

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)
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**FINAL ORDER UNDER 11 U.S.C. §§ 105, 362 AND 541
ESTABLISHING NOTICE AND HEARING PROCEDURES
FOR TRADING IN EQUITY INTERESTS**

Upon the motion (the "Motion")¹ of the Debtors for entry of a final order (the "Final Order") pursuant to U.S.C. §§ 105, 362 and 541 and Bankruptcy Rule 3001 (a) establishing notification and hearing procedures for trading in equity interests in RCN and (b) scheduling final hearing thereon; and the Court having reviewed the Motion and the Saile Affidavit; and the Court having determined that the relief requested in the Motion is in the best interests of the Debtors, their estates, their creditors and other parties in interest; and it appearing that notice of the Motion was good and sufficient under the particular circumstances and that no other and further notice be given and Wells Fargo & Company ("Wells Fargo") having informed the Court that Wells Fargo declined to prosecute its objection to the Motion and there being no other objection; ; and upon the record herein; and after due deliberation thereon; and good and sufficient cause appearing therefor, it is hereby

ORDERED, ADJUDGED AND DECREED THAT:

¹ Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Motion.

1. The Motion is GRANTED on a final basis as provided herein.
2. Any purchase, sale, abandonment or other transfer of equity interests in the Debtors in violation of the procedures set forth herein (including the notice requirements set forth in paragraph 3(a) below) shall be null and void ab initio as an act in violation of the automatic stay under 11 U.S.C. §§ 105(a) and 362.
3. The following procedures shall apply to trading in equity interests in RCN:

(a) Any person or entity who currently is or becomes a Substantial Equityholder (as defined in paragraph (e) below), and who has not previously filed such a notice of status pursuant to the Interim Order, shall file with this Court, and serve upon the Debtors and counsel to the Debtors, a notice of such status, in the form attached hereto as Exhibit 1A, on or before the later of (A) 40 calendar days after the effective date of notice of the Interim Order or (B) ten calendar days after becoming a Substantial Equityholder.

(b) Prior to effectuating any transfer, conversion or abandonment of any equity interest (including any option to acquire any equity interest, as defined in paragraph (e) below) which would result in either (x) an increase in the amount of equity interests of RCN beneficially owned (as defined in paragraph (e) below) by a Substantial Equityholder or (y) a person or entity becoming a Substantial Equityholder, such Substantial Equityholder, person or entity shall file with this Court, and serve on the Debtors and counsel to the Debtors, advance written notice, in the form attached hereto as Exhibit 1B,² of the intended transfer, conversion or abandonment of equity interests.

² A notice in the form of Exhibit 1B is hereinafter referred to as a "Notice of Intent to Purchase, Acquire or Otherwise Accumulate."

(c) Prior to effectuating any transfer, conversion or abandonment of any equity interest (including any option to acquire any equity interest, as defined in paragraph (e) below) which would result in either (x) a decrease in the amount of equity interests of RCN beneficially owned by a Substantial Equityholder or (y) a person or entity ceasing to be a Substantial Equityholder, such Substantial Equityholder, person or entity shall file with this Court, and serve on the Debtors and counsel to the Debtors, advance written notice, in the form attached hereto as Exhibit 1C,³ of the intended transfer, conversion or abandonment of any equity interest.

(d) The Debtors shall have 15 calendar days after receipt of a Notice of Proposed Transfer to file with this Court and serve on such Substantial Equityholder an objection to any proposed transfer, conversion or abandonment of any equity interest described in the Notice of Proposed Transfer on the grounds that such transfer, conversion or abandonment may adversely affect the Debtors' ability to utilize the Losses. If the Debtors file such an objection, such transaction shall not be effective unless approved by a final and nonappealable order of this Court. If the Debtors do not object within such 30-day period, such transaction may proceed solely as specifically set forth in the Notice of Proposed Transfer. Further transactions of a type specified herein beyond the scope of the Notice of Proposed Transfer must be the subjects of additional notices as set forth herein, with additional 30-day waiting periods.

(e) For purposes of this Final Order:

³ A notice in the form of Exhibit 1C is hereinafter referred to as a "Notice of Intent to Sell, Trade, Convert, Abandon or Otherwise Transfer" (and, together with a Notice of Intent to Purchase, Acquire or Otherwise Accumulate, is collectively referred to as a "Notice of Proposed Transfer").

(i) "Substantial Equityholder" is any person or entity that has beneficial ownership of (i) at least 5 million shares of the common stock of RCN, (ii) at least 15,900 shares of Series A Preferred Stock of RCN, or (iii) at least 66,300 shares of Series B Preferred Stock of RCN;

(ii) "beneficial ownership" of equity interests includes (i) direct and indirect ownership (e.g., a holding company would be considered to beneficially own or acquire all equity interests owned or acquired by its subsidiaries), (ii) ownership by any group of persons acting pursuant to a formal or informal understanding to make a coordinated acquisition of an equity interest; (iii) ownership by such holder's family members and (iv) ownership of an equity interest which such holder has an option to acquire; and

(iii) an "option" to acquire an equity interest includes any contingent purchase, warrant, convertible debt or equity, put, equity interest subject to risk of forfeiture, contract to acquire an equity interest or similar interest, in each case, regardless of whether such interest or right is contingent or otherwise not currently exercisable.

4. The Debtors shall serve a notice of the entry of this Final Order setting forth the procedures authorized herein substantially in the form attached hereto as Exhibit 3 (the "Notice") on (a) the Office of the United States Trustee for the Southern District of New York; (b) counsel for the Official Committee of Unsecured Creditors appointed in these cases; (c) counsel for the Debtors' secured

lenders (or agents in respect thereof, as the case may be); (d) all known record holders of common or preferred stock of RCN; (e) the transfer agent(s) for any class or series of common or preferred stock of RCN; (f) the Securities and Exchange Commission; and (g) the Internal Revenue Service. Notice served pursuant to the preceding sentence shall be via first class mail, postage prepaid. Additionally, the Debtors shall publish the Notice in The Wall Street Journal. No further notice of entry of this Final Order need be served by the Debtors.

5. Any transfer agent(s) for any class or series of common or preferred stock of RCN having notice hereof shall provide the Notice to all holders of such stock registered with such transfer agent(s). Thereafter, any such transfer agent shall send additional copies of the Notice of Final Order to all such registered holders upon subsequent requests by the Debtors, provided, however, that the Debtors shall not make such requests more frequently than on a quarterly basis. Any such registered holder shall, in turn, provide such Notice to any holder for whose account such registered holder holds such stock, and so on down the chain of ownership.

6. Any person or entity or broker or agent acting on such person or entity's behalf who sells an aggregate amount of at least 500,000 shares of common stock of RCN or any shares of preferred stock of RCN (or an option with respect to common or preferred stock of RCN) to another person or entity shall provide a copy of this Final Order to such purchaser of such stock or to any broker or agent acting on such purchaser's behalf.

7. The requirements set forth in this Final Order are in addition to the requirements of Rule 3001(e) of the Federal Rules of Bankruptcy Procedure and

applicable securities, corporate and other laws, and do not excuse compliance therewith.

8. Notwithstanding the provisions of Bankruptcy Rules 6004(g), this Final Order shall not be stayed for ten days after the entry hereof, but shall be effective and enforceable immediately upon issuance hereof.

9. The requirement of Local Bankr. R. 9013-1(b) that any motion filed shall be accompanied by a separate memorandum of law is satisfied by the Motion.

Dated: New York, New York
July 30, 2004

/s/Robert D. Drain
UNITED STATES BANKRUPTCY JUDGE