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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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RCN CORPORATION, <u>et al.</u> ,	: Case No. 04-13638 (RDD)
	:
Debtors.	: (Jointly Administered)
	:
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**DECLARATION OF TIMOTHY COLEMAN IN SUPPORT
OF MOTION FOR ORDER UNDER 11 U.S.C. §§ 105(a), 363(b), 364(c)(1), 503(b)
AND 507 AUTHORIZING, APPROVING AND RATIFYING AMENDMENT TO
EXIT FINANCING COMMITMENTS AND
PAYMENT OF RELATED FEES AND EXPENSES**

Timothy Coleman hereby declares that the following is true and correct:

1. I am a senior managing director in the Restructuring & Reorganization Advisory Group of The Blackstone Group ("Blackstone") in New York. Blackstone has been advising the Debtors since March 10, 2004 and on August 3, 2004 the Court issued an order approving, on a final basis, Blackstone's retention as financial advisors to the Debtors. I have been employed by Blackstone since 1992. Before joining

Blackstone, I was a Vice President at Citibank, N.A. for twelve years. I received a BA from the University of California at Santa Barbara, and an MBA from the University of Southern California. Blackstone's Restructuring and Reorganization and Advisory group was established in 1991. Blackstone has advised both companies and creditors in over 145 distressed situations, involving over \$315 billion of total liabilities. I have personally been involved in a variety of restructuring and reorganization roles throughout my career.

2. I submit this declaration (the "Declaration") in support of the Debtors' Motion for Order Under 11 U.S.C. §§ 105(a), 363(b), 364(c)(1), 503(b) and 507 Authorizing, Approving and Ratifying the Amendment to the Exit Financing Commitments and Payment of Related Fees and Expenses (the "Motion").¹

3. Except as otherwise indicated, all statements in this Declaration are based on my personal knowledge, my review of relevant documents or my opinion based upon my experience and knowledge of the Debtors' operations and financial condition. If I were called upon to testify, I could and would testify to each of the facts set forth herein based on such personal knowledge, review of documents or opinion. I am authorized to submit this Declaration on behalf of the Debtors.

¹ Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in the Motion.

The Need for the Amendment to the Exit Financing Commitments

4. The Debtors expect to realize significant benefits from the Starpower Acquisition. The Starpower market serves an attractive demographic for RCN's products and services and is part of the Northeast US market that the Debtors have identified as critical to their business plan. The Debtors anticipate that there are significant opportunities for cost reductions and operational improvements at Starpower that could only be realized through the Starpower Acquisition. These improvements could increase revenue and also eliminate overhead expenses, increasing the Debtors' cash flow.

5. If the Starpower Acquisition is not completed, there is a risk that the Debtors could experience operational difficulties with the new JV partner, or with Pepco in the event that no transaction takes place. If a competitor to the Debtors were to purchase a 50% interest in Starpower, it is likely that they would seek greater operational control than Pepco currently has.

6. The Debtors and Blackstone determined that an amendment to the Exit Financing Commitments to provide an additional \$20 million in New Senior Exit Financing was the most viable means for financing the Starpower Acquisition. After careful evaluation, consideration of various alternatives and consultation with their advisors and creditor constituencies, the Debtors determined, in their sound business judgment, that amending the Exit Financing Commitments with Deutsche Bank would

best meet the Debtors' restructuring goals as well as their ongoing general business needs. Based on that conclusion, the RCN Companies concentrated their efforts on negotiating the terms of an amendment to the Exit Financing Commitments with Deutsche Bank. Those negotiations resulted in the Financing Amendment, which was executed by RCN and Deutsche Bank on October 15, 2004.

7. Deutsche Bank has agreed to fully fund the \$20 million needed to finance the Starpower Acquisition, subject to the terms and conditions set forth in the Amendment Letter and the Exit Financing Commitments, as amended thereby.

The Financing Amendment is Fair and Reasonable

8. Deutsche Bank's agreement to provide an additional \$20 million under the New Term Loan Facility, pursuant to the Financing Amendment, represents the result of arms' length negotiations between Deutsche Bank and the Debtors, Blackstone and the Debtors' other advisors. The fees associated with the additional \$20 million compare favorably with the pricing of similar financing transactions in the current market and are consistent with those previously approved by this Court on June 22, 2004 in the Financing Order.

9. In addition, in the event the Debtors have to secure financing from other lenders, such lenders will likely demand the payment of due diligence fees, attorneys' fees and another commitment fee before they provide the Debtors with a

commitment letter. There can be no assurance that another lender will be willing to commit to the \$20 million necessary to consummate the Starpower Acquisition, nor can there be any assurance that the terms of such financing will be as favorable as that proposed by Deutsche Bank. As such, when considering all of the factors, we concluded that the Starpower Financing is the Debtors' best financing alternative for the Starpower Acquisition.

10. Accordingly, we advised the Debtors that the terms of the Financing Amendment and the related fees are reasonable, in comparison to the amounts being committed. The reasonableness of the proposed transaction is supported by the benefits the Debtors will derive.

11. If the Court fails to ratify the Financing Amendment, and such failure renders RCN-DC unable to consummate the Starpower Acquisition, the Debtors will have lost an opportunity to add significant value to the RCN Companies.

I declare under penalty of perjury that the foregoing is true and correct.

Dated October 22, 2004

/s/ Timothy Coleman
Timothy Coleman