

Russell A. Belinsky
CHANIN CAPITAL PARTNERS, LLC
11150 Santa Monica Blvd., 6th Floor
Los Angeles, CA 90025
(310) 445-4010

Financial Advisors to the Official Committee
of Unsecured Creditors

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

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

**SUMMARY COVER SHEET FOR
FIRST INTERIM APPLICATION OF CHANIN CAPITAL PARTNERS, FINANCIAL
ADVISORS TO THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS, FOR
ALLOWANCE OF COMPENSATION FOR SERVICES RENDERED AND FOR
REIMBURSEMENT OF EXPENSES FOR THE PERIOD
JUNE 14, 2004 THROUGH AUGUST 31, 2004**

Name of Applicant:	Chanin Capital Partners
Role in Case:	Financial Advisors to the Official Committee of Unsecured Creditors
Fees Previously Requested:	\$0.00
Fees Previously Awarded:	\$0.00
Expenses Previously Requested:	\$0.00
Expenses Previously Awarded:	\$0.00
Retainer Paid:	None
<u>Current Application</u>	
Fees Requested:	\$256,666.67
Expenses Requested:	\$ 22,733.57

Professionals	Hours
Senior Managing Director	
Russell Belinsky	69.00
Director	
Sanjay Jindal	57.70
Vice President	
John Garcia	184.40
Senior Advisor	
Bill Pearson	18.70
Senior Associate	
Anurag Kapur	230.40
Associate	
Mark Schelbert	166.00
Analyst	
Peter Kim	50.70
Total Hours	776.90

TOTAL FEES (based on monthly fee of \$100,000)	\$256,666.67
FEES RECEIVED (based on 20% holdback)	45,333.34
BALANCE DUE - FEES	211,333.33
TOTAL EXPENSES	22,733.57
AMOUNT RECEIVED – EXPENSES	6,580.96
BALANCE DUE – EXPENSES	16,152.61
TOTAL BALANCE DUE	\$227,485.94

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JUNE 14, 2004 THROUGH AUGUST 31, 2004**

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

Chanin Capital Partners (“Chanin”), Financial Advisors to the Official Committee of Unsecured Creditors (the “Committee”) appointed in the chapter 11 cases of RCN Corporation and its affiliated debtors and debtors-in-possession (collectively, “RCN” or “Debtors”), submits this first application (the “Application”), pursuant to sections 328 and 331 of title 11 of the United States Code (the “Bankruptcy Code”) and Rule 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), for the allowance of interim compensation for professional services rendered from June 14, 2004 through August 31, 2004 (the “Compensation Period”), and for reimbursement

of expenses incurred in connection with such services, and, in support thereof, respectfully represents:

Summary of Application

1. Chanin seeks allowance of interim compensation for professional services rendered to the Committee during the Compensation Period in the aggregate amount of \$256,666.67, and for reimbursement of expenses incurred and recorded in connection with the rendition of such services in the aggregate amount of \$22,733.57. During the Compensation Period, Chanin professionals expended a total of 776.90 hours for which compensation is requested. Pursuant to the 20% holdback provision provided by the court, Chanin has received payments to-date for the Compensation Period in the amount of \$45,333.34 for fees and \$6,580.96¹ for expenses.

2. Chanin does not maintain, in the normal course of providing financial advisory services to its clients, detailed written time records. However, in this case, Chanin maintained written records of the time expended by Chanin professionals in the rendition of their professional services to the Committee. Such time records were made contemporaneously with the rendition of services by the person rendering such services and in the ordinary course of Chanin's practice. A detailed compilation showing the name of the professional, the date on which the services were performed, a description of the services rendered, and the amount of time spent in performing the services during the Compensation Period is attached hereto as Exhibit "A". A summary schedule and also detailed descriptions of the expenses for which Chanin is seeking reimbursement and the total amount for each such expense category are attached hereto as Exhibit "B".

¹ This amount was carried forward from a pre-petition advance for expenses and depleted during the Compensation Period.

3. In preparing this Application Chanin has complied with the Amended Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases adopted by the Court on April 19, 1995 (the "Local Guidelines"), the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330 adopted on January 30, 1996 (the "UST Guidelines"), and the Court's Administrative Order Under 11 U.S.C §§ 105 and 331 Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals dated June 22, 2004 (the "Administrative Order" and, collectively with the Local Guidelines, and the UST Guidelines, the "Guidelines"). Chanin believes that all applicable time and disbursement charges for the Compensation Period have been included herein. However, to the extent that time or disbursement charges for services rendered or disbursements incurred relate to the Compensation Period, but were not processed prior to the preparation of this Application, Chanin reserves the right to request additional compensation for such services and reimbursement of such expenses in a future application.

Jurisdiction and Venue

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

Background

5. On May 27, 2004, the Debtors commenced their cases under chapter 11 of the Bankruptcy Code. The Debtors continue to operate their businesses and manage their properties as debtors-in-possession pursuant to section 1107(a) and 1108 of the Bankruptcy Code.

6. On June 10, 2004, the United States Trustee for the Southern District of New York (the "US Trustee") appointed the Committee. On June 14, 2004, the Committee selected Chanin as its financial advisor. On July 28, 2004, the Court signed an Order approving Chanin's retention as financial advisors for the Committee, effective as of June 14, 2004 (the "Retention Order"). As set forth more fully in the Committee's application to employ Chanin at the outset of these cases, Chanin has extensive experience in representing statutory committees in chapter 11 cases, as part of its prominent financial restructuring and bankruptcy expertise.

7. Pursuant to the Retention Order, Chanin is to be compensated for its services in accordance with the terms and conditions contained in the *Application for Order Authorizing and Approving Under 11 U.S.C. §§ 328 and 1103 and Fed.R.Bankr.P. 2014 and 5002, the Retention of Chanin Capital Partners, Effective as of June 14, 2004, as Financial Advisor to the Official Committee of Unsecured Creditors*, (the "Retention Application"), as modified. The Retention Application states that the terms of Chanin's compensation are as follows: (1) Chanin's monthly advisory fee is \$100,000.00 ("Monthly Advisory Fee"); (2) the Debtors shall reimburse Chanin for all reasonable out-of-pocket expenses and (3) Chanin maintains the right to request a success fee.

8. This is Chanin's first application for allowance of interim compensation for services rendered and for reimbursement of expenses. Chanin has previously provided monthly

fee statements to the notice parties in accordance with the provisions of the Administrative Order, and has received payments totaling \$51,914.30 to-date.

Services Rendered by Chanin During the Compensation Period

9. The following summary of services rendered during the Compensation Period is not intended to be a detailed description of the work performed, as those day-to-day services and the time expended in performing such services are fully set forth in time records provided. Rather, it is merely an attempt to highlight certain of those areas in which services were rendered to the Committee, as well as to identify some of the problems and issues that Chanin was required to address.

(i) Financial Due Diligence

10. Chanin continued to undertake extensive financial due diligence in order to understand and assess the operational and financial position of the Debtors. This process included an in-depth review and analysis of significant amounts of historical financial information, Debtors' and financial advisors' presentations, SEC filings, monthly financial reports, cash balance, liquidity position, and bankruptcy court filings, as well as meetings and teleconferences with Company management and its advisors. Projects include an ongoing analysis of the Company's business operations (including real estate leases and franchises) and historical performance, as well as an analysis of variances to the Debtors' 13-week cash forecast. Chanin presented its findings to the Committee.

(ii) Projected Financial Analysis

11. During the Compensation Period, Chanin reviewed and analyzed the Debtors' projections and business plan, and worked with the Debtors to understand the basis for

such projections, including variances to projections previously provided.

(iii) Comparable Company and Industry Analysis

12. Chanin has reviewed several SEC filings, brokerage reports, industry reports and news stories related to several companies, which Chanin deemed comparable to the Debtors. Based on the review of these documents, Chanin prepared a comparable company analysis and an industry analysis. These analyses were critical in understanding the recent developments, trends, and trading and valuation dynamics of the Debtors' industry sector.

(iv) M&A Transactions Analysis

13. Chanin performed an extensive analysis of Merger and Acquisition Transactions involving comparable companies. This analysis was necessary to assess the number of transactions which have occurred, the valuation multiples achieved and the control premiums paid in transactions involving similar companies. During the Compensation Period, this analysis was updated for more recent transactions. This analysis is updated on an ongoing basis.

(v) Plan of Reorganization and Disclosure Statement

14. Chanin reviewed and analyzed drafts of the Plan of Reorganization, Disclosure Statement and Exhibits (the "Plan Documents") as filed by the Debtors. On behalf of the Committee, Chanin reviewed and analyzed the financial aspects of Plan Documents filed by the Debtors and discussed its analysis of the Plan Documents with Committee counsel and the Committee during the Compensation Period.

(vi) Fee Application Preparation

15. During the Compensation Period, Chanin compiled time and expense descriptions of the services it provided, and performed other tasks in order to comply with the

Administrative Order. Chanin made every effort to minimize the amount of time and fees incurred for these activities.

(vii) Committee Meetings

16. During the Compensation Period, Chanin (i) participated in various conference calls and meetings with Committee members and other constituents, (ii) reviewed and analyzed certain other financial information (as requested by the Committee), and (iii) provided other financial analysis in assistance to the Committee counsel. All of Chanin's activities were conducted with the goal of producing efficient and effective services to the Committee and the Debtors' estate. Prior to these discussions with the Committee, Chanin prepared detailed financial analyses and supporting schedules for the Committee revealing the status of the ongoing financial matters with the Debtors.

17. Through these meetings and conference calls, Chanin has assisted the Committee in fulfilling its statutory duties to make informed decisions regarding the various issues which have arisen in these cases, to monitor the Debtors' management of these proceedings, and to reach independent conclusions on the merits of specific matters, as well as regarding the prospects of reorganization. Committee meetings continue to be the most effective and efficient way of ensuring that all members of the Committee are kept informed of the events occurring in the Debtor's case.

Disbursements

18. Chanin has disbursed \$22,733.57 as expenses incurred and recorded in providing professional services during the Compensation Period. These expenses do not exceed the maximum rate set by the Guidelines. These charges are intended to cover Chanin's direct costs, which costs are not incorporated into the Chanin monthly fees. Only clients who actually

use services of the types for which reimbursement is sought are separately charged for such service. The effect of including such expenses as part of the monthly fee would impose that cost upon clients who do not require such services.

19. In these proceedings, Chanin charges \$0.15 per page for internal duplicating and \$1.00 per page for outgoing facsimile transmissions. Chanin does not charge for incoming facsimile transmissions nor for facsimile transmissions for local telephone numbers. The amount of the standard photocopying charge is intended to allow Chanin to cover the related expenses of its photocopying service.

20. Due to the nature of the Debtors' businesses, the location of their various offices and facilities, as well as the location of the members of the Committee and their professionals, frequent long distance telephone calls have been required. On several occasions, overnight delivery of documents and other materials was required as a result of urgent needs necessitating the use of such express services.

21. The time constraints imposed by the circumstances of these cases have required Chanin's professionals at times to devote time during the evenings and on weekends to the performance of financial services on behalf of the Committee. While not frequent, these extraordinary services were essential in order to meet deadlines, react timely to the rapidly changing financial condition of the Debtors, and satisfy the demands of the Committee in providing high-quality financial services. Chanin has not charged for any overtime expense. Nonetheless, consistent with the provisions of the Guidelines, Chanin has sought reimbursement for the expenses related to working meals and transportation, consistent with the provisions of the Guidelines.

22. Chanin respectfully submits that the actual expenses incurred in providing professional services for which reimbursement is sought in this Application were necessary, reasonable, and justified under the circumstances to serve the needs of the Committee in fulfilling their statutory obligations.

The Requested Compensation Should Be Allowed

23. Chanin respectfully submits that the services for which it seeks compensation in this Application were necessary for and beneficial to the Committee, the creditors, and the Debtors' estates. Chanin's request for compensation is reflective of a reasonable and appropriate amount of time expended in performing such services commensurate with the complexity, importance and nature of the problem, issue, or task involved. These services were performed without unnecessary duplication of effort by professionals employed by Chanin. The compensation sought by Chanin is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under the Bankruptcy Code. For all of the foregoing reasons, Chanin respectfully requests that the Court grant this Application.

Statements of Chanin

24. No agreement or understanding prohibited by section 504 of the Bankruptcy Code exists between Chanin and any other person for a sharing of compensation received or to be received for services rendered in or in connection with these chapter 11 cases, nor shall Chanin share or agree to share the compensation paid or allowed from the Debtor's estate for such services with any other person in contravention of section 504 of the Bankruptcy Code. No agreement or understanding prohibited by 18 U.S.C. § 155 has been made by Chanin.

25. Pursuant to Bankruptcy Rule 2016, Chanin states that no payments have heretofore been made or promised to Chanin for services rendered or to be rendered in any capacity in connection with these chapter 11 cases.

Waiver of Memorandum of Law

26. Pursuant to Local Bankruptcy Rule for the Southern District of New York 9013-1(b), because there are no novel issues of law presented by this Application, Chanin respectfully requests that the Court waive the requirement that Chanin file a memorandum of law in support of this Application.

Notice

27. Copies of this Application have been provided to the notice parties listed in paragraph 2(a) of the Administrative Order. Pursuant to paragraph 6 of the Administrative Order, a notice of the hearing, when set by the Court, to consider this and other professionals' applications for interim compensation will be served on the notice parties. Chanin submits that this is good and sufficient notice and no other or further notice is necessary.

WHEREFORE, Chanin respectfully requests an order granting (i) an interim allowance of compensation for professional services rendered as financial advisors to the

Committee in the amount of \$256,666.67 in fees for the period of June 14, 2004 through August 31, 2004, (ii) reimbursement of actual and necessary disbursements incurred and recorded by Chanin in the amount of \$22,733.57, (iii) such other and further relief as is just, and (iv) authority to the Debtor to pay to Chanin outstanding compensation and reimbursement of expenses in the amount of \$227,485.94.

Dated: Los Angeles, California
October 20, 2004

CHANIN CAPITAL PARTNERS

By: /s/ Russell Belinsky
Russell Belinsky
Senior Managing Director
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Los Angeles, California 90025
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: (Jointly Administered)
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**CERTIFICATION PURSUANT TO GUIDELINES FOR FEES AND DISBURSEMENTS
FOR PROFESSIONALS IN RESPECT OF FIRST INTERIM APPLICATION OF
CHANIN CAPITAL PARTNERS
FOR COMPENSATION AND REIMBURSEMENT OF EXPENSES**

I, Russell Belinsky, hereby certify that:

1. I am a Senior Managing Director at Chanin Capital Partners and the professional designated by the applicant, Chanin Capital Partners (“Chanin”) with responsibility for the official committee of unsecured creditors (the “Committee”) appointed in the chapter 11 cases of RCN Corporation, et al., as debtors and debtors-in-possession (the “Debtors”) in respect of compliance with the Amended Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases adopted by the Court on April 19, 1995 (the “Local Guidelines”) and the United States Trustee Guidelines for Reviewing Applications for Compensation and

Reimbursement of Expenses Filed Under 11 U.S.C. § 330, adopted on January 30, 1996 (the “UST Guidelines”).

2. This certification is made in respect of Chanin’s first interim application, dated October 20, 2004 (the “Application”) including the exhibits annexed thereto, for interim compensation and reimbursement of expenses for the period commencing June 14, 2004 through August 31, 2004 in accordance with the Local Guidelines.

3. In respect of Section B.1 of the Local Guidelines, I certify that:

(a) I have read the Application;

(b) to the best of my knowledge, information, and belief formed after reasonable inquiry, the fees and disbursements sought fall within the Local Guidelines;

(c) the fees and disbursements sought are charged in accordance with practices customarily employed by Chanin and generally accepted by Chanin’s clients; and

(d) in providing a reimbursable service, Chanin does not make a profit on that service, whether the service is performed by Chanin in-house or through a third party.

4. In respect of section B.2 of the Local Guidelines, I certify that:

(a) The United States Trustee for the Southern District of New York (the “US Trustee”), the Debtors, counsel for the Debtors, counsel for the Committee and counsel to the agent for the Debtors’ pre-petition credit facility have each been provided on a monthly basis with a statement of Chanin’s fees and disbursements accrued during the previous month in accordance with the Court’s Administrative Order Under 11 U.S.C §§ 105 and 331 Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals dated June 22, 2004 (the “Administrative Order”); and

(b) the statement contained lists of professionals providing services, the aggregate hours spent by each professional, a general description of the services rendered, a reasonably detailed breakdown of the disbursements incurred, and an explanation of billing practices.

5. In respect of section B.3 of the Local Guidelines, I certify that the US Trustee, the Debtors, counsel for the Debtors, counsel for the Committee and counsel to the agent for the Debtors' pre-petition credit facility are each being provided with a copy of the Application in accordance with the Administrative Order.

6. By this certification, Chanin does not waive or release any rights or entitlements it has under the order of this Court, dated July 28, 2004, approving Chanin's retention as financial advisors to the Committee, effective as of June 14, 2004, pursuant to Chanin's normal billing and customary reimbursement and disbursement practices.

Dated: Los Angeles, California
October 20, 2004

/s/ Russell Belinsky
Russell Belinsky