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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re	:	Chapter 11
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HOT SPOTS PRODUCTIONS, INC.,	:	Case No. 04-13637
	:	
Debtor.	:	
	:	
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	:	
In re	:	Chapter 11
	:	
RCN CORPORATION,	:	Case No. 04-13638
	:	
Debtor.	:	
	:	
-----	X	
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	:	
In re	:	Chapter 11
	:	
RLH PROPERTY CORPORATION,	:	Case No. 04-13639
	:	
Debtor.	:	
	:	
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	:	
In re	:	Chapter 11
	:	
RCN FINANCE, LLC,	:	Case No. 04-13640
	:	
Debtor.	:	
	:	
-----	X	
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	:	
In re	:	Chapter 11
	:	
TEC AIR, INC.,	:	Case No. 04-13641
	:	
Debtor.	:	
	:	
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**MOTION FOR ORDER UNDER FED. R. BANKR. P. 1015(b)
DIRECTING JOINT ADMINISTRATION OF CASES**

RCN Corporation ("RCN") and certain of its direct and indirect subsidiaries, debtors and debtors-in-possession in the above-captioned cases (collectively, the "Debtors"), hereby move for entry of an order under Fed. R. Bankr. P. 1015(b) authorizing the joint administration of the Debtors' chapter 11 cases for procedural purposes only. In support of this motion, the Debtors rely on the Affidavit of Anthony M. Horvat Pursuant to Local Bankruptcy Rule 1007-2 and in Support

of Chapter 11 Petitions and First Day Motions (the "Horvat Affidavit").¹ In further support of this motion, the Debtors respectfully represent as follows:

BACKGROUND

A. The Chapter 11 Filing

1. On May 27, 2004 (the "Petition Date"), the Debtors filed voluntary petitions in this Court for reorganization relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). The Debtors continue to manage and operate their businesses as debtors-in-possession pursuant to Bankruptcy Code sections 1107 and 1108.

2. No trustee or examiner has been appointed in these chapter 11 cases, and no official committees have yet been appointed or designated.

3. The Court has jurisdiction over this matter under 28 U.S.C. §§ 157 and 1334. Venue is proper under 28 U.S.C. §§ 1408 and 1409. This is a core proceeding under 28 U.S.C. § 157(b)(2).

4. The statutory predicate for the relief requested herein is Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

¹ The Debtors incorporate by reference the facts set forth in the Horvat Affidavit. Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Horvat Affidavit.

B. Business Operations

5. RCN is a holding company for certain direct and indirect subsidiaries (collectively, the "RCN Companies") that deliver bundled communications services, including local and long distance telephone, video programming (including digital cable television and high definition television) and data services (including cable modem, high speed Internet access and dial-up Internet) to customers over their predominantly owned network. Substantially all of RCN's operating subsidiaries are not debtors in these cases. The RCN Companies provide services in Boston and 18 surrounding communities, New York City, the suburbs of Philadelphia, the Lehigh Valley in Pennsylvania, Chicago, San Francisco and several of its suburbs, and two communities in the Los Angeles area.

6. The RCN Companies also entered into strategic joint venture relationships to achieve early penetration of certain telecommunications services markets to reduce their cost of entry. In particular, the RCN Companies acquired a 50% equity interest in Starpower Communications, LLC, which provides telecommunications services in the Washington, D.C. metropolitan area, including parts of Virginia and Maryland, under the brand name "Starpower." The RCN Companies also hold an approximate 49% equity interest in Megacable, S.A. de C.V., Megacable Telecomunicaciones, S.A. de C.V. and MCM Holdings, S.A. de C.V., collectively

the largest cable television provider in Mexico and owner of 27 wireline cable systems.

7. The RCN Companies are telecommunications providers, and for the most part, compete against incumbent service providers. The telecommunications business is highly competitive and requires large capital outlays for network and equipment. Returns on investment depend on the quality, innovation and pricing of the services. The RCN Companies offer cutting edge services at prices that take into consideration the number and types of services in the bundle a customer purchases. The RCN Companies currently have in excess of one million service connections and employ approximately 2,600 employees and independent contractors.

8. RCN's directly and indirectly owned Debtor subsidiaries are Hot Spots Productions, Inc., RLH Property Corporation ("RLH"), RCN Finance, LLC ("RCN Finance"), and TEC Air, Inc. (collectively, the "Subsidiary Debtors"). None of the Subsidiary Debtors have significant operations. None of RCN's other subsidiaries or affiliates (collectively, the "Non-Debtor Affiliates") are Debtors in these cases.

C. Capital Structure and History

9. RCN was formed on September 30, 1997 when its predecessor company, C-TEC Corporation ("C-TEC"), spun-off RCN to C-TEC shareholders.

Prior to the spin-off, C-TEC was an indirect, wholly-owned subsidiary of Level 3 Delaware Holdings, Inc. Since its inception, the RCN Companies have relied extensively on access to the capital markets to finance the development of a high-speed, high-capacity, fiber-optic broadband network. In addition, the RCN Companies have accessed the capital markets to finance their strategy of expanding into new geographic areas by acquiring existing businesses. Thus, the RCN Companies have financed a significant portion of their growth, including corporate acquisitions and purchases of fixed assets, through access to secured credit facilities and the issuance of debt securities and preferred and common stock.

D. Secured Credit Facilities

10. In June 1999, the Debtors (except for RLH and RCN Finance) and certain of the Non-Debtor Affiliates, each either as a borrower or guarantor, entered into a \$1 billion senior secured credit facility (the "Senior Credit Facility") with J.P. Morgan Chase Bank ("JPMorgan Chase") as administrative agent and collateral agent and certain other lender parties (collectively the "Senior Lenders"). The Senior Credit Facility is comprised of a \$250 million seven-year revolving credit facility, a \$250 million seven-year multi-draw term loan facility and a \$500 million eight-year term loan facility, each of which is secured by a senior lien on substantially all of the RCN Companies' assets. The Senior Credit Facility is governed by a single credit agreement dated as of June 3, 1999 (as amended, the "Senior Credit

Agreement"). As of April 30, 2004, approximately \$432.5 million was outstanding under the Senior Credit Facility.

11. In June 2003, RCN entered into a \$41.5 million Commercial Term Loan and Credit Agreement (the "Junior Credit Facility") with Evergreen Investment Management Company, LLC and certain of its affiliates (collectively, "Evergreen"). As of April 30, 2004, approximately \$27.5 million was outstanding under the Junior Credit Facility. The Junior Credit Facility is secured by a junior lien on substantially all of the assets of RCN (excluding cash), including the equity of its directly owned subsidiaries (except for RLH). Pursuant to an intercreditor agreement between the Senior Lenders and Evergreen, the liens securing the Junior Credit Facility are contractually subordinated to the liens securing the Senior Credit Facility.

E. Senior Unsecured Notes

12. Between 1997 and 2000, RCN issued the following senior notes: (i) the 10% Senior Notes due October 15, 2007, issued under the Indenture dated October 17, 1997, as amended, (ii) the 11 1/8% Senior Discount Notes due October 15, 2007, issued under the Indenture dated October 17, 1997, as amended, (iii) the 9.8% Senior Discount Notes due February 15, 2008 issued under the Indenture dated February 6, 1998, as amended, (iv) the 11% Senior Notes due July 1, 2008, issued under the Indenture dated June 24, 1998, as amended, and (v) the 10 1/8% Senior Notes due January 15, 2010, issued under the Indenture dated December

22, 1999, as amended (collectively, the "Senior Notes"). The Senior Notes are unsecured obligations of RCN only, and none of the other Debtors or Non-Debtor Affiliates have any obligations thereunder. RCN's obligations under the Senior Notes were approximately \$1.1 billion as of December 31, 2003.

F. Preferred and Common Stock

13. RCN issued two series of preferred stock (the Preferred Stock"). On April 7, 1999, Hicks, Muse, Tate & Furst ("Hicks Muse") purchased 250,000 shares of Series A Preferred Stock of RCN for gross proceeds of \$250 million. As a result of the payment of dividends in kind, Hicks Muse holds 353,289 shares of Series A Preferred Stock as of March 31, 2004. On February 28, 2000, Vulcan Ventures Inc. ("Vulcan"), an investment organization of Paul G. Allen, purchased 1.65 million shares of mandatorily convertible cumulative preferred stock (the "Series B Preferred Stock") of RCN for gross proceeds of \$1.65 billion. As a result of dividends and subsequent transactions, Vulcan holds 1,222,250 shares of Series B Preferred Stock and Wells Fargo & Company, the only other holder of Series B Preferred Stock, holds 251,332 shares of Series B Preferred Stock as of March 31, 2004.

14. Shares of RCN's Class A Common Stock (the "Common Stock") were listed on the NASDAQ stock exchange under the symbol RCNC. On May 12, 2004, RCN's Common Stock was delisted from the NASDAQ stock

exchange and is now quoted on the OTC Bulletin Board with its present symbol of RCNC. As of December 31, 2003, there were approximately 101 million shares of Common Stock² issued and outstanding and 11,424,810 shares of Class B Common Stock issued and outstanding.

G. Events Leading to Chapter 11 Filings

15. Due to the confluence of a series of events, including the continued severe slowdown in the telecommunications industry and continued limited access to the capital markets, the RCN Companies revised their growth plan during 2002. Under the revised growth plan, the RCN Companies decided to substantially curtail future capital spending and geographic expansion of their network in all existing markets to focus on customer growth in existing markets and to reduce operating expenses.

16. Despite these and other cost-savings measures, the RCN Companies determined that their projected revenues and available cash-on-hand may be insufficient to meet their working capital, debt service, capital expenditure and

² This amount does not include the 11,597,193 shares of Common Stock held of record by NSTAR Communications Securities Corporation ("NSTAR Communications"). In a letter dated December 24, 2003 to Mellon Investor Services, the transfer agent for the Common Stock, NSTAR Communications purported to abandon its entire interest in such shares. This transaction is also described in Amendment No. 1 to Schedule 13D, filed with the SEC on December 24, 2003 by NSTAR, an affiliate of NSTAR Communications. RCN reserves all of its rights in respect of this transaction.

other requirements (including interest payments on Senior Notes) in 2004 and beyond. Accordingly, the RCN Companies began exploring alternatives to refinance or restructure their indebtedness.

17. In October 2003, the RCN Companies began preliminary discussions with an ad hoc committee of certain holders of Senior Notes (the "Noteholders' Committee") and JPMorgan Chase as administrative agent for the Senior Lenders concerning a possible restructuring transaction.

18. In connection with ongoing negotiations with the Noteholders' Committee and JPMorgan Chase, RCN chose not to make the interest payment scheduled for January 15, 2004 with respect to its 10 1/8% Senior Notes due 2010, and additionally chose not to make the interest payment scheduled for February 15, 2004 on the 9.8% Senior Discount Notes due 2008, the interest payment scheduled for April 15, 2004 on the 10% Senior Notes due 2007 and the interest payment scheduled for April 15, 2004 on the 11 1/8% Senior Discount Notes due 2007. The RCN Companies entered into forbearance agreements with the Senior Lenders, Evergreen and the Noteholders' Committee in which each agreed not to declare an event of default as a result of RCN's failure to make the interest payments. The parties to the forbearance agreements subsequently extended the forbearance period to facilitate additional negotiations.

19. The forbearance agreements allowed the RCN Companies to continue negotiating a financial restructuring with the Noteholders' Committee and JPMorgan Chase, notwithstanding the expiration of the grace period associated with the missed interest payments in respect of the aforementioned Senior Notes. During the forbearance period, the RCN Companies sought to negotiate a comprehensive restructuring proposal in which the RCN Companies would undergo a financial restructuring through reorganization under chapter 11. Those negotiations included discussions with various entities on a possible new credit facility to replace the existing Senior Credit Facility, and such efforts resulted in the agreement described below.

20. Prior to the Petition Date, the Debtors entered into a commitment letter with Deutsche Bank Securities Inc. ("Deutsche Bank") pursuant to which Deutsche Bank has committed to provide the Debtors with new financing upon the consummation of a plan of reorganization. The new financing will consist of (i) a \$310 million first lien facility, including a \$285 million term loan facility and a \$25 million letter of credit facility and (ii) a \$150 million second lien facility. Each of the facilities will be guaranteed by all of RCN's wholly owned domestic subsidiaries and secured by substantially all the assets of RCN and its wholly owned domestic subsidiaries. Each of the facilities will contain prepayment provisions, covenants (including financial covenants) and events of default customary for facilities of this

nature. Closing and funding for each of the facilities is subject to satisfaction of customary conditions precedent for facilities of this nature.

21. In addition, the Debtors, the Senior Lenders and the Noteholders' Committee have agreed to support a financial restructuring on the terms set forth below:³

(a) On the effective date of a plan of reorganization or sooner, the existing holders of claims under the Senior Credit Facility will have such claims repaid in full in cash, unless any existing Senior Lender elects to roll its outstanding claim into the new facility. All undrawn letters of credit will be either replaced on the effective date of a plan of reorganization or cash collateralized on terms agreed by the issuing bank.

(b) On the effective date of a plan of reorganization, each holder of an allowed general unsecured claim will receive, in exchange for its total claim (including principal and interest in the case of a claim under the Senior Notes), its pro rata portion of 100% of the fully diluted new common stock of reorganized RCN, before

³ The understanding reached between the Debtors and certain of its creditors covers the broad economic terms of the financial restructuring and not all material terms expected to be contained in a plan of reorganization. The understanding is not binding on the Debtors or the creditors with whom it was negotiated and not all of the Debtors' stakeholders are party to this understanding or participated in its negotiations.

giving effect to (i) any management incentive plan and (ii) the exercise of the equity warrants described below, if any.

(c) On the effective date of a plan of reorganization, all obligations under the Junior Credit Facility will either (i) remain outstanding on terms agreed upon between the Debtors and Evergreen or as otherwise permitted by the Bankruptcy Code or (ii) be refinanced in whole or in part.

(d) Holders of RCN's existing Preferred Stock and Common Stock will receive, on a basis to be determined, equity warrants that are exercisable into two percent of reorganized RCN's common stock (before giving effect to any management incentive plan), with a two-year term beginning on the consummation of a plan of reorganization, and set at a strike price equivalent to an enterprise valuation of \$1.66 billion. Holders of existing warrants and options will not be entitled to receive a distribution under the plan of reorganization on account of such interests.

(e) On the effective date of a plan of reorganization, the sole equity interests in reorganized RCN will consist of new common stock, the equity warrants described above and equity interests to be issued in any management incentive plan.

(f) On the effective date of a plan of reorganization, there will be no debt, security or other material obligation of reorganized RCN other than indebtedness or securities described above and obligations arising in the ordinary course of reorganized RCN's business.

RELIEF REQUESTED

22. By this motion, the Debtors seek entry of an order approving joint administration of the Debtors' chapter 11 cases for procedural purposes only.

BASIS FOR RELIEF

23. Bankruptcy Rule 1015(b) provides that where two or more petitions are pending in the same court by or against a debtor and an affiliate, the court may order joint administration of the estates of the debtor and such affiliate(s). See Fed. R. Bankr. P. 1015(b). Bankruptcy Code section 101(2)(A) defines the term "affiliate" to include an "entity that directly or indirectly owns, controls, or holds with power to vote, 20 percent or more of the outstanding voting securities of the debtor. . . ." 11 U.S.C. § 101(2)(A). Under Bankruptcy Code section 101(2)(B), the term "affiliate" also includes a

corporation 20 percent or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by the debtor, or by an entity that directly or indirectly owns, controls, or holds with power to vote, 20 percent or more of the outstanding voting securities of the debtor.

11 U.S.C. § 101(2)(B).

24. RCN directly or indirectly owns 100% of the stock of, or membership interest in, each of the Subsidiary Debtors. Thus, the Debtors are "affiliates" within the meaning of Bankruptcy Code section 101(2) and joint administration of their estates is appropriate under Bankruptcy Rule 1015(b).

25. Entry of an order directing joint administration of these cases will avoid the unnecessary time and expense of duplicative motions, applications, orders and other pleadings, thereby saving considerable time and expense for the Debtors and resulting in an appreciable savings for their estates. Such duplication of substantially identical documents would also unnecessarily overburden the Clerk of the Court with voluminous filings.

26. The joint administration of the Debtors' chapter 11 cases will permit the Clerk of the Court to utilize a single general docket for these cases. The Debtors anticipate that the notices, applications, motions, hearings and orders in these cases will affect one or more of the Debtors. Additionally, joint administration will permit counsel for all parties in interest to include the Debtors' respective estates in a single caption on the documents served and filed in these cases, thus enabling parties in interest in each of the above-captioned chapter 11 cases to be apprised of the various matters before the Court.

27. The entry of an order of joint administration will significantly reduce the volume of paper that would otherwise be filed with the Clerk of this Court, render the completion of various administrative tasks less costly, and minimize the number of unnecessary delays. Additionally, because this is not a motion for substantive consolidation of the Debtors' estates, the rights of parties in interest

will not be prejudiced by entry of an order directing joint administration of the Debtors' separate chapter 11 cases.

28. Specifically, the rights of the respective creditors of each of the Debtors will not be adversely affected by joint administration of these cases inasmuch as the relief sought is purely procedural and is in no way intended to affect substantive rights. Each creditor and party in interest will maintain whatever rights it has in the particular estate against which it allegedly holds a claim or right. Indeed, the rights of all creditors will be enhanced by the reduction in costs resulting from joint administration. The Court also will be relieved of the burden of entering duplicative orders and keeping duplicative files. Supervision of the administrative aspects of the chapter 11 cases by the Office of the United States Trustee also will be simplified.

32. In addition to the foregoing, the Debtors request that joint administration be provided for any additional affiliates of the Debtors which may later seek protection under chapter 11. Specifically, RCN is an affiliate of the Non-Debtor Affiliates that have not, at this time, commenced chapter 11 cases.

33. For the same reasons set forth above, joint administration of the above-captioned chapter 11 cases and the chapter 11 cases of any Non-Debtor Affiliates which may later seek chapter 11 protection is appropriate. Accordingly, in the interests of judicial economy, the Debtors request that all chapter 11 cases filed by any of the Non-Debtor Affiliates on or before 30 days after the entry of an order granting this motion, if any, automatically be consolidated with the chapter 11 cases of the Debtors for procedural purposes only.

34. This district has granted similar relief in other complex chapter 11 cases. See, e.g., In re Radio Unica Communications Corp., Case Nos. 03-16835 through 03-16870 (CB) (S.D.N.Y. October 31, 2003); In re Enron Corp., Case Nos. 01-16033 through 01-16048 (AJG) (S.D.N.Y. December 3, 2001); In re The Singer Co. N.V., Case Nos. 99-10578 through 99-10603 (BRL) (S.D.N.Y. September 13, 1999).

35. The Debtors submit that no new or novel issue of law is presented with respect to the matters contained herein. Because the relevant authorities in support of the requested relief are cited in this motion, the Debtors request that

the requirement of the service and filing of a separate memorandum of law under
Local Bankr. R. 9013-1(b) be deemed satisfied.

WHEREFORE, the Debtors respectfully request that the Court enter an order (i) authorizing the joint administration of the Debtors' chapter 11 cases for procedural purposes only, (ii) authorizing the automatic joint administration of the case of any Non-Debtor Affiliate that files a petition on or before 30 days after the entry of an order granting this motion and (iii) granting such other and further relief as is just and proper.

Dated: New York, New York
May 26, 2004

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