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Hearing Date: July 30, 2004 at 10:00 a.m.
Objection Deadline: July 21, 2004
at 4:00 p.m.

Counsel for the Official Committee
of Unsecured Creditors

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

-----X
In re: : Chapter 11
: :
RCN CORPORATION, et al., : Case No. 04-13638 (RDD)
: :
Debtors. : (Jointly Administered)
-----X

**NOTICE OF MOTION OF OFFICIAL COMMITTEE
OF UNSECURED CREDITORS FOR ENTRY OF
ORDER, UNDER 11 U.S.C. § 105(a), ESTABLISHING
CERTAIN NOTICE PROCEDURES REGARDING THE
OPERATION OF DEBTORS' BUSINESS**

PLEASE TAKE NOTICE that a hearing (the "Hearing") will be held in the courtroom of the Honorable Robert D. Drain, United States Bankruptcy Judge, United States Bankruptcy Court, One Bowling Green, New York, New York 10004, on July 30, 2004, at 10:00 a.m. to consider the annexed motion for entry of an order under section 105(a) of title 11 of the United States Code, 11 U.S.C. §§ 101-1330 (as amended, the "Bankruptcy Code") establishing certain notice procedures regarding the operation of the Debtors' business (the "Motion").

PLEASE TAKE FURTHER NOTICE that you need not appear at the Hearing if you do not object to the relief requested in the Motion.

PLEASE TAKE FURTHER NOTICE that the Hearing may be continued or adjourned from time to time without further notice other than an announcement of the adjourned date or dates at the Hearing or at a later hearing.

PLEASE TAKE FURTHER NOTICE that any objections to the Motion must (1) be made in writing, (2) conform to the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules, (3) set forth the basis for the objection, and state with specificity the reason or reasons why the relief requested in the Motion should not be granted, and (4) be (a) filed electronically with the Bankruptcy Court, with a paper copy delivered directly to the Chambers of the Honorable Robert D. Drain at the United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, New York 10004; the Office of the United States Trustee, Attn: Paul K. Schwartzberg, 33 Whitehall Street, 21st Floor, New York, New York 10004; counsel for the Debtors Skadden, Arps, Slate, Meagher & Flom LLP, Four Times Square, New York, NY 10036-6522, Attn: Jay M. Goffman, Esq.; and the undersigned counsel not later than July 20, 2004 at 4:00 p.m. (EDT).

Dated: New York, New York
July 9, 2004

MILBANK, TWEED HADLEY & McCLOY LLP

By /s/ Deirdre Ann Sullivan
Dennis F. Dunne (DD 7543)
Deirdre Ann Sullivan (DS 6867)
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In re: : Chapter 11
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RCN CORPORATION, et al., : Case No. 04-13638 (RDD)
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Debtors. : (Jointly Administered)
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**MOTION OF OFFICIAL COMMITTEE OF UNSECURED
CREDITORS FOR ENTRY OF ORDER, UNDER 11 U.S.C. §§
105(a), ESTABLISHING CERTAIN NOTICE PROCEDURES
REGARDING THE OPERATION OF DEBTORS' BUSINESS**

TO THE HONORABLE ROBERT D. DRAIN,
UNITED STATES BANKRUPTCY JUDGE:

The Official Committee of Unsecured Creditors (the "Committee") of RCN Corporation and its affiliated debtors and debtors-in-possession in the above-captioned cases (collectively, "RCN" or the "Debtors"), hereby moves this Court for entry of an order, under section 105(a), of title 11 of the United States Code, 11 U.S.C. §§ 101-1330 (as amended, the "Bankruptcy Code"), establishing certain notice procedures regarding the operation of the Debtors' business (this "Motion"), and respectfully represents as follows:

JURISDICTION AND VENUE

1. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. § 1334 and the Standing Order of Referral of Cases to Bankruptcy Judges of the United States District Court for the Southern District of New York (Ward, Acting C.J.), dated July 10, 1984. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).

STATUTORY PREDICATES

2. The statutory predicate for the relief sought herein is section 105(a) of the Bankruptcy Code.

BACKGROUND

A. The Chapter 11 Filings

3. On May 27, 2004 (the “Petition Date”), the Debtors filed voluntary petitions in this Court for reorganization relief under chapter 11 of the Bankruptcy Code. Debtor RCN Corporation directly and indirectly owns the debtors Hot Spots Productions, Inc. (“Hot Spots”), RLH Property Corporation (“RLH”), RCN Finance, LLC (“RCN Finance”), and TEC Air, Inc. (“TECAir”, and , together with Hot Spots, RLH, and RCN Finance, collectively referred to herein as the “Subsidiary Debtors”). The Debtors continue to manage and operate their business as debtors-in-possession pursuant to Bankruptcy Code sections 1107 and 1108.

B. Non-Debtors

4. RCN Corporation is the parent company for 15 other direct or indirect subsidiaries which are not debtors in these chapter 11 cases (each referred to

herein as a "Non-Debtor Subsidiary" and collectively referred to herein as the "Non-Debtor Subsidiaries").

5. One or more of the Non-Debtor Subsidiaries has entered into joint venture relationships with Starpower Communications, LLC ("Starpower") and Megacable, S.A. de C. V. ("Megacable S.A."), Megacable Telecomunicaciones, S.A. de C.V. ("MegaTelecom") and MCM Holdings, S.A. de C.V. ("MCM", and together with Megacable S.A. and MegaTelecom, collectively, "Megacable"). Starpower and Megacable are each referred to herein as a "Non-Debtor Affiliate" and collectively referred to herein as the "Non-Debtor Affiliates".

6. The Debtors, Non-Debtor Subsidiaries and the Non-Debtor Affiliates are collectively referred to herein as the "RCN Companies."

7. The Non-Debtor Subsidiaries and the Non-Debtor Affiliates represent substantial value to the Debtors estates.

RELIEF REQUESTED

8. By this Motion,¹ the Committee seeks an order establishing certain notice procedures regarding the operation of the Debtors' businesses including the Non-Debtor Subsidiaries and Non-Debtor Affiliates through the effective date of a plan of reorganization. First, the Committee seeks to have the Debtors provide at least five (5) business days advanced notice in writing to the Committee of (a) any asset dispositions or other transactions by or involving a Non-Debtor Subsidiary or Non-Debtor Affiliate or its property (including any equity interest owned or held by such entity) if such transaction

¹ The Committee has discussed the relief requested herein with counsel for the Debtors. The Debtors are considering the relief requested. While the Committee is hopeful that an agreement will be reached with the Debtors, to avoid further delay, the Committee has filed this Motion in order to preserve the Committee's ability to present this Motion for hearing on July 30th in the event an agreement is not reached between the parties.

or disposition would have required court approval under section 363(b) of the Bankruptcy Code were the applicable Non-Debtor Subsidiary or Non-Debtor Affiliate a debtor in a chapter 11 case, (b) any material renegotiation, amendment or modification to contracts or leases to which a Non-Debtor Subsidiary or Non-Debtor Affiliate is a counterparty, (c) any transfer of assets or payments to third parties (excluding transfers of assets or payments on account of claims that would have constituted post-petition ordinary course administrative claims had such entity filed for chapter 11 on Petition Date) by any Non-Debtor Subsidiary or Non-Debtor Affiliate, and (d) any notice of default or action against any Non-Debtor Subsidiary or Non-Debtor Affiliate which would constitute a violation of the automatic stay under § 362 of the Bankruptcy Code were such Non-Debtor Subsidiary or Non-Debtor Affiliate a debtor in a chapter 11 case. Each such asset disposition, transaction, asset transfer or payment being referred to herein as a “Proposed Action.”

9. Second, the Committee requests that the Court enter an order requiring the Debtors to cause the Non-Debtor Subsidiaries and the Non-Debtor Affiliates (to the extent the Debtors have such contractual right regarding the applicable Non-Debtor Affiliate) to take routine, reasonable and appropriate actions during the chapter 11 cases to protect their assets, e.g., making insurance payments. Each such action to protect assets shall be referred to herein as a “Required Action.”

10. Finally, in the event the Committee (i) does not consent to a Proposed Action or (ii) discovers a failure to take a Required Action, the Committee also seeks the right to request an expedited hearing on shortened notice before this Court.

11. The relief requested by the Committee is narrowly tailored and limited. The Committee is only seeking to establish procedural safeguards to protect and preserve the value of the RCN Companies as a whole for the benefit of creditors. All parties' rights to argue the propriety of a Proposed Action or to take any position with respect to a Required Action is specifically reserved and would not be waived or impaired by granting of this Motion.

BASIS FOR RELIEF REQUESTED

12. Section 105(a) of the Bankruptcy Code authorizes the Court to "issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of [the Bankruptcy Code]." 11 U.S.C. § 105(a). An order directing the RCN Companies to (i) take all Required Actions and (ii) provide at least five business days advance notice in writing to the Committee of non-ordinary course Proposed Actions is appropriate and necessary in order to ensure the value of the Debtors' estates and the RCN Companies as a whole.

13. RCN Corporation's principal value consists of its stock of its Non-Debtor Subsidiaries and Non-Debtor Affiliates. Thus, actions by a Non-Debtor Subsidiary or Non-Debtor Affiliate that decrease the value of its stock would also significantly decrease the value of Debtor RCN Corporation's estate and diminish the chances of a successful reorganization under the pre-negotiated restructuring. See Queenie, Ltd. v. Nygard International, 321 F. 3d 282, 287 (2d Cir. 2003) (holding that the automatic stay applied to an individual debtor's wholly owned non-debtor corporation because actions against his corporation, an asset of the debtor, would have an "immediate adverse economic impact"); Ruskin v. Griffiths, 250 F. 2d 875, 877 (2d Cir. 1958)

(district court had power to require a manager of the debtor's non-debtor subsidiaries, to give notice to the trustee, and in certain instances the court, of proposed actions of the non-debtor subsidiaries regarding new leases, store closings, store sales, certain capital expenditures, and transactions outside the ordinary course of business in order to preserve the debtor's equity in its stock of the subsidiaries and to preserve the chances of a successful reorganization).

14. Significantly, in affirming the district court decision, the Ruskin court noted that:

All the order requires is notice of a proposed transaction. This procedure serves to keep the court informed and provides a means for frustrating a transaction which might ruin the chances of any reorganization.

Ruskin, 250 F. 2d at 877. The Committee seeks similar relief here. It is procedural and not substantive. It requires the Committee to be apprised of any material actions at the subsidiary level and, if the Committee either does not agree with the transaction or can not reach a successful consensual alternative with the Debtors, a mechanism for bringing the disputed transaction to the Court's attention on shortened notice.

15. Additionally, failure of any Non-Debtor Subsidiary or Non-Debtor Affiliate to take a Required Action would also have an impact, potentially a significant one, on the value of Debtors' estates and the RCN Companies as a whole. Therefore, the actions or inaction of the Non-Debtor Subsidiaries are also inextricably related to the property of the Debtors' estates and require the notice and the opportunity to request a hearing.

NOTICE

16. No trustee or examiner has been appointed in these cases.

17. In accordance with the Order Establishing Certain Notice, Case Management and Administration Procedures entered in these cases, notice of this Motion has been given to counsel to the Debtors, counsel to the agent for the Debtor's pre-petition senior credit facility, counsel to the agent for Debtors' pre-petition junior credit facility, the United States Trustee, all other parties on the Debtors' Master Service List and all other parties not otherwise listed that have requested receipt of notices in these cases. In light of the nature of the relief requested herein, the Committee requests that such notice be deemed adequate and sufficient.

18. The Committee submits that no new or novel issue of law is presented with respect to the matters contained herein. The Committee requests that the requirement of the service and filing of a memorandum of law under Local Bankr. R. 9013-1(b) be deemed satisfied as the relevant authority in support of the relief requested is cited in this Motion.

NO PRIOR REQUEST

19. No previous request for the relief sought herein has been made to this or any other Court.

WHEREFORE, the Committee respectfully requests that the Court enter an order, substantially in the form attached hereto as Exhibit A, (a) establishing certain notice procedures regarding the operation of the Debtors' businesses and (b) granting such further relief as is just and proper.

Dated: New York, New York
July 9, 2004

MILBANK, TWEED, HADLEY & M^CCLOY LLP

By: /s/ Deirdre Ann Sullivan
Dennis F. Dunne (DFD 7543)
Deirdre Ann Sullivan (DAS 6867)
1 Chase Manhattan Plaza
New York, New York 10005-1413
(212) 530-5000

Counsel for the Official Committee
of Unsecured Creditors

Exhibit A

Form of Proposed Order

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

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In re: : Chapter 11
 :
 RCN CORPORATION, et al., : Case No. 04-13638 (RDD)
 :
 Debtors. : (Jointly Administered)
-----X

**ORDER, UNDER U.S.C. § 105(a), ESTABLISHING
CERTAIN NOTICE PROCEDURES REGARDING THE
OPERATION OF DEBTORS' BUSINESS**

Upon the Motion, dated July 9, 2004 (the "Motion"), of the Official Committee of Unsecured Creditors of RCN Corporation, et al. (the "Committee"), for entry of an order, under section 105(a), of title 11 of the United States Code, 11 U.S.C. §§ 101-1330 (as amended, the "Bankruptcy Code"), establishing certain notice procedures regarding the operation of the Debtors' business:

THE COURT HEREBY FINDS THAT:

- A. This Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1334 and it is a core proceeding pursuant to 28 U.S.C. §157(b)(2).
- B. The Motion is in full compliance with all applicable provisions of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure (as amended, the "Bankruptcy Rules"), the Local Rules of this Court (the "Local Rules"), and the United States Trustee Guidelines (the "Guidelines").
- C. It appears that notice of the Motion has been given to the Office of the United States Trustee, counsel to the Debtors, counsel to the Debtors' pre-petition senior secured lender, counsel to the Debtors' pre-petition junior secured lender, counsel to the indenture trustee of the RCN Senior Notes, other parties-in-interest and those entities filing notices of appearance

pursuant to Bankruptcy Rule 2002 and that no further notice need be given.

D. No objections to the Motion were filed with the Court or received by counsel for the Committee.

After due deliberation, and sufficient cause appearing therefore IT IS HEREBY ORDERED THAT:

ORDERED, that the Motion is granted; and it is further

ORDERED, that the Debtors shall provide at least five (5) business days advanced notice in writing to the Committee of (a) any asset dispositions or other transactions by or involving a Non-Debtor Subsidiary (as defined in the Motion) or Non-Debtor Affiliate (as defined in the Motion) or its property (including any equity interest owned or held by such entity) if such transaction or disposition would have required court approval under section 363(b) of the Bankruptcy Code were the applicable Non-Debtor Subsidiary or Non-Debtor Affiliate a debtor in a chapter 11 case, (b) any material renegotiation, amendment or modification to contracts or leases to which a Non-Debtor Subsidiary or Non-Debtor Affiliate is a counterparty, (c) any transfer of assets or payments to third parties (excluding transfers of assets or payments on account of claims that would have constituted post-petition ordinary course administrative claims had such entity filed for chapter 11 on the Petition Date) by any Non-Debtor Subsidiary or Non-Debtor Affiliate, and (d) any notice of default or action against any Non-Debtor Subsidiary or Non-Debtor Affiliate which would constitute a violation of the automatic stay under § 362 of the Bankruptcy Code were such Non-Debtor Subsidiary or Non-Debtor Affiliate a debtor in a chapter 11 case (each such asset disposition, transaction, asset transfer or payment, a “Proposed Action”); and it is further

ORDERED, that the Debtors shall cause the Non-Debtor Subsidiaries and the Non-Debtor Affiliates (to the extent the Debtors have such contractual right regarding the applicable Non-Debtor Affiliate) to take routine, reasonable and appropriate actions during the chapter 11 cases to protect their assets, e.g., making insurance payments (each such action to protect assets, a “Required Action”); and it is further

ORDERED, that in the event the Committee (i) does not consent to a Proposed Action or (ii) discovers a failure to take a Required Action, the Committee shall have the right to request an expedited hearing on shortened notice before this Court; and it is further

ORDERED, that all parties’ rights to argue the propriety of a Proposed Action or take any position with respect to a Required Action is specifically reserved and is not waived or impaired.

Dated: New York, New York
July __, 2004

UNITED STATES BANKRUPTCY JUDGE