their proceeds, other than in the ordinary course of business. Then, section 363(f) of the Code provides, in relevant part:

> (f) The trustee may sell property under subsection (b) ... of this section free and clear of any interest in such property of an entity other than the estate, only if--
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> > (1) applicable nonbankruptcy law permits sale of such property free and clear of such interest;
> >
> > (2) such entity consents;
> >
> > (3) such interest is a lien and the price at which such property is to be sold is greater than the aggregate value of all liens on such property;
> >
> > (4) such interest is in bona fide dispute; or
> >
> > (5) such entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such interest.

Then, section 363(m) provides that:

> The reversal or modification on appeal of an authorization under subsection (b) or (c) of this section of a sale or lease of property does not affect the validity of a sale or lease under such authorization to an entity that purchased or leased such property in good faith, whether or not such entity knew of the pendency of the appeal, unless such authorization and such sale or lease were stayed pending appeal.

I believe that the Estate can invoke sections 363(b) and 363(m), if it wishes to, but see no occasion for invocation of section 363(f).

Strictly speaking, the Estate is selling its interests in both the policies and their proceeds. The policies are the property solely of the Adelphia Estate—or arguably, solely of the Adelphia Estate and Adelphia's former subsidiary Adelphia Business Solutions (often called ABIZ, and now called TelCove), which has voiced no objection to the sale. The Rigases do not have an ownership interest in the policies themselves; the Rigases have *contractual rights* under the policies, but that is a different issue. I agree with the Debtors' contention[17] that the Rigases and others with indemnification and defense costs rights under the policies are simply third party beneficiaries of the policies.

Consistent with the bulk of the caselaw,[18] my earlier decisions[19] and even the *Adelphia District Court Decision*, [20] I believe (disagreeing, in material part, with the Rigases' contention that while contractual rights under the policies are Estate property, the policies themselves are not[21]) that the policies *are* property of the Estate—because, *inter alia*, they provide coverage the Estate can use; the Estate is worth more with them than without them; and because the policies are something that someone may pay for. A sale incident to a settlement is still a sale even if the Insurers are in a unique position to

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17 *See* Arg. Tr. 24.

18 *See, e.g., MacArthur Co. v. Johns-Manville Corp. (In re Johns-Manville Corp.),* 837 F.2d 89, 92 (2d Cir. 1988), *cert. denied,* 488 U.S. 868 (1988) ("*Johns-Manville*"); *In re Louisiana World Exposition,* 832 F.2d 1391, 1399 (5th Cir. 1987); *Minoco Group of Cos., Ltd. v. First State Underwriters Agency of New England Reinsurance Corp. (In re The Minoco Group of Companies, Ltd.),* 799 F.2d 517, 519 (9th Cir. 1986); *A.H. Robins Co., Inc. v. Piccinin (In re A.H. Robins Co., Inc.*), 788 F.2d 994, 1001 (4th Cir. 1986); *In re CyberMedica, Inc.,* 280 B.R. 12, 16-17 (Bankr. D.Mass. 2002).

19 *In re Adelphia Communications Corp.*, 285 B.R. 580, 590 (Bankr. S.D.N.Y. 2002) ("*Adelphia Initial D&O Decision*"), *rev'd* 298 B.R. 49 (S.D.N.Y. 2003) ("*Adelphia District Court Decision*"), *on remand, In re Adelphia Communications Corp.*, 302 B.R. 439 (Bankr. S.D.N.Y. 2003) ("*Adelphia Remand D&O Decision*"); *Adelphia Remand D&O Decision*, 302 B.R. at 442.

20 298 B.R. at 52-53.

21 *See* Arg. Tr. 73-74.

make the purchase, and even if there are no other bidders with the ability or motivation to do so.

The more significant and difficult issue results from the parallel claims of the Estate and others, including the Objectors, to policy proceeds. The Estate, the Objectors and others (such as independent directors) all have claims to policy proceeds, and the claims of all of them are their respective property. It is clear that the Estate *now* has an interest in policy proceeds, if it did not always have such.[22] Subject to any contractual defenses of the Insurers, Adelphia has an interest in the policy proceeds at least up to the covered losses Adelphia now has suffered—said to equal $66 million—for which Adelphia would be entitled to payment under the policies. And since that amount exceeds the amount remaining unpaid under the policies, it can fairly be said that Adelphia has an interest in the entirety of the policy proceeds remaining unpaid. The Rigases and other directors *also* have or may have interests in policy proceeds (likewise subject to any contractual defenses of the Insurers), which are in most respects separate in origin and rationale, but which are claims to the same "pot."

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[22] As set forth in my decisions in the *Adelphia Initial D&O Decision* and the *Adelphia Remand Decision,* I was and remain of the view that the Debtors always had such an interest. But in his decision in the *Adelphia District Court Decision,* a judge of the district court in this district did not agree with my view. And while the *Adelphia District Court Decision* has been criticized, *see* Douglas, "D & O Policy Proceeds Not Estate Property," 2 *Business Restructuring Review* 4, 8 (Oct. 2003), and Case Note, 49 *N.Y. L. Sch. L. Rev.* 1007, 1016 (2003), the *Adelphia District Court Decision*, reversing this Court in that regard, is of course binding in the *Adelphia* and *Adelphia Business Solutions* cases.

Under the district judge's rationale, the estate did not yet have an interest in the policy proceeds, and would only have such an interest at a later time. *See Adelphia District Court Decision*, 298 B.R. at 53 ("Here, as far as I can tell, Adelphia does not have a property interest in the proceeds of the insurance policies yet. Although the D & O policies reimburses each estate to the extent that the estate advances funds because of the indemnification obligations in the charter or by-laws, ... '[i]t has not been suggested that any of the Debtors has made any payments for which it would be entitled to indemnification coverage, or that any such payments are now contemplated.'") But even under the district judge's rationale, the Estate now has an interest in the policy proceeds. Events have transpired under which its heretofore contingent interest in policy proceeds has blossomed. The Estate has now made payments for which it is entitled to indemnification under the policies, subject to any contractual defenses the Insurers might have.

Under these circumstances, the pot of available proceeds from the Insurers, like the Policies themselves, is property in which the Estate has an interest, that the Estate can sell to anyone who will pay for it. That pot (or a subset of it) is property in which the Objectors also have an interest (albeit one at least presently of lesser size), and the Objectors (and others who may similarly have claims to it) could likewise at least theoretically sell their interests—though given the history of Rigas past conduct (and the fact that claims to proceeds remain subject to the Insurers' contractual defenses), any potential buyer of the Objectors' interests might well want to think twice before doing so.

But several things have become clear (as facts, mixed questions of fact and law, or legal conclusions, as the case may be) with respect to the proceeds pot, and the potential sale (by anyone) of claims to it. One is that the proceeds pot is not fixed in size. The size of the available proceeds pot has already decreased, as the Rigases and others have already depleted it, to the extent of about $9 million, by claims for defense costs. And the available proceeds pot would decrease in size further as future payments are made under the Policies, to satisfy the claims of the Estate, the Objectors, or others with claims to policy proceeds.

Another is, as the Rigases acknowledged (and argued as supporting points they wished to make) that Pennsylvania is a "first-come, first-serve[d] state."[23] That has the effect that persons or entities can make claim to policy proceeds without securing the permission of others, who might also have claims to policy proceeds, to do so. It also means (as the Rigases argued) that claims to policy proceeds are not joint, but are independent claims. But it also means that Adelphia can make claim for, and can settle

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[23] *See* Arg. Tr. 70.

its claims for, its entitlement under the Policies (which are no less entitled to payment than any Objectors' claims are), without the consent of the Objectors, even if that reduces policy proceeds remaining for the Objectors.

Thus there is no need or occasion for the Estate to invoke section 363(f)(4). The Estate's interests in neither the Policies nor the Policies' proceeds is in bona fide dispute, at least with the Objectors, whose "interest" the Estate proposes to attach to sale proceeds. The Objectors have no interest, disputed or otherwise, in the Estate's Policies, nor to the Estate's entitlement to policy proceeds, and have no claim to either of them. To the extent there are disputes, they are between the Estate and the Insurers, on the one hand, and the Objectors and the Insurers, on the other. The Objectors' entitlements, if any, to policy proceeds are not to the *Estate's* recovery of policy proceeds, but rather to whatever proceeds are available when any of the Objectors makes a request—even if that is only what is left after the Estate gets whatever policy proceeds to which the Estate is entitled.

Similarly, while the Objectors' claims to their own policy entitlements, if any, might be satisfied by cash—a matter relevant under Code section 363(f)(5)—their right to any cash would be from the *Insurers*, as a contractual entitlement, not from the property being sold, as a kind of *in rem* right, and would be independent of anything the Estate sought or received. Thus the "entity other than the estate"[24] (*i.e.*, an Objector) has no interest in the property of the estate being sold. Speaking of compelling the Objector "to accept a money satisfaction of such interest"[25] is not a meaningful concept in this context.

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[24] *See* Bankruptcy Code section 363(f).

[25] *See* Bankruptcy Code section 363(f)(5).

Finally, if (as now is proposed) the Settlement were to limit the Objectors to recovery from a *corpus* less than the total remaining under the Policies, I do not believe that such a transaction would provide adequate protection to the Objectors and others with rights under the Policies. Some of the Objectors might have debatable claims to payments under the Policies for anything beyond amounts Judge Baylson already authorized (not to mention beyond the discounted amount the Estate would get under the Settlement), but consideration of these and similar matters is a determination for Judge Baylson to make, and not this Court.

Accordingly, I will permit the Estate to sell whatever rights it has to the Insurers, under section 363 of the Code and not just Bankruptcy Rule 9019, but I will not authorize invocation of section 363(f). Similarly, I will not limit the rights of the Objectors to prosecute claims against the Insurers under the 363(f) rationale that the Court has authorized a sale "free and clear" of Objector claims.

III.

The motion also calls for this Court to issue a channeling injunction, prohibiting the Objectors from asserting claims against the Insurers for Objectors' entitlements (if any) under the Policies. While I am fully sensitive to the importance of this request to the Insurers, the Estate, and to the underlying Settlement, I believe that I cannot issue such relief.

Although the channeling injunction proposed here is not to be issued pursuant to a reorganization plan, it shares many of the characteristics (and even more of the important ones) of the "third-party releases" and exculpation addressed by the Second Circuit in its

recent decision in *Metromedia*,[26] and my earlier rulings in the *Adelphia Confirmation Decision*.[27] The proposed channeling injunction would, wherever applicable, proscribe litigation between two non-debtor entities, with respect to independent contractual rights they have against each other, and would in substance release the Insurers from further obligations to the Objectors and to other officers and directors after the Estate's sale of the Policies.

Channeling injunctions are permissible under some circumstances, and indeed perform an essential role in some cases—as, for example, mass tort cases, where a reorganization plan can be confirmed if, but only if, insurers who contribute to a trust or fund to satisfy the tort claims have the comfort that they will not thereafter be sued and asked to contribute even more. And there is precedent supporting transactions *somewhat* similar to the one proposed here. In *Johns–Manville*, the Second Circuit approved a settlement providing for the debtor to sell a tort claims policy that was property of the Johns Manville bankruptcy estate back to the insurer, free and clear of any claims, liens, encumbrances and interests, where it found that that the interests of any co-insureds under the policy were adequately protected.[28] And in *Burns and Roe Enterprises*, Judge Gambardella of the District of New Jersey entered an order approving a settlement involving the sale of the debtors' interests in tort claims insurance policies that, with some exceptions, was free and clear of interests under section 363(f), and which was

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26 *Deutsche Bank AG v. Metromedia Fiber Network, Inc. (In re Metromedia Fiber Network, Inc.)*, 416 F.3d 136 (2d Cir. 2005) ("*Metromedia*").

27 *See Adelphia Confirmation Decision, supra* n.12, Slip Opinion at 217-218.

28 *See Johns-Manville*, 837 F.2d at 94.

accompanied by a channeling injunction prohibiting parties asserting claims to policy proceeds from proceeding against the *Burns and Roe* insurers.[29]

But neither Johns Manville nor Burns and Roe involved a D&O policy, and more fundamentally, each of *Johns-Manville* and *Burns and Roe* was an asbestos case, attempting to deal with the unique problems present in mass torts cases—where it is often desirable, if not essential, to tap insurance policies to help create trusts or funds to provide a funding resource for the present and future tort claims that must be satisfied, and where addressing issues of that character is an important, if not wholly dominant, aspect of the bankruptcy case.[30] The Policies here, while large in size and significant to the Estate in helping satisfy its massive liabilities, are not nearly as important to the Debtors' chapter 11 case as they were in *John-Manville* and *Burns and Roe*.

Additionally, the applicable law authorizing the approval of channeling injunctions and third party releases has become increasingly restrictive, and now permits such relief only under limited circumstances—most significantly, where they are critical to the reorganization of the debtor. In a decision—somewhat restrictive in itself—that guided the bench and bar for most of the last 15 years, the Second Circuit declared that "[i]in bankruptcy cases, a court may enjoin a creditor from suing a third party, *provided*

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29 *See In re Burns and Roe Enterprises, Inc.*, Case No. 00-41610 (RG) (Bankr. D.N.J. Feb. 17, 2005), ¶¶ 8,9. Unfortunately, those citing the *Burns and Roe* order, while submitting it in full, failed to comply with other aspects of the letter and spirit of my Case Management Order #3, dated July 26, 2004 (ECF #5622), ¶27—applicable to instances when orders (as contrasted to opinions) are submitted as authority—which requires essential background with respect to the order relied on. In particular, they failed to advise me as to the extent to which relief granted in that order was opposed (and as to what matters), the extent to which the *Burns and Roe* court was asked to consider, and did substantively consider, the channeling injunction aspects of that order, and, as potentially quite relevant here, the circumstances and rationale with respect to carving "Excepted Insureds" out of the scope of the channeling injunction.

30 Indeed, the Code was amended in 1994 to address the particular concerns present in asbestos cases, establishing procedures modeled on those pioneered in *Johns-Manville*. *Burns and Roe,* a post-amendments asbestos case, involved a settlement approved, and channeling injunction issued, in the context of the new legislation.

the injunction plays an important part in the debtor's reorganization plan."[31] And as discussed at considerable length in the *Adelphia Confirmation Decision,*[32] the Second Circuit in *Metromedia*[33] required the bankruptcy community in this Circuit to reconsider the heretofore fairly common issuance of third-party releases—making it clear that such releases are now proper "only in rare cases,"[34] under circumstances that may be characterized as "unique."[35]

Here Adelphia has already reorganized and distributed the overwhelming bulk of its value to its creditors. While securing the consideration that is part of the proposed Settlement will plainly benefit Adelphia creditors, completion of the Settlement is hardly a "make or break" requirement for a successful reorganization. I cannot make a finding that the issuance of the requested channeling injunction is essential (or even important) to a successful reorganization. Subject to their work being undone on appeal, the Debtors, Creditors' Committee and other Plan Proponents reorganized the Estate quite well without it.[36]

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31 *SEC v. Drexel Burnham Lambert Group, Inc. (In re Drexel Burnham Lambert Group, Inc.),* 960 F.2d 285, 293 (2d Cir. 1992) (emphasis added).

32 *See* Slip Opinion at 217-228.

33 *See* 416 F.3d at 142.

34 *Id.* at 241.

35 *Id.* at 242.

36 In this Decision, I have spoken of technically distinct concepts relating to channeling injunctions (variously issued before or upon reorganization plan confirmation), and third party releases and exculpation in reorganization plans. But they share the common characteristic of providing, expressly or in substance, protection to nondebtors against claims by other nondebtors, when, in the absence of a release or injunction, the nondebtors could litigate and enforce any otherwise valid legal rights against each other. The considerations are sufficiently similar to warrant reliance on the nondebtor release doctrine articulated in *Metromedia* and in the *Adelphia Confirmation Decision*, and for me to necessarily regard *Metromedia* as applicable in the present context as well.

In contexts apart from settlements and requests to confirm a reorganization plan—often in much earlier stages—I and other bankruptcy judges have not infrequently issued injunctions, typically under section 105(a), to enjoin litigation against nondebtor third parties. But injunctions of that

Finally, payment in full (or provision for payment in full) to affected creditors has been another basis historically found to justify channeling injunctions.[37] And if the *full* amount of the remaining insurance proceeds had been used to provide a trust or fund from which the Objectors might secure their recoveries, that might then justify a channeling injunction prohibiting persons or entities from suing the Insurers to secure more. But here the fund has been decreased in size not just by the $9 million already drawn upon, but also by the discount embodied in the Settlement deal—requiring persons with claims under the policies to proceed against a fund further diminished size, to their detriment, when they have independent rights against the Insurers for the full amount left. Providing a fund of lesser size is inconsistent with the requirement that the alternate fund provide adequate protection.

IV.

Other contentions by the Objectors must be rejected, or are not yet ripe. One such contention is that the proposed Settlement represents a violation of provisions of the settlement agreement between the Debtors and the Rigases, entered into in April 2005, under which the Debtors agreed not to oppose payment of defense costs by the Insurers to the Rigases under the Policies. I agree that this agreement must be honored by the Estate, but do not see a violation of that undertaking based on anything the Estate has done yet.

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character historically have likewise been issued to facilitate reorganization, and have been limited in scope and duration appropriate to achieve that end. *See, e.g., Adelphia Communications Corp. v. The America Channel, LLC (In re Adelphia Communications Corp.)*, 345 B.R. 69, 85-86 (Bankr. S.D.N.Y. 2006) (where I enjoined antitrust litigation in a federal district court that had been commenced against Time Warner and Comcast to block the sale of Adelphia's business that would be the underpinning of the Debtors' reorganization). In the *Adelphia* case and elsewhere, I have also issued injunctions staying third party litigation for a matter of months to permit debtor personnel or their counsel to focus on matters important to reorganization efforts. But injunctions of that character at least normally were not permanent, and were limited in duration necessary to achieve the debtors' reorganization needs.

[37] *See Metromedia*, 416 F.3d at 142-143; *Class Five Nev. Claimants v. Dow Corning Corp. (In re Dow Corning Corp.)*, 280 F.3d 648, 658 (6th Cir. 2002).

And while measures by the Estate to secure payments under the Policies to which the Estate itself is entitled would at least seemingly not be violative of that undertaking either, it is sufficient to await any future action proposed by the Estate and then see whether or not it should be deemed to be violative of that obligation.

Similarly, the Objectors argue that the Settlement provides for the assignment of the Insurers' rights against the Rigases to the Debtors, and that any such assignment would be futile, as the Debtors and their assigns were precluded by the terms of the Adelphia-Rigas settlement agreement from suing the Rigases. While I am inclined to agree that this agreement too must be honored by the Estate and its assigns (and do not now understand the basis for sidestepping this obligation), it is sufficient to await future events, and then determine whether or not the Debtors or their assigns have acted inconsistently with this obligation.

Finally, the Rigases, referring to Judge Baylson's earlier determination, argue that the motion "clearly violates an existing district court judgment regarding such proceeds."[38] Whether or not the motion (or the relief sought under it) would do so would depend on whether I issued the *channeling injunction* (which I will not do), or whether the Estate thereafter were to use the settlement approval as a means to collaterally attack or circumvent Judge Baylson's rulings. Ultimately such concerns are academic in light of my rulings today. I doubt that I have the power—and in any event am not of the mind—to authorize the nullification of any ruling by Judge Baylson, either directly or indirectly. By declining to issue the channeling injunction, I have gone at least a long way toward avoiding a collateral attack on Judge Baylson's ruling, or tying his hands

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[38] Rigas Obj. ¶2.

with respect to matters before him. And if further matters with the potential of impinging on Judge Baylson's jurisdiction come before this Court, I will likewise be sensitive to such concerns. But I must hasten to add that I do not understand Judge Baylson to have ruled that the Rigases and other Objectors are the only ones to have the right to avail themselves of policy proceeds, or to have a priority in making claims under the policies. And the whole point of my earlier orders with respect to the stay was to protect the Estate's legitimate interests in that regard.

V.

After the filing of the motion, the Rigases submitted for my approval an order authorizing further relief from the stay and my earlier orders to authorize additional draws of $300,000 each for Michael and James Rigas, along with catch-up payments to former outside directors of the Debtors unaffiliated with the Rigases. It is undisputed that as of November 15, 2006, advancements under the policies to the Rigases and others already have totaled nearly $9 million.[39]

At this point, and in light of this ruling, I believe that I should not be authorizing further disbursements to Michael and James Rigas, and/or the others, without giving a chance for the Estate to be heard, and to address, if and to the extent appropriate, this ruling or other relevant considerations. After considering the effect, if any, that any of those matters might have on the Rigases' and others' requests, counsel for the Estate is to consult with counsel for the Rigases and anyone else seeking further payments. If there is disagreement as to whether it is appropriate to grant further relief from the stay and my earlier orders, and/or to authorize still more funding at the $300,000 per request level,

[39] *See* Motion at 3 (advancements totaled $8,994,698.84).

counsel are to agree on an appropriate schedule for briefing (and, if necessary, evidence) to the end that I can decide the matter.

Conclusion

The motion for approval of the Settlement is denied. This determination is without prejudice to a motion for approval of a modified settlement or transaction consistent with this ruling.

SO ORDERED.

Dated: New York, New York
March 6, 2007

s/Robert E. Gerber
United States Bankruptcy Judge

Exhibit B: Settlement Agreement

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is made and entered into as of November 19, 2007 by and among Adelphia Communications Corporation and its estate and as a Reorganized Debtor ("Adelphia"), and its affiliated Reorganized Debtors (as defined below, collectively, the "Debtors"), the Adelphia Recovery Trust (as defined below), Dennis P. Coyle, Leslie J. Gelber, Erland E. Kailbourne, Pete J. Metros, Michael C. Mulcahey, Doris Rigas, James P. Rigas, John J. Rigas, Michael J. Rigas, Timothy J. Rigas, Ellen Rigas Venetis, Peter L. Venetis (Messrs. Coyle, Gelber, Kailbourne, Metros, Mulcahey, James Rigas, John Rigas, Michael Rigas, Timothy Rigas, and Venetis and Mesdames Rigas and Venetis collectively are, as defined below, the "Individual Insureds"), Associated Electric & Gas Insurance Services Limited ("AEGIS"), Federal Insurance Company ("Federal"), and Greenwich Insurance Company ("Greenwich") (as defined below, collectively, "the Insurers"). The Debtors, the Adelphia Recovery Trust, the Individual Insureds, and the Insurers (each a "Party," collectively, "the Parties") hereby agree as follows:

WHEREAS, Adelphia purchased a primary directors and officers liability insurance policy from AEGIS, policy number D0999A1A00, for the period December 31, 2000, to December 31, 2003, and purchased an extended discovery period of December 31, 2003, to December 31, 2005;

WHEREAS, Adelphia purchased an excess directors and officers liability insurance policy from Federal, Excess Policy number 8181-10-37, for the period December 31, 2000, to December 31, 2003;

WHEREAS, Adelphia purchased a second excess directors and officers liability insurance policy from Greenwich, Excess Policy number ELU 82137-00, also for the period December 31, 2000, to December 31, 2003. (AEGIS Policy No. D0999A1A00, Federal Policy No. 8181-10-37, and Greenwich Policy No. 82137-00 are referred to collectively as "the D&O Policies");

WHEREAS, beginning in 2002, the Debtors each filed a voluntary petition under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York, captioned as *In re Adelphia Communications Corp., et al.*, Case No. 02-41729 (REG) (Jointly Administered) ("Bankruptcy Cases");

WHEREAS, on July 24, 2002, the United States Department of Justice commenced criminal proceedings against former directors and/or officers John, Timothy, and Michael Rigas, James Brown, and Michael Mulcahey, including the proceedings captioned *United States v. Rigas, et al.*, No. 02-CRIM 1306 (S.D.N.Y.) and 02 MAG 1438 (S.D.N.Y.) (the "Criminal Proceedings");

WHEREAS, on July 24, 2002, the United States Securities and Exchange Commission filed a lawsuit against Adelphia and John, Timothy, and Michael Rigas, James Brown, and Michael Mulcahey, alleging violations of the federal securities laws captioned *Securities and Exchange Commission v. Adelphia Comm. Corp., et al.*, No. 02 Civ. 5776 (S.D.N.Y.);

WHEREAS, on July 24, 2002, Adelphia filed an adversary proceeding in the Bankruptcy Cases against former directors and/or officers John, Timothy, Michael and James Rigas, Peter Venetis, James Brown, Michael Mulcahey and others alleging

violations of the Racketeering and Corrupt Organizations Act ("RICO") and other wrongdoing, *Adelphia Communications Corp. v. Rigas, et al.*, Adv. Proc. No. 02-8051 (Bankr. S.D.N.Y.) (the "Adelphia RICO Action");

WHEREAS, the Individual Insureds have been named as defendants in the following private civil actions in which claimants seek to hold them liable for, among other things, alleged misconduct in the course of their serving as directors and/or officers of Debtors or by reason of their being such directors and/or officers: *In re Adelphia Communications Corp. Securities & Deriv. Litig.*, No. 03 MD 1529 (LMM) (S.D.N.Y.); *New York City Employees Retirement System v. Rigas, et al.*, No. 02-CV-9804 (S.D.N.Y.); *Los Angeles County Employees Retirement Association v. Rigas, et al.*, No. 03-CV-5750 (S.D.N.Y.); *Franklin Strategic Income Fund v. Rigas, et al.*, No. 03-CV-5751 (S.D.N.Y.); *Bent v. Rigas, et al.*, No. 03-CV-5793 (S.D.N.Y.); *New Jersey Division of Investment v. Rigas, et al.*, No. 03-CV-7300 (S.D.N.Y.); and *AIG DKR Soundshore Holdings, Ltd. v Kailbourne, et al.*, No. 117940/02 (N.Y. Sup. Ct.) (collectively, the "Securities Actions");

WHEREAS, certain of the Individual Insureds are or have been named as defendants and/or cross-defendants in one or more additional private civil actions in which claimants seek to hold them liable for, among other things, alleged misconduct in the course of their serving as directors and/or officers of Debtors or by reason of their being such directors and/or officers, including but not limited to the suit captioned *Adelphia Communications Corp. v. Deloitte & Touche*, November Term, 2002, No. 000598 (Court of Common Pleas, Philadelphia County);

WHEREAS, the Debtors, the Adelphia Recovery Trust, and the Individual Insureds have and/or may assert claims to insurance coverage under one or more of the D&O Policies with respect to the criminal and civil actions described above;

WHEREAS, on September 24, 2002, the Insurers commenced an action captioned *AEGIS v. Rigas, et al.*, No. 02-7444 (E.D. Pa.) (the "Coverage Action");

WHEREAS, the Insurers also have sought (1) to rescind the D&O Policies vis-à-vis Adelphia; (2) alternatively, to obtain a declaratory judgment that, to the extent the D&O Policies are not rescinded, they nevertheless do not cover any Defense Costs incurred in relation to or liabilities imposed in the civil and criminal actions described above; and (3) to assert claims for fraud against Adelphia, but have been precluded from naming Adelphia in the Coverage Action by orders of the court in the Bankruptcy Cases;

WHEREAS, the Insurers also have been precluded from pursuing their rescission and other claims against the Individual Insureds in the Coverage Action by preliminary injunctions issued in the Bankruptcy Cases staying discovery and most other proceedings in the Coverage Action pursuant to section 105(a) of the Bankruptcy Code;

WHEREAS, the court in the Coverage Action has ordered AEGIS to advance certain Defense Costs, subject to certain conditions;

WHEREAS, pursuant to such orders, as of the date of this Agreement, AEGIS had advanced a total amount of $13,272,744.76 for Defense Costs incurred by certain of the Individual Insureds in one or more of the lawsuits described above;

WHEREAS, the Debtors claim to have paid in excess of $82.5 million toward defense costs incurred by the Individual Insureds in one or more of the lawsuits described above and for attorney fees and legal expenses incurred to investigate,

negotiate, defend and settle the Securities Actions described above, and the Debtors and the Adelphia Recovery Trust contend that the Insurers are obligated to reimburse those amounts pursuant to the terms and conditions of the D&O Policies, subject to the D&O Policies' limits of liability;

WHEREAS, on April 25, 2005, the Debtors entered into a non-prosecution agreement with the United States by which Adelphia committed (subject to the terms and conditions of that agreement) to pay $715 million to be used to compensate security holders of Adelphia for losses suffered as a result of the securities law violations alleged in the two governmental actions described above, both brought on July 24, 2002, and the Debtors contend that the Insurers are obligated to pay that amount pursuant to the terms and conditions of the D&O Policies, subject to the D&O Policies' limits of liability;

WHEREAS, on April 25, 2005, the Debtors and John, Michael, Timothy and James Rigas and Peter Venetis entered into a Settlement Agreement by which they covenanted and agreed, *inter alia*, not to sue each other or in any manner assert, bring or commence any claim, action or proceeding against the other (except that the Debtors' covenant and agreement did not extend to John, Michael, and Timothy Rigas), on account of any obligation or liability arising from or relating to broad categories of matters, facts, transactions and occurrences, which covenant and agreement encompasses any claim for reimbursement of or indemnification against fees, costs and/or liabilities to pay sums in settlement or satisfaction of judgments that have been or may be incurred in connection with the criminal and civil actions described above, all as more particularly set forth in the Settlement Agreement;

WHEREAS, on November 20, 2006, the Debtors and the Insurers entered into a Settlement and Purchase Agreement by which the Debtors agreed to sell the D&O Policies back to the Insurers for Sale Consideration (as defined in that Agreement) totaling $32.5 million, which Agreement was conditioned upon Bankruptcy Court approval and the Court's issuance of a channeling injunction requiring that any claims against the Insurers relating to the D&O Policies attach to the $32.5 million sale proceeds and be channeled to the trust or other entity holding those funds;

WHEREAS, on January 16, 2007, James and Michael Rigas commenced an action captioned *Rigas, et al. v. Associated Electric & Gas Ins. Services, Ltd., et al.*, No. 07-CV-00168 (E.D. Pa.) (the "Bad Faith Action") by which the Rigases contend that by entering into the Settlement and Purchase Agreement, the Insurers violated their duty of good faith and fair dealing to their insureds, seek a judgment that the Insurers are obligated to continue advancing Defense Costs to the Rigases in excess of policy limits, and also seek consequential and punitive damages;

WHEREAS, on March 6, 2007, the Bankruptcy Court denied without prejudice the Debtor's motion seeking approval of the November 20, 2006, Settlement and Purchase Agreement (the "Settlement Motion") and declined to issue a channeling injunction and, therefore, the Settlement and Purchase Agreement never became effective;

WHEREAS, the Insurers dispute all liability under the D&O Policies, contend that the D&O Policies are and/or should be rescinded such that the Insurers are not obligated to make any payments on behalf of the Individual Insureds or the Debtors, and that to the extent the D&O Policies are not rescinded they nonetheless do not cover

any Defense Costs incurred in relation to or liabilities imposed in the criminal and civil actions described above, including the monies advanced to pay Defense Costs incurred by the Individual Insureds as described above, and seek recovery of all such amounts;

WHEREAS, the Insurers have raised certain objections to Debtors' plan of reorganization in the Bankruptcy Cases (collectively, the "Insurers' Objection"), which objections were resolved with the plan having been confirmed by the Bankruptcy Court;

WHEREAS, the Insurers have filed certain Proofs of Claim against the Debtors' estates;

WHEREAS, on March 22, 2007, the Debtors, the Adelphia Recovery Trust, and the Individual Insureds reached an agreement by which they agreed that the Insurers would pay certain amounts to resolve any and all claims the Debtors, the Adelphia Recovery Trust, and the Individual Insureds have or might have with respect to the D&O Policies, and the Debtors, the Adelphia Recovery Trust and the Individual Insureds agreed to a final allocation of said amounts among them (the "March 22, 2007, Memorandum of Understanding" or "MOU"), said agreement being conditional and binding if and only if the mediator charged with responsibility for the Securities Actions fully settled all seven Securities Actions on behalf of the four Independent Directors (Messrs. Gelber, Metros, Coyle and Kailbourne) for a total of no more than $14.5 million within thirty (30) days after March 22, 2007;

WHEREAS, on April 19, 2007, the mediator informed the Parties that the plaintiffs in the seven Securities Actions had agreed to settle those cases as against the four Independent Directors and to fully release those Independent Directors in return for amounts totaling to $14.5 million, thus satisfying the condition of the March 22, 2007,

Memorandum of Understanding and making the MOU binding on the parties to the MOU; and

WHEREAS, the Parties, subject to the terms and conditions of this Agreement, now wish fully and finally to compromise and resolve all disputes among them;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and intending to be legally bound hereby, the Parties hereby agree as follows:

I. DEFINITIONS

As used in this Agreement, the following terms have the following meanings:

1.1 "**Adelphia**" means Adelphia Communications Corporation and its estate and as a Reorganized Debtor.

1.2 "**Adelphia Recovery Trust**" means that trust established pursuant to the Plan, the Bankruptcy Court's order approving the Plan, and the Contingent Value Vehicle established pursuant to a Trust Agreement dated as of December 7, 2006, and a certificate of trust, filed with the Secretary of State of the State of Delaware on December 7, 2006, and governed by the Amended and Restated Declaration of Trust for Adelphia Contingent Value Vehicle dated as of February 13, 2007.

1.3 "**Adelphia RICO Action**" means *Adelphia Communications Corp. v. Rigas, et al.*, No. 02-8051 (Bankr. S.D.N.Y.).

1.4 "**Advances**" means those sums AEGIS has advanced to pay Defense Costs incurred by certain of the Individual Insureds, amounting to $13,272,744.76 advanced as of the date of this Agreement, which advancements are to be repaid to AEGIS if and when it is determined that the AEGIS Policy is rescinded or otherwise does not cover some or all of the advanced Defense Costs.

1.5 "**AEGIS Policy**" means AEGIS Policy No. D0999A1A00.

1.6 "**AEGIS Payment Date**" means the date (10) business days after the date on which the Bankruptcy Court's order granting the Bankruptcy Court Approval Motion becomes final by the passage of time or on appeal.

1.7 "**AEGIS Release Date**" means the date on which AEGIS fully pays its share of the Settlement Amount, as provided below in Section 2.1.

1.8 "**AEGIS's Reimbursement Rights**" means AEGIS's rights to recover all or some of the Advances.

1.9 **"Bad Faith Action"** means the action captioned *Rigas, et al. v. Associated Electric & Gas Insurance Services, Ltd., et al.*, No. 07-CV-00168 (MBB), which Michael and James Rigas commenced in the United States District Court for the Eastern District of Pennsylvania on January 16, 2007.

1.10 **"Bankruptcy Cases"** means the chapter 11 cases initiated by the voluntary petitions that the Debtors each filed under chapter 11 of the

Bankruptcy Code in the Bankruptcy Court, captioned as *In re Adelphia Communications Corp., et al.,* No. 02-41729 (REG) (Jointly Administered).

1.11 **"Bankruptcy Court"** means the United States Bankruptcy Court for the Southern District of New York, to the extent it exercises jurisdiction over the Bankruptcy Cases.

1.12 "**Bankruptcy Court Approval Motion**" means a motion filed by Adelphia with the Bankruptcy Court seeking approval of this Settlement Agreement.

1.13 "**Civil Litigation**" means all private civil actions other than the Securities Actions in which claimants seek to hold Individual Insureds liable for alleged misconduct in the course of their serving as directors and/or officers of Debtors or by reason of their being such directors and/or officers, including but not limited to the suit captioned *Adelphia Communications Corp. v. Deloitte & Touche*, No. 000598 (Court of Common Pleas, Philadelphia County);

1.14 **"Claim" or "Claims"** has the meaning set forth in section 101(5) of the Bankruptcy Code.

1.15 **"Coverage Action"** means the action captioned *Associated Electric & Gas Insurance Services, Ltd. v. Rigas*, No. Civ.A. 02-7444, which the

Insurers commenced in the United States District Court for the Eastern District of Pennsylvania on September 24, 2002.

1.16 "**Criminal Litigation**" means all investigations, actions or cases commenced by any governmental entity, including but not limited to the United States of America, alleging violations of any criminal law or regulation by any of the Individual Insureds and/or the Debtors, including but not limited to the proceedings captioned *United States v. Rigas, et al.*, No. 02-CRIM 1306 (S.D.N.Y.) and 02 MAG 1438 (S.D.N.Y.), all related proceedings and/or appeals therein, and the matters resolved by the non-prosecution agreement the Debtors entered into with the United States on April 25, 2005.

1.17 **"D&O Policies"** means the AEGIS Policy and the Excess Policies.

1.18 **"Debtors"** means Adelphia and all its affiliated debtors whose chapter 11 cases were jointly administered in the Bankruptcy Cases.

1.19 "**Defense Costs**" has the meaning set forth in the D&O Policies.

1.20 "**Effective Date**" means the date on which all court approval required to make the settlement agreements and releases resolving the seven Securities Actions as to the four Independent Directors, Venetis and Mulcahey valid, binding, and effective have been obtained and are no longer subject to appeal.

1.21 "**Excess Insurer Payment Date**" means the date ten (10) business days after the date on which the Excess Insurers receive written notice that all the conditions specified in paragraph 3.2 of this Agreement, below, have occurred. Such notice shall include copies of fully-executed settlement agreements and releases resolving the seven Securities Actions as to the four Independent Directors, Venetis and Mulcahey.

1.22 "**Excess Insurers**" means Federal and Greenwich.

1.23 "**Excess Policies**" means Federal Policy No. 8181-10-37, and Greenwich Policy No. 82137-00.

1.24 "**Independent Directors**" means Dennis P. Coyle, Leslie J. Gelber, Erland E. Kailbourne, and Pete J. Metros.

1.25 "**Individual Insureds**" means Dennis P. Coyle, Leslie J Gelber, Erland E. Kailbourne, Pete J. Metros, Michael C. Mulcahey, Doris Rigas, James P. Rigas, John J. Rigas, Michael J. Rigas, Timothy J. Rigas, and Peter L. Venetis, and Ellen Rigas Venetis.

1.26 **"Insurers"** means AEGIS, Federal and Greenwich.

1.27 **"Person"** means an individual; a corporation, including but not limited to the Debtors and their estates and as Reorganized Debtors; a partnership, a joint venture, an association, a joint stock company, a limited liability company, a limited liability partnership, an estate, an unincorporated

organization, a trust, including but not limited to the Adelphia Recovery Trust; a class or group of individuals, or any other entity or organization, including any federal, state or local governmental or quasi-governmental body or political subdivision, department, agency or instrumentality thereof.

1.28 "**Plan**" means the First Modified Fifth Amended Joint Chapter 11 Plan For Adelphia Communications Corporation And Certain Of Its Affiliated Debtors, as amended.

1.29 **"Proofs of Claim"** means the following proofs of claim filed by the Insurers against the Debtors' estate: (a) claim numbers 16317 and 16743 filed by AEGIS; (b) claim number 13464 filed by Federal; and (c) claim number 11156 filed by Greenwich.

1.30 "**SEC Proceedings**" means any and all investigations, inquiries and/or lawsuits commenced by the Securities and Exchange Commission concerning the Individual Insureds and/or the Debtors, including but not limited to the lawsuit captioned *Securities and Exchange Commission v. Adelphia Comm. Corp.*, et al., No. 02 Civ. 5776 (S.D.N.Y.).

1.31 "**Securities Actions**" means *In re Adelphia Communications Corp. Securities & Deriv. Litig.*, No. 03 MD 1529 (LMM) (S.D.N.Y.); *New York City Employees Retirement System v. Rigas, et al.*, No. 02-CV-9804 (S.D.N.Y.); *Los Angeles County Employees Retirement Association v.*

Rigas, et al., No. 03-CV-5750 (S.D.N.Y.); *Franklin Strategic Income Fund v. Rigas, et al.*, No. 03-CV-5751 (S.D.N.Y.); *Bent v. Rigas, et al.*, No. 03-CV-5793 (S.D.N.Y.); *New Jersey Division of Investment v. Rigas, et al.*, No. 03-CV-7300 (S.D.N.Y.); and *AIG DKR Soundshore Holdings, Ltd. v Kailbourne, et al.*, No. 117940/02 (N.Y. Sup. Ct.).

1.32 "**Securities Actions Settlement Fund**" means a fund established to hold and distribute (a) $14.5 million of the Settlement Amount pursuant to the settlement agreements made with the plaintiffs in the Securities Actions on behalf of the four Independent Directors, Peter Venetis, and Michael Mulcahey, and (b) $315,000 of the Settlement Amount that is payable to Mark J. Mahoney, defense counsel for Michael Mulcahey pursuant to this Agreement, all in accordance with an escrow agreement in the form attached hereto as Exhibit A.

1.33 "**Settlement Amount**" means the sum of $32,703,242.36, *including* the amount of the Advances

II. PAYMENT OF AEGIS'S PORTION OF THE SETTLEMENT AMOUNT, TERMINATION OF AEGIS POLICY, AND RELEASES

2.1 Conditioned on fulfillment of the conditions precedent identified in Paragraph 2.2 of this Agreement, AEGIS hereby agrees that on or before the AEGIS Payment Date, AEGIS shall pay the total amount of $7,529,075.20, by check, as follows:

1. (a) $3,665,492.60 (being $6,400,000, less Rigas defense costs paid by AEGIS since March 22, 2007) to or on behalf of the Rigases, as follows: (i) $1,300,000 to Dilworth Paxson, LLP, defense counsel for the Rigases, and

(ii) $2,365,492.60 to Treasure Lake, LP, the assignee of the Rigases, – less any Defense Costs that AEGIS will have advanced on behalf of one or more of the Rigases between November 19, 2007 and the AEGIS Release Date;

2. $850,000 to Peter Venetis

3. $100,000 to Mark J. Mahoney, defense counsel for Michael Mulcahey, and

4. $2,913,582,.60 into the Securities Actions Settlement Fund.

2.2 Before the payment obligations provided by Paragraph 2.1 of this Agreement, above, become binding, and the amounts described in said Paragraph become due and owing, (1) this Agreement must be executed by all Parties; and (2) the Bankruptcy Court must issue an order granting the Bankruptcy Court Approval Motion, and that order must become final by the passage of time or on appeal.

2.3 Upon the payment of AEGIS's portion of the Settlement Amount pursuant to Paragraph 2.1 of this Agreement, above, and without the need for execution and delivery of additional documentation, the Debtors, including each of the Debtors' estates and the Reorganized Debtors, the Adelphia Recovery Trust, and the Individual Insureds hereby irrevocably and unconditionally release and discharge AEGIS and its present, former and future parents, divisions, subsidiaries, affiliates, associates, representatives, predecessors, successors, heirs, owners, assigns, executors, estates and administrators, and their present, former and future directors, agents, partners, principals, officers, employees, trustees, insurers, reinsurers, representatives or any of them, and their attorneys (collectively, the "AEGIS Releasees") from, and waive any rights to assert, any and all Claims, rights, demands, losses or causes of action, or other interests in law or in equity, of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, against AEGIS and/or the AEGIS Releasees, or any of them, arising out of,

based on, or in any way involving, directly or indirectly, in whole or in part (i) the AEGIS Policy, (ii) any and all Claims, demands or causes of action made or that might be made for coverage under the AEGIS Policy for any lawsuit, claim or matter whatsoever, (iii) the Securities Actions, the Civil Litigation, the Criminal Litigation, the SEC Proceedings, and the Adelphia RICO Action, (iv) all matters at issue in the Coverage Action, the Bad Faith Action, and the Bankruptcy Cases, and (v) all Claims, demands or causes of action based upon or arising out of AEGIS's conduct and the conduct of litigation in the Bankruptcy Cases, the Bad Faith Action, and the Coverage Action.

2.4 Upon payment of AEGIS's portion of the Settlement Amount pursuant to Paragraph 2.1 of this Agreement, above, and without the need for execution and delivery of additional documentation, AEGIS, the Individual Insureds, the Adelphia Recovery Trust, and the Debtors agree that the AEGIS Policy shall be deemed terminated and shall no longer have any force or effect. In that event, the Individual Insureds, the Adelphia Recovery Trust, and the Debtors, including their estates and the reorganized Debtors, covenant and agree that none of them shall (i) file any claim or demand, commence or prosecute any litigation, action or proceeding of any nature against AEGIS relating to the matters released in Paragraph 2.3 of this Agreement, above, or (ii) directly or indirectly aid any Person in making any claim or demand or commencing or prosecuting any litigation, action or proceeding of any nature filed against AEGIS.

2.5 Upon payment of AEGIS's portion of the Settlement Amount pursuant to Paragraph 2.1 of this Agreement, above, and without the need for execution and delivery of additional documentation, AEGIS, on its own behalf and on behalf of its present,

former and future parents, divisions, subsidiaries, affiliates, associates, representatives, predecessors, successors, heirs, owners, assigns, executors, trustees, estates, purchasers and administrators, hereby releases and discharges the Individual Insureds, the Adelphia Recovery Trust, the Debtors, including each of the Debtors' estates and the reorganized Debtors, and their present, former and future parents, divisions, subsidiaries, affiliates, associates, representatives, predecessors, successors, heirs, owners, assigns, executors, estates and administrators, and their present, former and future directors, agents, partners, principals, officers, employees, trustees, insurers, reinsurers, representatives or any of them, and their attorneys (collectively, the "Insured Releasees") from, and waives any right to assert, any and all Claims, rights, demands, losses or causes of action, or other interests in law or in equity, of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, against the Debtors, the Adelphia Recovery Trust, the Individual Insureds, and/or the Insured Releasees, or any of them, arising out of, based on, or in any way involving directly or indirectly, in whole or in part (i) the AEGIS Policy, (ii) AEGIS's Reimbursement Rights, (iii) the Securities Actions, the Civil Litigation, the Criminal Litigation, the SEC Proceedings, and the Adelphia RICO Action, (iv) all matters at issue in the Coverage Action, the Bad Faith Action, and the Bankruptcy Cases, and (v) all Claims, demands, or causes of action based upon or arising out of the Individual Insureds' and the Debtors' conduct and the conduct of litigation in the Bankruptcy Cases, the Bad Faith Action, and the Coverage Action. Effective on the AEGIS Release Date, AEGIS shall be deemed to have withdrawn its support for Insurers' Objection, and to have withdrawn its Proofs of Claim, with prejudice, and the Debtors

shall be deemed to have withdrawn their objections to AEGIS's Proofs of Claim, with prejudice.

2.6 Upon payment of AEGIS's portion of the Settlement Amount pursuant to Paragraph 2.1 of this Agreement, above, and without the need for execution and delivery of additional documentation, AEGIS shall dismiss all of its claims in the Coverage Action as to the Parties to this Agreement, with prejudice, with each Party bearing its/his own costs and attorney fees. AEGIS shall have no obligation to dismiss any claims as to any Person who is not a Party to this Agreement.

2.7 Upon payment of AEGIS's portion of the Settlement Amount pursuant to Paragraph 2.1 of this Agreement, above, and without the need for execution and delivery of additional documentation, Doris Rigas, James P. Rigas, John J. Rigas, Michael J. Rigas, Timothy J. Rigas, Ellen Rigas Venetis, and Peter L. Venetis hereby irrevocably and unconditionally release and discharge the Excess Insurers and their present, former and future parents, divisions, subsidiaries, affiliates, associates, representatives, predecessors, successors, heirs, owners, assigns, executors, estates and administrators, and their present, former and future directors, agents, partners, principals, officers, employees, trustees, insurers, reinsurers, representatives or any of them, and their attorneys (collectively, the "Excess Insurer Releasees") from, and waive any right to assert, any and all Claims, rights, demands, losses or causes of action, or other interests in law or in equity, of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, against the Excess Insurers and/or the Excess Insurer Releasees, or any of them, arising out of, based on, or in any way involving, directly or

indirectly, in whole or in part (i) the Excess Policies, (ii) any and all Claims, demands or causes of action made or that might be made for coverage under the Excess Policies for any lawsuit, claim or matter whatsoever, (iii) the Securities Actions, the Civil Litigation, the Criminal Litigation, the SEC Proceedings, and the Adelphia RICO Action, (iv) all matters at issue in the Coverage Action, the Bad Faith Action, and the Bankruptcy Cases, and (v) all Claims, demands or causes of action based upon or arising out of the Excess Insurers' conduct and the conduct of litigation in the Bankruptcy Cases, the Bad Faith Action, and the Coverage Action.

2.8 Upon payment of AEGIS's portion of the Settlement Amount pursuant to Paragraph 2.1 of this Agreement, above, and without the need for execution and delivery of additional documentation, Doris Rigas James P. Rigas, John J. Rigas, Michael J. Rigas, Timothy J. Rigas, Ellen Rigas Venetis, and Peter L. Venetis covenant and agree that none of them shall (i) file any claim or demand, commence or prosecute any litigation, action or proceeding of any nature against the Excess Insurers relating to the matters released in Paragraph 2.7 of this Agreement or (ii) directly or indirectly aid any Person in making any claim or demand or commencing or prosecuting any litigation, action or proceeding of any nature filed against the Excess Insurers.

2.9 Upon payment of AEGIS's portion of the Settlement Amount pursuant to Paragraph 2.1 of this Agreement, above, and without the need for execution and delivery of additional documentation, the Excess Insurers, on their own behalf and on behalf of their present, former and future parents, divisions, subsidiaries, affiliates, associates, representatives, predecessors, successors, heirs, owners, assigns, executors, trustees,

estates, purchasers and administrators, hereby release and discharge Doris Rigas, James P. Rigas, John J. Rigas, Michael J. Rigas, Timothy J. Rigas, Ellen Rigas Venetis, and Peter L. Venetis, and their present, former and future associates, representatives, predecessors, successors, heirs, assigns, executors, estates and administrators, and their present, former and future agents, partners, principals, employees, trustees, insurers, representatives or any of them, and their attorneys (collectively, the "Group I Insured Releasees") from, and waive any right to assert, any and all Claims, rights, demands, losses or causes of action, or other interests in law or in equity, of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, against Doris Rigas, James P. Rigas, John J. Rigas, Michael J. Rigas, Timothy J. Rigas, Ellen Rigas Venetis, and Peter L. Venetis and/or the Group I Insured Releasees, or any of them, arising out of, based on, or in any way involving directly or indirectly, in whole or in part (i) the Excess Policies, (ii) the Securities Actions, the Civil Litigation, the Criminal Litigation, the SEC Proceedings, and the Adelphia RICO Action, (iii) all matters at issue in the Coverage Action, the Bad Faith Action, and the Bankruptcy Cases, and (iv) all Claims, demands, or causes of action based upon or arising out of Doris Rigas, James P. Rigas, John J. Rigas, Michael J. Rigas, Timothy J. Rigas, Ellen Rigas Venetis, and Peter L. Venetis's conduct and the conduct of litigation in the Bankruptcy Cases, the Bad Faith Action, and the Coverage Action.

2.10 Upon payment of AEGIS's portion of the Settlement Amount pursuant to Paragraph 2.1 of this Agreement, above, and without the need for execution and delivery of additional documentation, the Excess Insurers shall dismiss their claims in the Coverage Action, with prejudice, insofar as those claims are or may be asserted against

Doris Rigas, James P. Rigas, John J. Rigas, Michael J. Rigas, Timothy J. Rigas, Ellen Rigas Venetis, and Peter L. Venetis with each party thereto bearing its/his own costs and attorney fees.

2.11 Upon payment of AEGIS's portion of the Settlement Amount pursuant to Paragraph 2.1 of this Agreement, above, and without the need for execution and delivery of additional documentation, Michael and James Rigas shall dismiss the Bad Faith Action in its entirety, with prejudice, with each party thereto bearing its/his own costs and attorney fees.

2.12 If the conditions precedent set forth in Paragraph 2.2 of this Agreement, above, are not fully satisfied, or if for any reason the payments required by Paragraph 2.1 of this Agreement are not made on or before the AEGIS Payment Date, the obligations and releases provided by Paragraphs 2.1 and 2.3 through 2.11, of this Agreement, above, shall not have any force or effect, and the Parties shall return to the status quo *ante* as of March 21, 2007. However, the Rigases shall not be obligated by this Agreement to return any advances made to them after March 21, 2007. Such advancements shall be treated in the same manner as advancements made prior to March 21, 2007.

III. PAYMENT OF THE EXCESS INSURERS' PORTION OF THE SETTLEMENT AMOUNT, TERMINATION OF THE EXCESS POLICIES, AND RELEASES

3.1 Conditioned on fulfillment of the conditions precedent identified in Paragraph 3.2 of this Agreement, below, Federal and Greenwich hereby agree that on or before the Excess Insurer Payment Date, each of them severally and not jointly shall pay

its allocated share of the Settlement Amount into the Securities Actions Settlement Fund; specifically, Federal will pay $7,140,850.44 and Greenwich will pay $4,760,566.96.

3.2 Before the payment obligations provided by Paragraph 3.1 of this Agreement, above, become binding, and the amounts described in said Paragraph become due and owing, the following must occur: (1) this Agreement must be executed by all Parties; (2) the Bankruptcy Court must issue an order granting the Bankruptcy Court Approval Motion, and that order must become final by the passage of time or on appeal; (3) AEGIS must have fulfilled its payment obligations pursuant to Paragraph 2.1 of this Agreement; (4) all four Independent Directors, Peter Venetis and Mulcahey must have executed with all the plaintiffs in the seven Securities Actions formal settlement agreements in a form approved by the Excess Insurers, such approval not to be unreasonably withheld, finally resolving all seven Securities Actions insofar as they are or may be asserted against the Independent Directors, Peter Venetis, and Mulcahey, and fully releasing each of the Independent Directors, Peter Venetis and Mulcahey from any and all actual or potential liability for alleged misconduct in the course of their serving as directors and/or officers of Debtors or by reason of their being such directors and/or officers, in return for payments by the Insurers on behalf of the Independent Directors, Peter Venetis and Mulcahey totaling collectively among all seven Securities Actions to no more than $14.5 million; and the Adelphia Recovery Trust will cause the RICO action to have been dismissed as to Michael Mulcahey.

3.3 The Excess Insurers are not obligated under this Agreement and in no event shall the Excess Insurers have any obligation under this Agreement to pay any fees

and costs relating to the negotiation of settlement agreements finally resolving all seven Securities Actions, seeking approval of such settlement agreements, and providing notice to the class of such settlement agreements.

3.4 Upon the Effective Date, and without the need for execution and delivery of additional documentation, the Debtors, including each of the Debtors' estates and the reorganized Debtors, the Adelphia Recovery Trust, Mulcahey and the Independent Directors hereby irrevocably and unconditionally release and discharge the Excess Insurers and their present, former and future parents, divisions, subsidiaries, affiliates, associates, representatives, predecessors, successors, heirs, owners, assigns, executors, estates and administrators, and their present, former and future directors, agents, partners, principals, officers, employees, trustees, insurers, reinsurers, representatives or any of them, and their attorneys (collectively, the "Excess Insurer Releasees") from, and waive any right to assert, any and all Claims, rights, demands, losses or causes of action, or other interests in law or in equity, of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, against the Excess Insurers and/or the Excess Insurer Releasees, or any of them, arising out of, based on, or in any way involving, directly or indirectly, in whole or in part (i) the Excess Policies, (ii) any and all Claims, demands or causes of action made or that might be made for coverage under the Excess Policies for any lawsuit, claim or matter whatsoever, (iii) the Securities Actions, the Civil Litigation, the Criminal Litigation, the SEC Proceedings, and the Adelphia RICO Action, (iv) all matters at issue in the Coverage Action, the Bad Faith Action, and the Bankruptcy Cases, and (v) all Claims, demands or causes of action based upon or

arising out of the Excess Insurers' conduct and the conduct of litigation in the Bankruptcy Cases, the Bad Faith Action, and the Coverage Action.

3.5 Upon the Effective Date, and without the need for execution and delivery of additional documentation, the Excess Policies shall be deemed terminated and shall no longer have any force or effect. In that event, the Independent Directors, Mulcahey, the Adelphia Recovery Trust, and the Debtors, including their estates and the Reorganized Debtors, covenant and agree that none of them shall (i) file any claim or demand, commence or prosecute any litigation, action or proceeding of any nature against the Excess Insurers relating to the matters released in Paragraph 3.4 of this Agreement, above, or (ii) directly or indirectly aid any Person in making any claim or demand, or commencing or prosecuting any litigation, action or proceeding of any nature filed against the Excess Insurers.

3.6 Upon the Effective Date, and without the need for execution and delivery of additional documentation, the Excess Insurers, on their own behalf and on behalf of their present, former and future parents, divisions, subsidiaries, affiliates, associates, representatives, predecessors, successors, heirs, owners, assigns, executors, trustees, estates, purchasers and administrators hereby release and discharge the Independent Directors, Mulcahey, the Adelphia Recovery Trust, the Debtors, including each of the Debtors' estates and the Reorganized Debtors, and their present, former and future parents, divisions, subsidiaries, affiliates, associates, representatives, predecessors, successors, heirs, owners, assigns, executors, estates and administrators, and their present, former and future directors, agents, partners, principals, officers, employees,

trustees, insurers, reinsurers, representatives or any of them, and their attorneys (collectively, the "Group II Insured Releasees") from, and waive any right to assert, any and all Claims, rights, demands, losses or causes of action, or other interests in law or in equity, of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, against the Debtors, the Adelphia Recovery Trust, the Independent Directors, Mulcahey, and/or the Group II Insured Releasees, or any of them, arising out of, based on, or in any way involving directly or indirectly, in whole or in part (i) the Excess Policies, (ii) the Securities Actions, the Civil Litigation, the Criminal Litigation, the SEC Proceedings, and the Adelphia RICO Action, (iii) all matters at issue in the Coverage Action, the Bad Faith Action, and the Bankruptcy Cases, and (iv) all Claims, demands, or causes of action based upon or arising out of the Individual Insureds' and the Debtors' conduct and the conduct of litigation in the Bankruptcy Cases, the Bad Faith Action, and the Coverage Action. Effective on the Effective Date, the Excess Insurers shall have be deemed to have withdrawn their support for the Insurers' Objection, and to have withdrawn their Proofs of Claim, with prejudice, and the Debtors shall be deemed to have withdrawn their objections to the Excess Insurers' Proofs of Claim, with prejudice.

3.7 Upon the Effective Date, and without the need for execution and delivery of additional documentation, the Excess Insurers shall dismiss all of their claims in the Coverage Action as to the Parties to this Agreement, with prejudice, with each Party bearing its/his own costs and attorney fees. The Excess Insurers shall have no obligation to dismiss any claims as to any person who is not a Party to this Agreement.

3.8 Upon the Effective Date, and without the need for execution and delivery of additional documentation, the Independent Directors, Mulcahey, and Venetis hereby irrevocably and unconditionally release and discharge the Adelphia Recovery Trust, the Debtors, including each of the Debtors' estates, the Reorganized Debtors, and their attorneys (collectively, the "Adelphia Releasees") from, and waive any rights to assert, any and all Claims, rights, demands, losses or causes of action, or other interests in law or in equity, of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, against the Adelphia Recovery Trust, the Debtors and/or the Adelphia Releasees, or any of them, arising out of, based on, or in any way involving directly or indirectly, in whole or in part (i) the D&O Policies, (ii) any indemnification obligations of the Debtors pursuant to their corporate charters and by-laws, including but not limited to those obligations of the Debtors and Estates as provided by Section 16.23(a) of Plan, (iii) AEGIS's Reimbursement Rights, (iv) all matters at issue in the Coverage Action, the Bad Faith Action, and the Bankruptcy Cases, and (v) all Claims based upon or arising out of the Debtors' conduct and the conduct of litigation in the Bankruptcy Case and the Coverage Action.

3.9 Notwithstanding the foregoing release provided by Paragraph 3.8(ii) of this Agreement, above, the prepetition indemnity obligations of the Debtors pursuant to their corporate charters and by-laws shall continue as obligations of each of the Debtors and the Estates as provided in Section 16.23(a) of the Plan, but shall be limited to the reimbursement of reasonable expenses (*i.e.*, reasonable attorney fees and travel & lodging costs) the Independent Directors may incur after the AEGIS Release Date in connection with their being subpoenaed to testify or otherwise required or asked by the Debtor to

cooperate in the prosecution or defense of Adelphia-related litigation, and shall be limited to an aggregate amount not to exceed $250,000.00.

3.10 (a) The Claims, rights, demands, losses, causes of action, and other interests in law and in equity described in Paragraphs 3.4 and 3.6 of this Agreement are collectively referred to as "Excess Insurer Released Claims."

(b) In exchange for the consideration set forth in this Agreement and effective upon the execution of this Agreement by all Parties, the Debtors, the Adelphia Recovery Trust, the Independent Directors, and Mulcahey covenant and agree not to sue or to assert or to prosecute, institute or cooperate in the institution, commencement, filing, or prosecution of any suit or proceeding against either Excess Insurer, in any forum, that is based upon, in consequence of, arises out of or relates in any way in whole or in part to any Excess Insurer Released Claims.

(c) In exchange for the consideration set forth in this Agreement and effective upon the execution of this Agreement by all Parties, the Excess Insurers covenant and agree not to sue or to assert or to prosecute, institute or cooperate in the institution, commencement, filing, or prosecution of any suit or proceeding against the Debtors, the Adelphia Recovery Trust, the Independent Directors, or Mulcahey, in any forum, that is based upon, in consequence of, arises out of or relates in any way in whole or in part to any Excess Insurer Released Claims.

(d) The Excess Insurers, the Debtors, the Adelphia Recovery Trust, the Independent Directors, and Mulcahey agree that, with respect to any claim not brought by

reason of the provisions of this Paragraph 3.10, any defense based on the passage of time including, but not limited to any applicable statute of limitations, statutes of repose, or theory of laches, estoppel or waiver under any federal or state statutory or common law or otherwise by virtue of the passage of time, shall be tolled for the period beginning on March 22, 2007 and ending sixty (60) days after any Party provides written notice verifying that the conditions precedent set forth in Paragraph 3.2 of this Agreement, above, are not and cannot be fully satisfied; provided, however, that nothing in this Agreement shall apply to extend any statutes of limitations or other time periods which may have expired prior to the beginning of such period.

3.11 If the Effective Date does not occur for any reason, (i) the obligations and releases provided by Paragraphs 3.1 and 3.3 through 3.8 of this Agreement, above, shall not have any force or effect, (ii) the portions of the Settlement Amount paid by the Excess Carriers into the Securities Actions Settlement Fund and all interest on earned on such portions shall be returned to the Excess Carriers, and (iii) the Parties subject to Section III of this Agreement – *i.e.*, the Debtors, the Adelphia Recovery Trust, the Independent Directors, Mulcahey and the Excess Insurers – shall, with respect to the matters encompassed by said Section III, return to the status quo *ante* as of March 21, 2007.

3.12 The Parties subject to Section III of this Agreement agree that AEGIS's payments to date and AEGIS's payments pursuant to Paragraph 2.1 of this Agreement do not exhaust the limit of the AEGIS Policy. The Parties subject to Section III of this Agreement further agree that, if they return to the status quo *ante* as of March 21, 2007,

per Paragraph 3.11 of this Agreement, any arguments that such Parties may have with respect to whether the limit of the AEGIS Policy needs to be exhausted and, if so, has been exhausted, are preserved, including, without limitation, whether the payment of money to Mulcahey pursuant to Paragraph 2.1 contributes to the exhaustion of the AEGIS Policy. Nothing in this Paragraph 3.12 shall limit or otherwise affect the releases provided to AEGIS in Section II of this Agreement.

3.13 The Parties subject to Section III of this Agreement agree that, if they return to the status quo *ante* as of March 21, 2007, per Paragraph 3.11 of this Agreement, all funds remaining in the Securities Actions Settlement Fund (after the portions of the Settlement Amount paid by the Excess Carriers into the Securities Actions Settlement Fund and all interest on earned on such portions has been returned to the Excess Carriers pursuant to Paragraph 3.11 above) shall be paid into the Bankruptcy Court, by interpleader or otherwise, and treated as proceeds of the AEGIS Policy to be distributed in accordance with the terms and conditions of the AEGIS Policy as determined by the Bankruptcy Court. If for any reason such funds cannot be paid into the Bankruptcy Court, then such funds shall be paid into the United States District Court for the Southern District of New York, by interpleader or otherwise, to be distributed in accordance with the terms and conditions of the AEGIS Policy as determined by that court.

IV. REPRESENTATIONS AND WARRANTIES OF THE PARTIES

4.1. Each of the Parties separately represents and warrants as follows:

(a) It/he has the requisite power and authority to enter into this Agreement and to perform the obligations imposed on it by this Agreement;

(b) It/he is the owner of and has not assigned or transferred any of the claims, demands, actions and/or causes of action released by each of them herein. If, contrary to this representation and warranty, any Party assigned or has assigned such right to any other person or entity, that Party shall defend, indemnify, and hold harmless the other Parties with respect to any claim or action brought by an assignee of any interest assigned contrary to this representation and warranty;

(c) The execution and delivery of, and the performance of the obligations contemplated by, this Agreement have been approved by duly authorized representatives of the Party, and by all other necessary actions of the Party;

(d) Each Party has expressly authorized its undersigned representative to execute this Agreement on the Party's behalf as its duly authorized agent;

(e) This Agreement has been thoroughly negotiated and analyzed by its/his counsel and has been executed and delivered in good faith, pursuant to arms' length negotiations, and for value and valuable consideration.

4.2. Adelphia, the Debtors, the Adelphia Recovery Trust, and the Individual Insureds represent that, to the best of their knowledge, no current or former directors, officers, or trustees of Adelphia, the Debtors, or Adelphia Business Solutions, Inc., other than the Individual Insureds, are currently defendants in any pending lawsuit arising out of or based on, in whole or in part, the Securities Actions, the Civil

Litigation, the Criminal Litigation, the SEC Proceedings, and the Adelphia RICO Action or any of the facts or circumstances alleged therein.

V. GENERAL TERMS AND CONDITIONS

5.1 This Agreement constitutes a single integrated written contract that expresses the entire agreement and understanding between the Parties with respect to matters that are the subject of this Agreement. Except as otherwise expressly provided, this Agreement supersedes all prior communications, settlements, and understandings between the Parties and their representatives regarding the matters addressed by this Agreement. Except as explicitly set forth in this Agreement, there are no representations, warranties, promises, or inducements, whether oral, written, expressed, or implied, that in any way affect or condition the validity of this Agreement or alter or supplement its terms. Any statements, promises, or inducements, whether made by any Party or any agents of any Party, that are not contained in this Agreement shall not be valid or binding.

5.2 Except as necessary to enforce any undertakings set forth in this Agreement, nothing contained in this Agreement is or shall be deemed to be (a) an admission by the Insurers that any Party was or is entitled to any insurance coverage with respect to any Claims or as to the validity of any of the coverage positions that have been or could have been asserted by such Party; or (b) an admission by Debtors or the Individual Insureds as to the validity of any of the coverage positions or defenses to coverage that have been or could have been asserted by the Insurers with respect to any Claims.

5.3 By entering into this Agreement, the Parties have not waived nor shall be deemed to have waived any right, obligation, privilege, defense or position they may have asserted or might assert in connection with any Claim, matter, Person or insurance policy outside the scope of this Agreement. Without limiting the foregoing sentence and notwithstanding Paragraphs 2.5 and 3.6 above, the Insurers expressly reserve, and do not waive any and all rights they have under the D&O Policies and at law with respect to any person or entity who is not a Party to this Agreement and who may seek coverage under the D&O Policies, including but not limited to any arguments the Insurers may have with respect to whether the limit of any of the D&O Policies needs to be exhausted and, if so, has been exhausted.

5.4 This Agreement represents a compromise of disputed Claims and shall not be deemed an admission or concession by any Party of liability, culpability, or wrongdoing. The Insurers' entry into this Agreement does not constitute an endorsement of any plan of reorganization for the Debtors or a statement of position of any kind as to whether any such plan of reorganization as proposed or confirmed is lawful or unlawful.

5.5 The Parties intend that the execution and performance of this Agreement shall, as provided above, be effective as a full and final settlement of, and as a bar to, the claims released pursuant to Sections II and III (collectively, the "Released Claims"). The Parties hereto covenant and agree that if they hereafter discovery facts different from or in addition to the facts that they now know or believe to be true with respect to the subject matter of this Agreement, it is nevertheless their intent hereby to settle and release fully and finally the Released Claims. In furtherance of such intention, the releases

herein shall be and will remain in effect as releases notwithstanding the discovery of any such different or additional facts. It is expressly understood and agreed by the Parties that the Release Claims may encompass claims or matters the nature of which have not yet been discovered, and it is understood and agreed that to the extent they may be alleged to be applicable, all protections under California Civil Code § 1542, which reads, "A GENERAL RELEASE DOES NOT EXTEND TO THE CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR," or any similar provision of the statutory or nonstatutory law of any other jurisdiction, are hereby waived.

5.6 Each Party agrees to take such steps and to execute such documents as may be reasonably necessary or proper to effectuate the purpose and intent of this Agreement and to preserve its validity and enforceability.

5.7 This Agreement was negotiated among the Parties hereto at arm's length and in good faith, with each Party receiving advice from independent legal counsel. It is agreed among the Parties hereto that this is not an insurance contract and that no special rules of construction apply to this Agreement, including the doctrine of contra proferentem.

5.8 All notices, demands, payments, accountings or other communications that any Party desires or is required to give shall be given in writing and shall be deemed to have been given if hand delivered, faxed, or mailed by United States first-class mail,

postage prepaid, to the Parties at the addresses noted below, or such other address as any Party may designate in writing from time to time:

If to the Debtors:	Barry D. Shalov, Member Quest Turnaround Advisors RiverView at Purchase 287 Bowman Avenue Purchase, NY 10577
With a copy to:	Donald W. Brown, Esq. Covington & Burling LLP One Front Street San Francisco, CA 94111
If to the Adelphia Recovery Trust:	Adelphia Recovery Trust c/o Dean A. Ziehl, Esq. Pachulski Stang Ziehl & Jones LLP 919 North Market Street, 17th Floor P.O. Box 8705 Wilmington, DE 19899-8705
With a copy to:	Deirdre E. Connell Jenner & Block LLP 330 N. Wabash Chicago IL 60611
If to AEGIS:	Helen Lynch, Esq. Associated Electric & Gas Insurance Services Ltd. One Meadowlands Plaza Rutherford, New Jersey 07073
With a copy to:	Michael R. Goodstein, Esq. Bailey Cavalieri LLC One Columbus 10 West Broad Street, Suite 2100 Columbus, Ohio 43215-3422
If to Federal:	Irene Petillo, Esq. Chubb & Son, a division of Federal Insurance Company 15 Mountain View Road Warren, New Jersey 07059

With a copy to:	Peter R. Bisio, Esq. Hogan & Hartson, LLP 555 13th Street, N.W. Washington, D.C. 20004-1109
If to Greenwich:	Steven J. Gladstone, Esq. XL Professional 100 Constitution Plaza, 17th Floor Hartford, Connecticut 06103
With a copy to:	Leslie S. Ahari, Esq. Ross, Dixon & Bell, LLP 2001 K Street, N.W., Washington, D.C. 20006
If to Dennis P. Coyle:	Alvin B. Davis, P.A. Squire, Sanders & Dempsey L.L.P. 200 South Biscayne Boulevard Suite 4000 Miami, FL 33131
With a copy to:	Alvin B. Davis, P.A. Squire, Sanders & Dempsey L.L.P. 200 South Biscayne Boulevard Suite 4000 Miami, FL 33131
If to Leslie J. Gelber:	Alvin B. Davis, P.A. Squire, Sanders & Dempsey L.L.P. 200 South Biscayne Boulevard Suite 4000 Miami, FL 33131
With a copy to:	Alvin B. Davis, P.A. Squire, Sanders & Dempsey L.L.P. 200 South Biscayne Boulevard Suite 4000 Miami, FL 33131
If to Erland E. Kailbourne:	Alvin B. Davis, P.A. Squire, Sanders & Dempsey L.L.P. 200 South Biscayne Boulevard Suite 4000 Miami, FL 33131
With a copy to:	Alvin B. Davis, P.A. Squire, Sanders & Dempsey L.L.P. 200 South Biscayne Boulevard Suite 4000 Miami, FL 33131
If to Pete J. Metros:	5204 Newstead Manor Lane

	Raleigh, NC 27606
With a copy to:	Stephen M. Kramarsky Dewey Pegno & Kramarsky LLP 220 East 42nd Street New York, NY 10017
If to Michael C. Mulcahey:	119 Maple Street Port Allegany, PA 16743-1348
With a copy to:	Mark J. Mahoney Harrington & Mahoney 1620 Statler Towers Buffalo, New York 14202
If to Doris Rigas, James P. Rigas, John J. Rigas, Michael J. Rigas, or Timothy J. Rigas:	769 Route 49 East P.O. Box 850 Coudersport, PA 16915
With a copy to:	Lawrence McMichael Dilworth Paxson LLP 3200 Mellon Bank Center 1735 Market Street Philadelphia, PA 19103-7595
If to Peter L. Venetis:	20 West 75th Street, Apt. 3 New York, NY 10023
With a copy to:	Jeffrey T. Golenbock Golenbock Eiseman Assor Bell & Peskoe LLP 437 Madison Avenue New York, NY 10022

5.9 Titles and captions contained in the Agreement are inserted only as a matter of convenience and are for reference purposes only. Such titles and captions in no way are intended to define, limit, expand or describe the scope of this Agreement, nor the intent of any provision thereof.

5.10 This Agreement may be executed in counterpart originals, all of which, when so executed and taken together, shall be deemed an original and all of which shall

constitute one and the same instrument. Each counterpart may be delivered by facsimile or emailed (as a .pdf attachment), and a faxed or emailed signature shall have the same force and effect as an original signature.

5.11 The Parties agree that before resorting to litigation they will attempt to resolve informally any disputes arising under this Agreement through good faith negotiations for a period of sixty (60) days after written notification regarding such dispute.

5.12 Except as expressly provided by this Agreement or by the Plan, this Agreement shall not be assignable by any Party hereto without the prior written consent of all of the Parties.

5.13 This Agreement may not be amended, altered or modified except by a written agreement duly executed by each Party (or its/his successors or assigns).

5.14 Neither the waiver by a Party hereto of a breach of or a default under any of the provisions of this Agreement, nor the failure of a Party, on one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right or privilege hereunder shall thereafter be construed as a waiver of any subsequent breach or default of a similar nature, or as a waiver of any such provisions, rights, or privileges hereunder.

5.15 Negotiations leading up to this Agreement and all related discussions and negotiations shall be deemed to fall within the protection afforded to compromises and to offers to compromise by Rule 408 of the Federal Rules of Evidence and any similar state law provisions. Any evidence of the terms of this Agreement or negotiations or

discussions associated with this Agreement shall be inadmissible in any action or proceeding for purposes of establishing any rights, duties, or obligations of the Parties, except in (i) an action or proceeding to enforce the terms of this Agreement, (ii) any possible action or proceeding between the Insurers and any of their reinsurers, (iii) as otherwise directed by any court of competent jurisdiction, or (iv) as otherwise provided herein. This Agreement shall not be used as evidence or in any other manner, in any court or dispute resolution proceeding, to create, prove, or interpret the Parties' obligations under any insurance policy.

IN WITNESS WHEREOF, the Parties, by their duly authorized representatives, have caused this Agreement to be duly executed as of the date set forth with the respective signatures below:

The Debtors, as defined above:

By: _____

Name: _____

Title: _____

Date: _____

Adelphia Recovery Trust:

By: _____

Name: _____

Title: _____

Date: _____

Associated Electric & Gas Insurance Services Limited:

By: _____

Name: _____

Title: _____

Date: _____

The Debtors, as defined above:

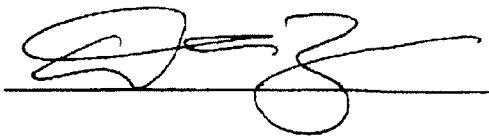
By: _____

Name: _____

Title: _____

Date: _____

Adelphia Recovery Trust:

By:  _____

Name: DEAN A. ZIEHL

Title: TRUSTEE

Date: 12/21/07

Associated Electric & Gas Insurance Services Limited:

By: _____

Name: _____

Title: _____

Date: _____

The Debtors, as defined above:

By: _____

Name: _____

Title: _____

Date: _____

Adelphia Recovery Trust:

By: _____

Name: _____

Title: _____

Date: _____

Associated Electric & Gas Insurance Services Limited:

By: _____

Name: MICHAEL GOODSTEIN

Title: OUTSIDE COUNSEL

Date: 2/4/08

Chubb and Son, a division of Federal Insurance Company:

By: _____

Name: _____

Title: _____

Date: _____

Greenwich Insurance Company:

By: [signature]

Name: Steven Gladstone

Title: Sr. Vice President

Date: 12/21/07

Dennis P. Coyle:

_____

Date: _____

Chubb and Son, a division of Federal Insurance Company:

By: _____

Name: Tracy S. Trac

Title: Senior Claims Officer

Date: 12/28/07

Greenwich Insurance Company:

By: _____

Name: _____

Title: _____

Date: _____

Dennis P. Coyle:

_____

Date: _____

Chubb and Son, a division of Federal Insurance Company:

By: _____

Name: _____

Title: _____

Date: _____

Greenwich Insurance Company:

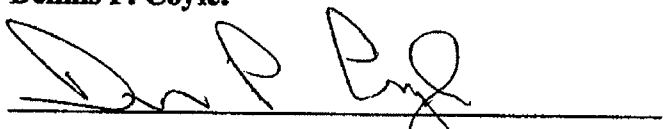
By: _____

Name: _____

Title: _____

Date: _____

Dennis P. Coyle:



Date: January 7, 2005

James P. Rigas:

James P Rigas

Date: 11/27/07

John J. Rigas:

John J Rigas

Date: 11/19/07

Michael J. Rigas:

Michael J. Rigas

Date: 11/27/07

Timothy J. Rigas:

Timothy J Rigas

Date: 11/19/07

Ellen Rigas Venetis:

_____

Date: _____

Pete J. Metros:

Date: January 4, 2008

Michael C. Mulcahey:

Date: _____

Doris Rigas:

Date: _____

James P. Rigas:

Date: _____

John J. Rigas:

Date: _____

Michael J. Rigas:

Date: _____

Leslie J. Gelber:

_____

Date: _____

Erland E. Kailbourne:

_____

Date: _____

Pete J. Metros:

_____

Date: _____

Michael C. Mulcahey:

_____

Date: _____

Doris Rigas:

Doris M. Rigas

Date: 11/30/07

Leslie J. Gelber:

_____

Date: _____

Erland E. Kailbourne:

_____

Date: _____

Pete J. Metros:

_____

Date: _____

Michael C. Mulcahey:

Michael Mulcahey

Date: 11/26/07

Doris Rigas:

_____

Date: _____

James P. Rigas:

_____

Date: _____

John J. Rigas:

_____

Date: _____

Michael J. Rigas:

_____

Date: _____

Timothy J. Rigas:

_____

Date: _____

Ellen Rigas Venetis:

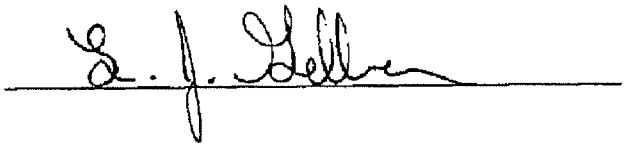
Ellen Rigas Venetis

Date: 12/3/07

Peter L. Venetis:

Date: 12/4/07

Leslie J. Gelber:



Date: _____

Erland E. Kailbourne:

_____

Date: _____

Pete J. Metros:

_____

Date: _____

Michael C. Mulcahey:

_____

Date: _____

Doris Rigas:

_____

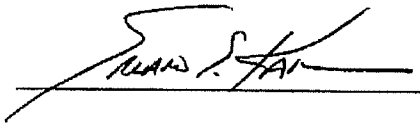
Date: _____

Leslie J. Gelber:

_____

Date: _____

Erland E. Kailbourne:



Date: JAN - 14 - 2008

Pete J. Metros:

_____

Date: _____

Michael C. Mulcahey:

_____

Date: _____

Doris Rigas:

_____

Date: _____

Error! Unknown switch argument.

ESCROW AGREEMENT

This Escrow Agreement ("Agreement") is made and entered into as of December __, 2007, by and among Adelphia Communications Corporation and its estate and as a Reorganized Debtor, and its affiliated Reorganized Debtors, Dennis P. Coyle, Leslie J. Gelber, Erland E. Kailbourne, Pete J. Metros, Michael C. Mulcahey, Associated Electric & Gas Insurance Services Limited, Federal Insurance Company, Greenwich Insurance Company, and U.S. Bank, as escrow agent ("Escrow Agent") (each a "Party," and collectively the "Parties").

WHEREAS, on November 19, 2007, all the Parties (other than the Escrow Agent) entered into a separate Settlement Agreement, a true and correct copy of which is attached hereto as Exhibit A and by reference incorporated herein;

WHEREAS, except to the extent otherwise defined herein, all capitalized terms used in this Agreement shall have the meanings ascribed to them in the Settlement Agreement;

WHEREAS, the Parties who also are parties to the Settlement Agreement (the "Settling Parties") agreed to establish a Securities Actions Settlement Fund in the form of an escrow account ("Escrow Account") to hold and distribute (a) $14.5 million of the Settlement Amount pursuant to the settlement agreements made with the plaintiffs in the Securities Actions on behalf of the four Independent Directors, Peter Venetis, and Michael Mulcahey, and (b) $315,000 of the Settlement Amount that is payable to Michael Mulcahey, in accordance with an escrow agreement in the form of this Agreement;

WHEREAS, the Escrow Agent has agreed to act as the agent and custodian for the Escrow Account for the benefit of the Settling Parties; and

WHEREAS, the Settling Parties hereto desire to set forth further terms and conditions in addition to those set forth in the Settlement Agreement relating to the operation of the Escrow Account;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and as additional consideration for the Settlement Agreement and intending to be legally bound hereby, the Parties hereby agree as follows:

ARTICLE 1
ESTABLISHMENT OF ESCROW

(a) The Settling Parties each hereby appoints the Escrow Agent to act as agent and custodian for the Escrow Account for their respective benefit pursuant to the terms of this Agreement, and the Escrow Agent hereby accepts such appointment pursuant to such terms.

(b) Upon fulfillment of the conditions precedent identified in Paragraph 2.2 of the Settlement Agreement, and pursuant to the terms of Paragraph 2.1 therein, AEGIS will, on or

before the AEGIS Payment Date, cause to be delivered to, and directly deposited with, the Escrow Agent the amount of $2,913,582.60 for the Escrow Account.

(c) Upon fulfillment of the conditions precedent identified in Paragraph 3.2 of the Settlement Agreement, and pursuant to the terms of Paragraph 3.1 therein, Federal will, on or before the Excess Insurer Payment Date, cause to be delivered to, and directly deposited with, the Escrow Agent the amount of $7,140,850.44 for the Escrow Account.

(d) Upon fulfillment of the conditions precedent identified in Paragraph 3.2 of the Settlement Agreement, and pursuant to the terms of Paragraph 3.1 therein, Greenwich will, on or before the Excess Insurer Payment Date, cause to be delivered to, and directly deposited with, the Escrow Agent the amount of $4,760,566.96 for the Escrow Account.

(e) The funds deposited with the Escrow Agent for the Escrow Account as described in this Article shall be retained, managed and disbursed by the Escrow Agent subject to the terms and conditions of this Agreement and the Settlement Agreement. In the event that the terms of this Agreement conflict in any way with the provisions of the Settlement Agreement, the Settlement Agreement shall control.

ARTICLE 2
RELEASE OF ESCROW FUNDS

(a) Within ten (10) business days after the Effective Date, the Independent Directors, Peter Venetis, and Michael Mulcahey shall provide the Escrow Agent with the written notice required by the Settlement Agreement, *i.e.*, that all the conditions specified in paragraph 3.2 of the Settlement Agreement have occurred, and including copies of fully-executed settlement agreements and releases resolving the seven Securities Actions as to the four Independent Directors, Peter Venetis and Michael Mulcahey, and shall provide the Excess Insurers with copies of the written notice provided to Escrow Agent.

(b) Ten (10) business days after the Escrow Agent receives the notice required by subdivision (a) of this Article, unless the Excess Insurers notify the Escrow Agent within that time that they disagree that the Effective Date has occurred, the Escrow Agent, shall (i) release from the Escrow Account the total amount of up to $14,500,000.00 for the payment of the several amounts due under the seven settlement agreements resolving the Securities Actions, including any remaining interest (*i.e.*, after taxes and fees) accrued on that amount, in accordance with the payment instructions provided by those agreements, and (ii) release from the Escrow Account the total amount of $315,000.00, plus any remaining interest (*i.e.*, after taxes and fees) accrued on that amount, to Mark J. Mahoney, defense counsel for Michael Mulcahey.

ARTICLE 3
INVESTMENT

The funds held in the Escrow Account shall be invested and reinvested in a Bank Money Market Account, as further described in Exhibit B attached hereto. Any interest accruing in the Escrow Account shall be deemed to be a part of the Escrow Account, and any income taxes thereon shall be paid out of funds held in the Escrow Account. The Escrow Agent shall be

responsible only for income reporting to the Internal Revenue Service with respect to income earned on the Escrow Account. Pursuant to such income reporting, the Escrow Agent shall prepare and deliver to the Parties a Form 1099-B to the extent required by, and in accordance with, U.S. Treasury Regulations. The Escrow Agent shall have no responsibility to verify the accuracy of, nor incur any liability for acting in accordance with, any information contained in the Form W-9s received by it.

ARTICLE 4
DISPOSITION OF ESCROW ACCOUNT

(a) Within thirty days after written notice to the Escrow Agent on behalf of all of the Settling Parties that the Effective Date will not or cannot occur, the Escrow Agent, in accordance with Paragraphs 3.11 and 3.13 of the Settlement Agreement, shall (1) release from the Escrow Account to Federal and Greenwich the amounts each paid into the Escrow Account and all interest on earned on such amounts, and (ii) release all funds remaining in the Escrow Account (after the portion of the Settlement Amount paid by Federal and Greenwich into the Escrow Account and all interest on earned on such portion has been returned to them) into the Bankruptcy Court, by interpleader or otherwise, to be treated as proceeds of the AEGIS Policy to be distributed in accordance with the terms and conditions of the AEGIS Policy as determined by the Bankruptcy Court. If for any reason such funds cannot be paid into the Bankruptcy Court, then such funds shall be paid into the United States District Court for the Southern District of New York, by interpleader or otherwise, to be distributed in accordance with the terms and conditions of the AEGIS Policy as determined by that court.

(b) The escrow established by this Agreement shall continue in effect until release of the entire Escrow Account pursuant to the provisions hereof.

ARTICLE 5
PROVISIONS RELATING TO THE ESCROW AGENT

(a) If the Escrow Agent reasonably requires other or further instruments in connection with performance of its duties as set forth herein, the necessary Parties hereto shall join in furnishing such instruments.

(b) The Escrow Agent shall have no duties or responsibilities whatsoever with respect to the Escrow Account except as are specifically set forth herein. The Escrow Agent may conclusively rely upon, and shall be fully protected from all liability, loss, cost, damage or expense in acting or omitting to act pursuant to any written notice, instrument, request, consent, certificate, document, letter, telegram, opinion, order, resolution or other writing hereunder without being required to determine the authenticity of such document, the correctness of any fact stated therein, the propriety of the service thereof or the capacity, identity or authority of any party purporting to sign or deliver such document. The Escrow Agent shall have no responsibility for the contents of any such writing contemplated herein and may rely without any liability upon the contents thereof.

(c) The Escrow Agent shall not be liable for any action taken or omitted by it in good faith and reasonably believed by it to be authorized hereby or with the rights or powers conferred upon it hereunder, nor for action taken or omitted by it in good faith, and in accordance with advice of counsel (which counsel may be of the Escrow Agent's own choosing), and shall not be liable for any mistake of fact or error of judgment or for any acts or omissions of any kind except for its own willful misconduct or gross negligence.

(d) The Settling Parties jointly and severally agree to indemnify the Escrow Agent and its employees, directors, officers and agents and hold each harmless against any and all liabilities incurred by it hereunder as a consequence of such person's actions, except for such liabilities resulting from willful misconduct or gross negligence.

(e) The Escrow Agent may resign as such following 60 days' prior written notice to the Settling Parties. Similarly, the Escrow Agent may be removed and replaced following 60 days' prior written notice to the Escrow Agent jointly by the Settling Parties. In either event, the duties of the Escrow Agent shall terminate 60 days after the date of such notice (or at such earlier date as may be mutually agreeable), except for its obligations to hold and deliver the Escrow Account to the successor Escrow Agent; and the Escrow Agent shall then deliver the balance of the Escrow Account then in its possession to such a successor Escrow Agent as shall be appointed by the Settling Parties as evidenced by a written notice filed with the Escrow Agent. If the Settling Parties are unable to agree upon a successor Escrow Agent by the effective date of such resignation or removal, the then-acting Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor Escrow Agent or other appropriate relief, and any such resulting appointment shall be binding upon all of the Parties hereto. Upon acknowledgement by any successor Escrow Agent of the receipt of the then remaining balance of the Escrow Account, the then-acting Escrow Agent shall be fully released and relieved of all duties, responsibilities and obligations under this Escrow Agreement.

(f) The Escrow Agent shall not be bound in any way by any agreement, other than this Agreement. The Escrow Agent understands that the terms of the Settling Parties' obligations are set forth in Paragraphs 1.32, 2.1-2.2, 2.12, 3.1-3.2, 3.11 and 3.13 of the Settlement Agreement. The Settlement Agreement forms an integral part of this Escrow Agreement and, therefore, Paragraphs 1.32, 2.1-2.2, 2.12, 3.1-3.2, 3.11 and 3.13 are hereby incorporated by reference herein.

(g) The Escrow Agent shall be under no duty to institute or defend any arbitration or legal proceeding with respect to the Escrow Account or under this Agreement, and none of the costs or expenses of any such proceeding shall be borne by the Escrow Agent. The costs and expenses of any such proceeding shall be borne as decided by the arbitrators or court and shall not be satisfied in any way by the Escrow Account.

(h) To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. For a non-individual person such as a business entity, a charity, a Trust or other legal entity, the Escrow Agent will ask for documentation to verify its formation and existence as a legal entity. The Escrow Agent may also

ask to see financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.

ARTICLE 6
NOTICES

All notices, demands, payments, accountings or other communications that any Party desires or is required to give shall be given in writing and shall be deemed to have been given if hand delivered, faxed, or mailed by United States first-class mail, postage prepaid, to the Parties at the addresses noted below, or such other address as any Party may designate in writing from time to time:

If to the Debtors:	Barry D. Shalov, Member Quest Turnaround Advisors RiverView at Purchase 287 Bowman Avenue Purchase, NY 10577
With a copy to:	Donald W. Brown, Esq. Covington & Burling LLP One Front Street San Francisco, CA 94111
If to AEGIS:	Helen Lynch, Esq. Associated Electric & Gas Insurance Services Ltd. One Meadowlands Plaza Rutherford, New Jersey 07073
With a copy to:	Michael R. Goodstein, Esq. Bailey Cavalieri LLC One Columbus

10 West Broad Street, Suite 2100

Columbus, Ohio 43215-3422

If to Federal:

Irene Petillo, Esq.

Chubb & Son, a division of Federal Insurance Company

15 Mountain View Road

Warren, New Jersey 07059

With a copy to:

Peter R. Bisio, Esq.

Hogan & Hartson, LLP

555 13th Street, N.W.

Washington, D.C. 20004-1109

If to Greenwich:

Steven J. Gladstone, Esq.

XL Professional

100 Constitution Plaza, 17th Floor

Hartford, Connecticut 06103

With a copy to:

Leslie S. Ahari, Esq.

Ross, Dixon & Bell, LLP

2001 K Street, N.W.,

Washington, D.C. 20006

If to Dennis P. Coyle:

Alvin B. Davis, P.A.

Squire, Sanders & Dempsey L.L.P.
200 South Biscayne Boulevard
Suite 4000
Miami, FL 33131

With a copy to:

Alvin B. Davis, P.A.
Squire, Sanders & Dempsey L.L.P.
200 South Biscayne Boulevard
Suite 4000
Miami, FL 33131

If to Leslie J. Gelber:

Alvin B. Davis, P.A.
Squire, Sanders & Dempsey L.L.P.
200 South Biscayne Boulevard
Suite 4000
Miami, FL 33131

With a copy to:

Alvin B. Davis, P.A.
Squire, Sanders & Dempsey L.L.P.
200 South Biscayne Boulevard
Suite 4000
Miami, FL 33131

If to Erland E. Kailbourne:

Alvin B. Davis, P.A.

Squire, Sanders & Dempsey L.L.P.
200 South Biscayne Boulevard
Suite 4000
Miami, FL 33131

With a copy to:

Alvin B. Davis, P.A.
Squire, Sanders & Dempsey L.L.P.
200 South Biscayne Boulevard
Suite 4000
Miami, FL 33131

If to Pete J. Metros:

5204 Newstead Manor Lane
Raleigh, NC 27606

With a copy to:

Stephen M. Kramarsky
Dewey Pegno & Kramarsky LLP
220 East 42nd Street
New York, NY 10017

If to Michael C. Mulcahey:

119 Maple Street
Port Allegany, PA 16743-1348

With a copy to:

Mark J. Mahoney
Harrington & Mahoney
1620 Statler Towers
Buffalo, New York 14202

If to the Escrow Agent:

With a copy to:

ARTICLE 7
BINDING EFFECT; OTHER INTERESTS

This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective heirs, executors, administrators, successors and assigns. Nothing herein is intended or shall be construed to give any other person (including, without limitation, any creditors of Escrow Agent or the Settling Parties) any right, remedy or claim under, in or with respect to this Escrow Agreement or the Escrow Account held hereunder. The Escrow Agent shall not have a lien or adverse claim upon, or any other right whatsoever to payment from, the Escrow Account (or dividends or distributions paid thereon) for or on account of any right to payment or reimbursement hereunder or otherwise.

ARTICLE 8
COMPENSATION; EXPENSES

The Escrow Agent shall be entitled to payment from the Parties for customary fees and expenses for all services rendered by it hereunder, payable within five (5) business days after the Bankruptcy Court's order granting the Bankruptcy Approval Motion becomes final by the passage of time or on appeal, such amounts to be paid out of the interest earned on the amounts held in escrow.

ARTICLE 9
TERM

This Agreement shall terminate either on (i) the date on which any order or judgment denying the Bankruptcy Court Approval Motion becomes final; (ii) the date on which any order or judgment reversing an order or judgment granting the Bankruptcy Court Approval Motion becomes final; (iii) the date on which the obligations set forth in Article 2 have been satisfied, or (iv) the date on which funds are released pursuant to Article 4. The rights of the Escrow Agent and the obligations of the Settling Parties under Articles 5 and 8 shall survive the termination thereof and the resignation or removal of the Escrow Agent.

ARTICLE 10
AMENDMENT AND MODIFICATION

This Agreement may not be amended, altered or modified except by a written agreement duly executed by each Party (or its/his successors or assigns).

ARTICLE 11
COUNTERPARTS

This Agreement may be executed in counterpart originals, all of which, when so executed and taken together, shall be deemed an original and all of which shall constitute one and the same instrument. Each counterpart may be delivered by facsimile.

ARTICLE 12
HEADINGS

The titles and headings used in this Agreement are inserted only as a matter of convenience and are for reference purposes only. Such titles and headings in no way are intended to define, limit, expand or describe the scope of this Agreement, nor the intent of any provision hereof.

ARTICLE 13
ASSIGNABILITY

Neither this Agreement nor any interest herein or in the Escrow Account may be assigned or transferred, voluntarily or by operation of law, by any Party hereto, except pursuant to the laws of descent and distribution or in the event of legal incapacitation; *provided, however,* that a Party may, with prior written consent of all of the Parties, assign its rights and delegate its obligations hereunder as long as such Party or any of its successors remains ultimately liable for all of such Party's obligations hereunder.

ARTICLE 14
INTEGRATION

This Agreement, including the incorporated Settlement Agreement, constitutes a single integrated written contract that expresses the entire agreement and understanding between the Parties with respect to matters that are the subject of this Agreement. Except as otherwise expressly provided, this Agreement supersedes all prior communications, settlements, and understandings between the Parties and their representatives regarding the matters addressed by this Agreement. Except as explicitly set forth in this Agreement, there are no representations, warranties, promises, or inducements, whether oral, written, express, or implied, that in any way affect or condition the validity of this Agreement, or alter or supplement its terms. Any statements, promises, or inducements, whether made by any Party or any agents of any Party, that are not contained in this Agreement shall not be valid or binding.

ARTICLE 15
WAIVER

Neither the waiver by a Party hereto of a breach of or a default under any provisions of this Agreement, nor the failure of a Party, on one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right or privilege hereunder shall thereafter be construed as a waiver of any subsequent breach or default of a similar nature, or as a waiver of any such provisions, rights, or privileges hereunder.

ARTICLE 16
SEVERABILITY

If any term, provision, covenant or restriction of this Escrow Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Escrow Agreement shall continue in full force and effect and shall in no way be affected, impaired or invalidated unless such an interpretation would materially alter the rights and privileges of any Party hereto or materially alter the terms of the transactions contemplated hereby.

ARTICLE 17
MISCELLANEOUS

Negotiations leading up to this Agreement and all related discussions and negotiations shall be deemed to fall within the protection afforded to compromises and to offers to compromise by Rule 408 of the Federal Rules of Evidence and any similar state law provisions. Any evidence of the terms of this Agreement or negotiations or discussions associated with this Agreement shall be inadmissible in any action or proceeding for purposes of establishing any rights, duties, or obligations of the Parties, except in (i) an action or proceeding to enforce the terms of this Agreement, (ii) any possible action or proceeding between the Insurers and any of their reinsurers, (iii) as otherwise directed by any court of competent jurisdiction, or (iv) as otherwise provided herein. This Agreement shall not be used as evidence or in any other manner, in any court or dispute resolution proceeding, to create, prove, or interpret the Settling Parties' obligations under any insurance policy.

IN WITNESS WHEREOF, the Parties, by their duly authorized representatives, have caused this Agreement to be duly executed as of the date set forth with the respective signatures below:

The Debtors:

By:_____

Name: _____

Title: _____

Date:_____

Associated Electric & Gas Insurance Services Limited:

By: _____

Name: _____

Title: _____

Date: _____

Chubb and Son, a division of Federal Insurance Company:

By: _____

Name: _____

Title: _____

Date: _____

Greenwich Insurance Company:

By: _____

Name: _____

Title: _____

Date: _____

Dennis P. Coyle:

_____

Date: _____

Leslie J. Gelber:

_____

Date: _____

Erland E. Kailbourne:

_____

Date: _____

Pete J. Metros:

_____

Date: _____

Michael C. Mulcahey:

_____

Date: _____

U.S. Bank:

By: _____

Name: _____

Title: _____

Date: _____

Exhibit C: Debtors' Chapter 11 Plan, § 16.23

Sale Transaction Documents, such obligations shall remain fully enforceable against the Debtors, or the reorganized Debtors, as the case may be, on a joint and several basis.

16.23. Corporate Reimbursement Obligations.

(a) Any prepetition indemnification obligations of the Debtors pursuant to their corporate charters and by-laws shall continue as obligations of each of the Debtors and the Estates, but shall be limited to the reimbursement of Persons other than Excluded Individuals, and shall be limited with respect to Persons other than Indemnified Persons to an amount not to exceed $27 million. Other than as set forth in the preceding sentence, nothing herein shall be deemed to be an assumption of any other prepetition indemnification obligation and any such obligations shall be rejected pursuant to the Plan; provided, however, that nothing herein shall prejudice or otherwise affect any right available to current or former officers and directors of the Debtors (except for Excluded Individuals) under applicable insurance policies; provided further, however, that (i) to the extent persons other than Indemnified Persons shall have received after the Confirmation Date proceeds of applicable insurance policies, each of the Debtors' and the Estates' obligations pursuant to the first sentence of Section 16.23(a) shall be reduced dollar for dollar, and (ii) to the extent that the Debtors or the Estates shall have made payments to persons other than Indemnified Persons pursuant to the first sentence of Section 16.23(a), each of the Debtors and the Estates shall be assigned (and subrogated to) an equal dollar claim against such insurance policies; and provided further, however, that the Debtors and Estates shall have no obligation to indemnify any persons other than Indemnified Persons for settlements of any litigation against those persons, unless the Plan Administrator provides prior written approval of the settlement, which approval shall not unreasonably be withheld.

(b) From and after the Effective Date, each of the Debtors and the Estates shall, to the maximum extent permitted by applicable law, indemnify and hold harmless the Indemnified Persons for any action or inaction, taken or omitted to be taken, in good faith by the Indemnified Persons in connection with the conduct of the Chapter 11 Cases, including the formulation, negotiation, balloting and implementation of this Plan. To the maximum extent permitted by applicable law, each of the Debtors and the Estates shall be obligated to advance the costs of defense to any Indemnified Person who was a director or officer of a Debtor in connection with any Cause of Action relating to the Chapter 11 Cases, and shall have the right, but not the obligation, to advance the costs of defense to other Indemnified Persons. Any costs or expenses incurred by an Indemnified Person in successfully enforcing the provisions of this Section 16.23(b) shall also be indemnified by each of the Debtors and the Estates to such Indemnified Person.

EXHIBIT E

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

ORDER APPROVING SETTLEMENT FUNDING AGREEMENT WITH D&O INSURERS AND OTHER D&O POLICY INSUREDS

Upon consideration of the motion (the "Motion") of the above-captioned reorganized debtors (collectively, the "Reorganized Debtors"), for entry of an order, pursuant to sections 105(a) of title 11 of the United States Code (the "Bankruptcy Code"), and Rule 9019 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), authorizing and approving the opt-out settlement agreement funding agreement (the "Opt-Out Settlement Funding Agreement"), attached to the Motion as Exhibit A; and it appearing that approval of the Opt-Out Settlement Funding Agreement and the relief requested in the Motion is in the best interests of the Reorganized Debtors, their estates and creditors and other parties in interest; and it appearing that the Court has jurisdiction to consider the Motion and the relief requested therein; and due and sufficient notice of the Motion and proposed entry of this Order having been given; and it appearing that no other or further notice need be provided; and after due deliberation and sufficient cause appearing therefor, it is hereby:

ORDERED, ADJUDGED, AND DECREED THAT:

1. The Motion is granted.

2. Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Motion.

3. Pursuant to section 105(a) of the Bankruptcy Code and Bankruptcy Rule 9019, the Opt-Out Settlement Funding Agreement is approved.

4. The Reorganized Debtors are authorized, but not directed, to take any and all actions and expend such funds necessary to carry out, effectuate or otherwise enforce the terms, conditions and provisions of the Opt-Out Settlement Funding Agreement.

5. Federal and Greenwich are authorized to pay $175,000 toward settlement of opt-out claims against the Independent Directors, pursuant to the terms of the Opt-Out Settlement Funding Agreement. Such payment shall be made from the directors and officers liability policies that Federal Insurance Company and Greenwich Insurance Company issued to Adelphia, and shall reduce the remaining limits of those policies.

6. The Court shall retain jurisdiction over any and all matters arising from or related to the interpretation or implementation of this Order.

Dated: New York, New York
_____, 2011

_____
THE HONORABLE ROBERT E. GERBER
UNITED STATES BANKRUPTCY JUDGE