

**Hrg. Date: July 30, 2004
at 10:00 a.m. (if objections
are timely filed)
Obj. Due: July 27, 2004 by
4:00 p.m.**

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

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- -

**NOTICE OF APPLICATION AND ENTRY OF INTERIM ORDER
UNDER 11 U.S.C. §§ 327 AND 328 AND FED. R. BANKR. P.
2014 AND 2016 (A) AUTHORIZING RETENTION OF THE
BLACKSTONE GROUP L.P. AS FINANCIAL ADVISORS FOR
THE DEBTORS AND (B) SCHEDULING FINAL HEARING THEREON**

PLEASE TAKE NOTICE that on May 27, 2004, RCN Corporation and certain of its subsidiaries and affiliates, debtors and debtors-in-possession in the above-captioned cases (collectively, the "Debtors") filed the Application For Interim Order Pursuant to 11 U.S.C. §§ 327(a) and 328(a) and Fed. R. Bankr. P. 2014(a) and 2016 Authorizing Retention of The Blackstone Group L.P. ("Blackstone") As Financial Advisors For The Debtors, and Scheduling Final Hearing Thereon (the "Application").¹

PLEASE TAKE FURTHER NOTICE that on June 3, 2004, the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") entered an interim order granting the relief requested in the Application, a copy of which is enclosed herewith.

PLEASE TAKE FURTHER NOTICE that if no written objections to Blackstone's retention are timely filed, served and received in accordance with the requirements set forth below, a final order will be submitted which will provide that the Application shall be granted in its entirety. If timely written objections are filed, served and received, a hearing to consider approval of the Application on a final basis will be held **at 10:00 a.m. Eastern Time on July 30, 2004** before the Honorable Robert D. Drain,

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

United States Bankruptcy Judge, in the Bankruptcy Court, Courtroom 610-2, One Bowling Green, New York, New York 10004-1408 (the "Hearing").

PLEASE TAKE FURTHER NOTICE that objections, if any, to approval of the Application on a final basis must be in writing, must conform to the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules for the Southern District of New York, and must be filed with the Bankruptcy Court in accordance with General Order M-242 (as amended) – registered users of the Bankruptcy Court's case filing system must file electronically, and all other parties in interest must file on a 3.5 inch disk (preferably in Portable Document Format (PDF)), WordPerfect or any other Windows-based word processing format); submitted in hard-copy form directly to the chambers of the Honorable Robert D. Drain, United States Bankruptcy Judge; and served upon (i) RCN Corporation, 105 Carnegie Center, Princeton, NJ 08540, Attention: General Counsel; (ii) The Blackstone Group L.P., 345 Park Avenue, New York, New York 10154, Attention: Timothy R. Coleman; (iii) Skadden, Arps, Slate, Meagher & Flom LLP, counsel to the Debtors, 4 Times Square, New York, NY, 10036-6522, Attention: Jay M. Goffman, Esq.; (iv) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, 21st floor, New York, NY 10004, Attention: Paul K. Schwartzberg, Esq.; (v) Milbank, Tweed, Hadley & McCloy, counsel to the unofficial committee of noteholders, 1 Chase Manhattan Plaza, New York, NY 10005, Attention: Dennis Dunne,

Esq.; (vi) counsel to any other statutory committee(s) appointed in these cases; (vii) Simpson Thacher & Bartlett, counsel to the agent for the Debtors' prepetition credit facility, 425 Lexington Avenue, New York, NY 10017-3954, Attention: Peter V. Pantaleo, Esq.; and (viii) HSBC Bank USA, the indenture trustee for the Debtors' outstanding debt securities, 452 Fifth Avenue, New York, NY 10001, Attention: Issuer Services, in each case so as to be **received** no later than **4:00 p.m. Eastern time on July 27, 2004** (the "Objection Deadline").

PLEASE TAKE FURTHER NOTICE that, if its retention is approved, Blackstone will, unless such terms prove to have been improvident in light of developments not capable of being anticipated at the time of the Hearing, be entitled to receive the following compensation:

- a. a Monthly Fee, in the amount of \$200,000 in cash per month, with the first Monthly Fee payable on June 1, 2004 and additional installments of such Monthly Fee payable in advance on the first business day of each month;
- b. upon the consummation of a Transaction, a Transaction Fee payable in cash directly out of the gross proceeds of the Transaction and calculated as two percent of the Consideration (as defined in the Engagement Letter); and
- c. upon the completion of a Restructuring, a Restructuring Fee of between \$6 million and \$8 million, subject to a reduction by a "Transaction Credit" equal to 0% to 50% of any Transaction Fee.

<u>Date on which</u>	<u>Restructuring Fee</u>	<u>Transaction</u>
<u>Restructuring Fee is Earned</u>	<u>Restructuring Fee</u>	<u>Credit Percentage</u>

Prior to September 9, 2004	\$8,000,000	None
On or after September 9, 2004 but prior to March 9, 2005	\$7,000,000	25%
On or after March 9, 2005	\$6,000,000	50%

Notwithstanding the foregoing, the Transaction Credit shall not exceed the Restructuring Fee, and the sum of the Transaction Fee plus the Restructuring Fee (net of any credits) shall not exceed \$10.5 million.

PLEASE TAKE FURTHER NOTICE that, if Blackstone's retention is approved, the terms of the Monthly Fee, Transaction Fee and Restructuring Fee shall not be subject to challenge, other than by the United States Trustee, except under the standard of review set forth in Bankruptcy Code section 328(a).

PLEASE TAKE FURTHER NOTICE that, if the Application is granted, the Debtors will indemnify and hold Blackstone harmless against liabilities arising out of or in connection with its retention by the Debtors except for any such liability for losses, claims, damages or liabilities incurred by the Debtors that are finally judicially determined by a court of competent jurisdiction to have resulted primarily from the bad faith, self-dealing, breach of fiduciary duty (if any), gross negligence or willful misconduct, by Blackstone.

