

**Hearing Date: November 16, 2004 at 10:00 a.m.**  
**Objections Due: November 12, 2004 at 4:00 p.m.**

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP  
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 (A Member of the Firm)  
 Frederick D. Morris (FM 6564)

Attorneys for Debtors and Debtors-in-Possession

UNITED STATES BANKRUPTCY COURT  
 SOUTHERN DISTRICT OF NEW YORK

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	:	
In re	:	Chapter 11
	:	
RCN CORPORATION, <u>et al.</u> ,	:	Case No. 04-13638 (RDD)
	:	
Debtors.	:	(Jointly Administered)
	:	
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**FIRST INTERIM APPLICATION OF SKADDEN, ARPS, SLATE,  
 MEAGHER & FLOM LLP SEEKING ALLOWANCE OF FEES FOR  
 PROFESSIONAL SERVICES RENDERED AND DISBURSEMENTS  
 INCURRED AS COUNSEL FOR THE DEBTORS FOR THE PERIOD  
 FROM MAY 27, 2004 THROUGH AUGUST 31, 2004**

Name of applicant: Skadden, Arps, Slate, Meagher & Flom LLP

Authorized to provide professional services to: RCN Corporation, et al.

Date representation commenced: May 27, 2004

Date of final retention order: June 22, 2004

Period for which compensation and reimbursement is sought: May 27, 2004 - August 31, 2004

Amount of compensation sought as actual, reasonable and necessary: \$2,116,458.00

Amount of expense reimbursement sought as actual, reasonable and necessary: \$69,369.70

Amount of compensation paid (80%) as actual, reasonable and necessary: \$1,693,166.40

Amount of expense reimbursement paid as actual, reasonable and necessary: \$69,369.70

Total amount of compensation (20% holdback) sought: \$423,291.60<sup>1</sup>

This is a(n): X interim \_\_\_ final application.

Prior interim fee applications: None

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<sup>1</sup> This amount reflects the adjustment to fees discussed in footnote 3.

**CUMULATIVE SUMMARY OF ALL MONTHLY FEE STATEMENTS<sup>2</sup>  
 SUBMITTED BY SKADDEN, ARPS FOR COMPENSATION FOR  
 SERVICES RENDERED AND REIMBURSEMENT OF EXPENSES AS  
 COUNSEL TO THE DEBTORS FROM THE PETITION DATE**

SUBMISSION/ FILING DATE	PERIOD COVERED	TOTAL FEES REQUESTED	TOTAL EXPENSES REQUESTED	AMOUNT OF FEES PAID (80%)	EXPENSES PAID (100%)	AMOUNT OF HOLDBACK FEES SOUGHT
7/20/04	5/27/04 - 6/30/04	\$875,681.00	\$39,720.56	\$700,544.80	\$39,720.56	\$175,136.20
8/20/04	7/1/04 - 7/31/04	325,883.50	11,877.93	260,706.80	11,877.93	65,176.70
9/20/04	8/1/04 - 8/31/04	914,893.50	17,771.21	731,914.80	17,771.21	182,978.70
<b>TOTALS</b>		\$2,116,458.00	\$69,369.70	\$1,693,166.40	\$69,369.70	\$423,291.60

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<sup>2</sup> The monthly fee statements filed by Skadden, Arps for each of the periods from May 27, 2004 through June 30, 2004, the month of July 2004 and the month of August 2004 (each, a "Monthly Fee Statement" and collectively, the "Monthly Fee Statements") are attached hereto as Exhibits B, C and D, respectively.

**CUMULATIVE COMPENSATION SUMMARY BY PROJECT  
CATEGORY FOR THE PERIOD FROM  
MAY 27, 2003 THROUGH AUGUST 31, 2004**

PROJECT CATEGORY	TOTAL HOURS	TOTAL FEES
General Corporate Advice	133.60	\$85,575.50
Asset Dispositions (General)	28.70	11,102.50
Automatic Stay (Relief Actions)	120.70	51,566.00
Business Operations/Strategic Planning	5.40	3,481.00
Case Administration	913.20	320,579.50
Claims Administration (General)	70.90	30,676.00
Creditor Meetings/Statutory Committees	129.10	59,141.00
Disclosure Statement/Voting Issues	612.30	279,242.00
Employee Matters (General)	217.20	104,581.50
Executory Contracts (Personalty)	50.80	19,014.50
Financing (DIP and Emergence)	229.00	108,345.00
Insurance	32.20	12,717.00
Leases (Real Property)	17.80	9,541.50
Litigation (General)	566.80	226,246.50
Liquidation/Feasibility	2.00	1,190.00
Nonworking Travel Time	27.40	13,720.50
Regulatory and SEC Matters	296.90	120,935.00
Reorganization Plan/Plan Sponsors	539.50	273,047.00
Reports and Schedules	101.90	45,365.00
Retention/Fee Matters (Skadden, Arps)	433.30	162,672.50
Retention/Fee Matters/Objections (Others)	187.30	81,007.50
Secured Claims	1.10	654.50
Tax Matters	157.70	88,048.50

<b>PROJECT CATEGORY</b>	<b>TOTAL HOURS</b>	<b>TOTAL FEES</b>
U.S. Trustee Matters	4.60	2,271.00
Utilities	0.50	197.50
Vendor Matters	12.20	5,539.50
<b>TOTAL</b>	<b>4,892.10</b>	<b>\$2,116,458.00</b>

**TIME SUMMARY TO INTERIM FEE APPLICATION OF SKADDEN,  
ARPS, SLATE, MEAGHER & FLOM LLP FOR THE PERIOD  
FROM MAY 27, 2004 THROUGH AUGUST 31, 2004<sup>3</sup>**

<b>NAME</b>	<b>YEAR OF ADMISSION</b>	<b>RATE<sup>4</sup></b>	<b>HOURS<sup>5</sup></b>	<b>AMOUNT</b>
<b>PARTNERS</b>				
Peter A. Atkins	1969	\$760	28.20	\$21,432.00
D. J. (Jan) Baker	1973	760	28.20	21,432.00
Anthony W. Clark	1979	735	50.40	37,044.00
Eric M. Davis	1992	575	94.80	54,510.00
Howard L. Ellin	1991	735	97.00	71,295.00
Jay M. Goffman	1984	760	143.70	109,212.00
John K. Lyons	1989	575	26.00	14,950.00
Maxwell M. Miller	1988	720	48.10	34,632.00
J. Gregory Milmoie	1976	760	5.80	4,408.00
Matthew A. Rosen	1976	760	17.50	13,300.00
J. Gregory St. Clair	1990	595	320.90	190,935.50
<b>TOTAL PARTNERS</b>			<b>860.60</b>	<b>\$573,150.50</b>
<b>COUNSEL</b>				
Thomas J. Matz	1976	\$495	454.90	\$225,175.50
Mark A. McDermott	1991	495	13.10	6,484.50

<sup>3</sup> As an accommodation to the Debtors, Skadden, Arps has voluntarily reduced its fees by \$31,422.75, which represents time for partners, counsel, associates and paraprofessionals billing less than five hours during the period covered by any Monthly Fee Statement.

<sup>4</sup> The rates below are the guideline hourly professional and paraprofessional fee rates used in the bundled rate structure described under "Professional Services" below.

<sup>5</sup> Time summaries of the charges attributable to each professional and paraprofessional for each matter during the First Interim Period are included with the Monthly Fee Statements.

Juliette W. Pryor	1982	495	50.00	24,750.00
	<b>TOTAL COUNSEL</b>		<b>518.00</b>	<b>\$256,410.00</b>
<b>ASSOCIATES</b>				
Kris Agarwal	2003	\$355	167.60	\$59,498.00
John E. Alessi	2003	295	8.00	2,360.00
Victor T. Clark	2002	320	17.60	5,632.00
Grenville R. Day	1998	440	275.40	121,176.00
Mark L. Desgrosseillier	1999	420	47.70	20,034.00
Jarett Epstein	2003	320	62.40	19,968.00
Thomas R. Fawkes	2002	320	39.80	12,736.00
Mordecai L. Geisler	2003	320	123.90	39,648.00
Robert A. Greebel	2002	355	64.40	22,862.00
Jeffrey A. Greenblatt	1997	460	58.20	26,772.00
Keith M. Hamlin	1999	440	5.50	2,420.00
Brian P. Kelly	2001	395	402.00	158,790.00
Nicholas Mancuso	2002	355	199.10	70,680.50
Evan A. Michael	2003	320	141.10	45,152.00
Frederick D. Morris	1995	475	435.50	206,862.50
Samuel S. Ory	1994	460	105.50	48,530.00
Joseph Rotter	2002	355	129.90	46,114.50
Rena M. Samole	2000	395	81.80	32,311.00
Manan D. Shah	2002	420	17.30	7,266.00
Bennett S. Silverberg	2001	395	117.80	46,531.00
Venera E. Taouchanova	2003	420	102.80	43,176.00
Stephanie L. Teicher	1997	475	10.50	4,987.50
Sina Toussi	1995	460	347.50	159,850.00
Jennifer Underwood	Pending	295	84.40	24,898.00
	<b>TOTAL ASSOCIATES</b>		<b>3,045.70</b>	<b>\$1,228,255.00</b>
	<b>TOTAL ALL ATTORNEYS</b>		<b>4,424.30</b>	<b>\$2,057,815.50</b>

	<b>BLENDED HOURLY RATE</b>	<b>\$465.12</b>	
<b>PARAPROFESSIONALS</b>			
Malikah Ashby	\$195	13.50	2,632.50
Buzz Bovshow	135	10.00	1,350.00
Matthew P. Buchwald	135	6.80	918.00
Constance A. Kaplan	120	5.50	660.00
Michael L. Kreiner	135	20.60	2,781.00
Peggy J. Laurel	120	10.30	1,236.00
Rebecca J. Levy	120	20.70	2,484.00
John F. Norwell	135	10.00	1,350.00
Donald Rockness	135	6.50	877.50
Joseph J. Roman	85	10.30	875.50
Adriana G. Salazar	85	189.90	16,141.50
Stephanie Skelly	170	149.70	25,701.50
Mark P. Sullivan	135	5.50	742.50
Janet A. Walker	105	8.50	892.50
	<b>TOTAL PARAPROFESSIONALS</b>	<b>467.80</b>	<b>\$58,642.50</b>
	<b>TOTAL ALL PROFESSIONALS</b>		<b>\$2,116,458.00</b>



**DISBURSEMENT SUMMARY TO FEE STATEMENT OF SKADDEN, ARPS,  
SLATE, MEAGHER & FLOM LLP FOR THE PERIOD  
FROM MAY 27, 2004 THROUGH AUGUST 31, 2004<sup>6</sup>**

Computer Research	\$38,564.19
Long Distance Telephone	625.49
Outside Telephone	1.50
In-House Reproduction (@ \$.10 per page)	7,163.80
Reproduction-color (@ \$1.00 per page)	4.00
Outside Reproduction	717.48
Outside Research	257.92
Filing/Court Fees	5,034.00
Court Reporting	2,133.89
Local Travel	1,535.55
Out-of-Town Travel	4,481.76
Business Meals <sup>7</sup>	2,888.85
Courier & Express Carriers (e.g., Federal Express) <sup>8</sup>	1,598.97
Postage	277.93
Professional Fees	676.69
Other	<u>3,407.68</u>
<b>CLIENT TOTAL</b>	<b><u><u>\$69,369.70</u></u></b>

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<sup>6</sup> Skadden, Arps bills clients for reasonable charges and disbursements incurred in connection with an engagement. Clients are billed for external charges at the actual cost billed by vendors or, in the case of telephone calls, at the approximate tariff rate. The disbursements and charges reflected on this statement are only those that have been booked at the end of this billing period. Due to normal bookkeeping procedures, many charges and disbursements are not recorded until later periods. Skadden, Arps reserves the right to amend the amounts listed herein to include such previously unbilled disbursements.

<sup>7</sup> Business meals are charged to a client if an attorney is meeting with a client during breakfast, lunch or dinner.

<sup>8</sup> Express carriers are used only when first class mail is impracticable and the exigencies of time require this form of delivery. Couriers are used only when time is of the essence.

## **INTRODUCTION**

Skadden, Arps, Slate, Meagher & Flom LLP ("Skadden, Arps" or the "Firm"), counsel for 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 submits this interim fee application (the "First Interim Fee Application") seeking allowance of compensation and reimbursement of expenses under 11 U.S.C. §§ 330 and 331 and Fed. R. Bankr. P. 2016 for the period from May 27, 2004 through August 31, 2004 (the "First Interim Period"), in accordance with the Court's June 22, 2004 Administrative Order Under 11 U.S.C. §§ 105 and 331 Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals (the "Interim Compensation Order"). Skadden, Arps submits this First Interim Fee Application for (a) allowance of reasonable compensation for professional services rendered by Skadden, Arps to the Debtors and (b) reimbursement of actual and necessary charges and disbursements incurred by Skadden, Arps in the rendition of required professional services on behalf of the Debtors. In support of this First Interim Fee Application, Skadden, Arps represents as follows:

### **BACKGROUND**

1. On May 27, 2004 (the "Petition Date"), RCN, TEC Air, Inc., RLH Property Corporation, RCN Finance, LLC and Hot Spots Productions, Inc., the debtors and debtors-in-possession in case number 04-13638 (RDD) (collectively, the "Initial Debtors"), filed voluntary petitions in this Court for reorganization relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). On August 5, 2004 RCN Cable TV of Chicago, Inc., the debtor and debtor-in-possession

in case number 04-15120 (RDD), filed a voluntary petition in this Court for reorganization relief under the Bankruptcy Code. On August 20, 2004, 21st Century Telecom Services, Inc., RCN Telecom Services of Virginia, Inc., RCN Entertainment, Inc. and ON TV, Inc. (collectively with RCN Cable TV of Chicago, Inc., the "Affiliate Debtors"), the debtors and debtors-in-possession in case numbers 04-15505 (RDD) through 04-15508 (RDD), filed voluntary petitions in this Court for reorganization relief under the Bankruptcy Code. The bankruptcy cases of the Initial Debtors and the Affiliate Debtors are jointly administered under case number 04-13638 (RDD). The Debtors continue to manage and operate their businesses as debtors-in-possession pursuant to Bankruptcy Code sections 1107 and 1108.

2. On June 10, 2004, the Official Committee of Unsecured Creditors (the "Creditors' Committee") was appointed by the United States Trustee for the Southern District of New York (the "United States Trustee") for the Initial Debtors. No trustee, examiner or official committee has been appointed in the Affiliate Debtors' chapter 11 cases.

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 predicates for the relief requested are sections 330 and 331 of the Bankruptcy Code and Rule 2016(a) of the Federal Rules of Bankruptcy Procedure.

5. This First Interim Fee Application has been prepared in accordance 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 dated January 30, 1996 (the "UST Guidelines"). Pursuant to the Local Guidelines, a certification regarding compliance with the Local Guidelines and the UST Guidelines is attached hereto as Exhibit A.

6. Annexed to the front of this First Interim Fee Application is:
  - a. a schedule setting forth all Skadden, Arps professionals and paraprofessionals who have performed services in this chapter 11 case during the First Interim Period; the capacities in which each such individual is employed by Skadden, Arps; the hourly billing rate charged by Skadden, Arps for services performed by such individual; the aggregate number of hours expended during the engagement and fees billed therefor; and the year in which each professional was first licensed to practice law;
  - b. a schedule specifying the categories of expenses for which Skadden, Arps is seeking reimbursement and the total amount for each such expense category; and
  - c. a summary of Skadden, Arps' time records billed during the First Interim Period, including the utilization of project categories as hereinafter described.

7. Skadden, Arps seeks allowance for professional services rendered to the Debtors during the First Interim Period, in the aggregate amount of \$2,116,458.00, and for reimbursement of expenses incurred in connection with the rendition of such services in the aggregate amount of \$69,369.70.

#### **RETENTION OF SKADDEN, ARPS**

8. Skadden, Arps has represented the Debtors on various matters since 1997. Beginning in October 2003, Skadden, Arps was retained to assist the

Debtors in their present restructuring efforts by, among other things, advising the Debtors regarding restructuring matters in general and preparing for the potential commencement and prosecution of chapter 11 cases for the Debtors. On the Petition Date, the Debtors filed an application with this Court (the "Retention Application") to retain Skadden, Arps as their primary bankruptcy counsel pursuant to section 327(a) of the Bankruptcy Code, to perform the following duties:

- a. advise the Debtors with respect to corporate transactions and corporate governance;
- b. advise the Debtors with respect to their powers and duties as debtors-in-possession in the continued management and operation of their businesses and properties;
- c. advise the Debtors with respect to their powers and duties as debtors-in-possession in the continued management and operation of their businesses and properties;
- d. negotiate and review appropriate documents, and prepare any agreements with creditors, equity holders and investors;
- e. review and prepare pleadings, make court appearances and take such other actions as are deemed necessary and desirable;
- f. advise and consult on the conduct of the cases, including all of the legal and administrative requirements of operating in chapter 11;
- g. initiate, prosecute and/or defend litigation that may arise during the course of the cases as to which there is no disqualifying conflict;
- h. negotiate and prepare on the Debtors' behalf a plan of reorganization, disclosure statement and all related agreements and/or documents and take any necessary action on behalf of the Debtors to obtain confirmation and consummation of such plan; and

- i. perform all other necessary legal services and provide all other necessary legal advice to the Debtors in connection with these chapter 11 cases.

On June 3, 2004, this Court entered an interim order authorizing the Initial Debtors' retention of Skadden, Arps as their bankruptcy counsel. By order dated June 22, 2004, this Court authorized, on a final basis, the Initial Debtors' retention of Skadden, Arps as their bankruptcy counsel under Bankruptcy Code section 327(a).

#### **STANDING AT THE BAR AND EXPERIENCE**

9. Skadden, Arps believes it has assembled a highly qualified team of professionals to provide services to the Debtors during their reorganization efforts. Jay Goffman, a partner in the Firm's restructuring department, initially had primary responsibility for this engagement but has transitioned such responsibility to D.J. Baker, as discussed below. Mr. Goffman has over 20 years of experience in reorganization cases representing major corporations, financial institutions, creditor committees, bank groups, bondholders, equity holders, investment funds and investors in various business ventures, transactions, investments and restructurings related to troubled company situations – including chapter 11 cases, out-of-court workouts, exchange offers, tender offers and prepackaged restructurings and acquisitions – throughout the United States and the world. Mr. Goffman's recent experience includes lead debtor representations in large prepackaged, prearranged and traditional chapter 11 cases, and large successful out of court restructurings and/or refinancings. Mr. Goffman has also represented numerous lenders, potential investors and committees in large chapter 11 cases.

10. In August, 2004, D. J. (Jan) Baker, a partner in the Firm's restructuring group, assumed primary responsibility for these cases on behalf of the

Firm. During the past 30 years, Mr. Baker has had primary responsibility in representing numerous public companies in both out-of-court restructurings and chapter 11 cases. His clients have included manufacturers, retailers, distributors, electrical power generators, oil and gas producers and service companies, health care providers and major financial institutions. Mr. Baker has represented a variety of companies that have confronted mass tort liabilities, including both asbestos and other types of mass tort claims. Mr. Baker also advises officers and directors of public companies involved in debt restructurings on matters related to corporate governance and fiduciary duty.

11. J. Gregory St. Clair, a partner in the Firm's restructuring group, became involved shortly after the Petition Date to oversee certain aspects of the Debtors' cases. Mr. St. Clair has represented multinational business organizations in complex financial transactions, typically in distressed situations. He has counseled major corporations facing financial challenges, significant creditors, indenture trustees, lenders, foreign representatives, committees, government agencies, landlords, potential investors and acquirers. In addition to substantial experience representing business organizations in chapter 11 reorganization cases, Mr. St. Clair advises clients with respect to a wide array of national and international corporate transactions in troubled company situations, including mergers, asset and stock sales, out-of-court workouts, exchange offers and public and private debt and equity financings.

12. Collectively, Mr. Goffman, Mr. Baker and Mr. St. Clair have supervised and coordinated the daily activities of the Skadden, Arps professionals

working on these cases, while also providing crucial advice and support to the Debtors on matters for which Skadden, Arps was retained.

#### **FEE PROCEDURE**

13. On June 22, 2004, this Court entered the Interim Compensation Order which provides that professionals may file and serve monthly fee statements by the 20th day following the month for which compensation and reimbursement of expenses is sought. If no objections to a monthly fee statement are filed, the Interim Compensation Order provides that the Debtors are authorized to pay 80% of the fees and 100% of the reimbursable disbursements set forth in such monthly fee statement.

#### **SUMMARY OF SERVICES PROVIDED**

14. During the First Interim Period, professionals of Skadden, Arps devoted a total of 4,892.10 hours to the representation of the Debtors in their chapter 11 cases. Of the aggregate time expended, approximately 860.60 hours were spent by partners, 518.00 hours were spent by counsel, 3,045.70 hours were spent by associates, and 467.80 hours were spent by paraprofessionals. As summarized by a chart at the beginning of this First Interim Fee Application, these professionals billed their services in these cases to numerous matters covering discrete activities. The Monthly Fee Statements should be consulted for a detailed description of the services rendered by Skadden, Arps during the First Interim Period and are incorporated herein by reference.

15. It is not possible within the confines of this First Interim Fee Application to describe in detail the many issues, conferences, telephone conversations, negotiations and other matters that occupied Skadden, Arps professionals' time in the Debtors' cases during the First Interim Period. The following description of the



firm's services, therefore, is merely a summary of the matters that occupied the most substantial amounts of professional time during the First Interim Period. Additional matters on which Skadden, Arps professionals worked are described in the daily time details of each professional, copies of which are attached to the Monthly Fee Statements.

**16. Case Administration and General Bankruptcy Matters.**

Skadden, Arps professionals devoted a considerable amount of time during the First Interim Period to matters of case administration. Skadden, Arps' attorneys conferred with the Debtors' management almost daily to formulate strategy for resolving issues that arose in connection with operating as chapter 11 debtors-in-possession. Skadden, Arps has also conducted extensive research and advised the Debtors with respect to various bankruptcy-related issues that have arisen during the course of these cases.

17. Skadden, Arps professionals also have devoted significant time to preparing and filing substantially all of the pleadings filed by the Debtors in these chapter 11 cases, including the chapter 11 petitions and various first-day motions; various retention applications; the motion to authorize the purchase of director and officer liability insurance; and various pleadings relating to scheduling and administrative matters. Most of the work performed by Skadden, Arps professionals with respect to the Initial Debtors' petitions and first-day motions was performed prior to the Petition Date. Skadden, Arps attorneys also prepared for and attended the first-day hearing and subsequent hearings on matters related to the Debtor's exit financing, use of cash collateral, retention of professionals, continuation of the Debtors' employee retention and severance program, and proposed restrictions on trading in the Debtors' equity securities.

18. Skadden, Arps has been responsible for reviewing and, as necessary, filing responsive pleadings to objections and other pleadings filed by parties in interest, including a motion filed by the Creditors' Committee to establish certain procedures with respect to the Non-Debtor affiliates; requests by certain stockholders to form an equity committee; and various motions to lift the automatic stay. Skadden, Arps has also been responsible for responding to various inquiries by stockholders, bondholders and other parties in interest.

19. Finally, Skadden, Arps has worked extensively with the Debtors' other professionals on various matters including, among other things, the preparation of the Debtors' schedules and statements, the preparation of the Debtors' monthly operating reports, regulatory matters, claims reconciliation, and noticing.

20. **The Plan and Disclosure Statement.** Skadden, Arps attorneys have spent considerable time assisting the Debtors in their efforts to formulate and draft the Debtors' Disclosure Statement with Respect to the Joint Plan of Reorganization (the "Disclosure Statement") and the Debtors' Joint Plan of Reorganization (the "Plan"). The initial drafts of the Disclosure Statement and Plan were filed on August 20, 2004. Revised drafts of the Disclosure Statement and Plan were filed on August 31, 2004.

21. Skadden, Arps also performed substantial work on matters relating to the Disclosure Statement and Plan, including solicitation matters. On September 2, 2004 the Debtors filed a motion to, among other things, schedule the confirmation hearing and approve the solicitation procedures for the Plan. A substantial amount of the work required to prepare this motion was performed by Skadden, Arps during the Interim Period.

22. **Financing Matters.** During the First Interim Period, Skadden, Arps' professionals devoted significant time advising the Debtors with respect to financing matters, including matters related to approval of the agreements underlying the Debtors' proposed Exit Facility (as defined in the Plan), and the Debtors' use of cash collateral. Skadden, Arps attorneys also spent considerable time preparing the Debtors' response to the objection, filed by Vulcan Ventures, Inc. and Wells Fargo & Company, to the Debtors' motion to approve the agreements relating to the Exit Facility.

23. **Litigation.** During the First Interim Period, Skadden, Arps' professionals devoted significant time to representing the Debtors in connection with numerous corporate litigation matters, including an adversary proceeding commenced by RCN Cable TV of Chicago, Inc. ("RCN-Chicago") against the City of Chicago with respect to certain franchise agreements between RCN-Chicago and the City of Chicago (the "Chicago Litigation"). Skadden, Arps' attorneys spent significant time assisting the Debtors in connection with their efforts relating to the Chicago Litigation, including conducting discovery, responding to interrogatories, and developing a litigation strategy. The Chicago Litigation and other litigation matters are described more fully in the Disclosure Statement. Skadden, Arps is called upon in its capacity as counsel for the Debtors in these matters when issues arise regarding document requests, discovery and other proceedings.

24. **Employee Matters.** During the First Interim Period, Skadden, Arps' professionals devoted significant time to researching, analyzing, responding to inquiries regarding, and advising the Debtors' representatives concerning various employee matters associated with filing for relief under Chapter 11 of the Bankruptcy

Code. Skadden, Arps attorneys also advised the Debtors with respect to issues related to the continuation of their preexisting employee retention and severance program, and preparing the pleadings whereby the Debtors amended and restated such program.

25. **Retention Matters.** During the First Interim Period, Skadden, Arps' professionals devoted significant time to performing the work necessary for the Firm to be retained as a professional in these cases, including the disclosure updates required by the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, and the Bankruptcy Court. Skadden, Arps attorneys spent time responding to the United States Trustee's objection to the retention of Skadden, Arps as the Debtors' primary bankruptcy counsel. Skadden, Arps attorneys continued to advise the Debtors with respect to matters concerning the retention of other professionals in these chapter 11 cases.

26. **General Corporate Matters.** Skadden, Arps remains the Debtors' general corporate counsel. Skadden, Arps' professionals attended board meetings and meetings of senior management and advised the Debtors on day-to-day general corporate matters. Skadden, Arps also assisted with the Debtors' public disclosure obligations under applicable securities laws.

27. **Tax Matters.** Skadden, Arps attorneys have advised the Debtors with respect to various tax matters in connection with the proposed restrictions on trading in the Debtors' debt and equity securities.

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#### **PROFESSIONAL SERVICES**

28. For professional services, Skadden, Arps' fees are based in part on its guideline hourly rates, which are periodically adjusted in the normal course of the firm's business, often due to the increased experience of a particular professional.

Skadden, Arps and the Debtors have agreed, as indicated in the Retention Application, that Skadden, Arps' bundled rate structure will apply to these cases and so Skadden, Arps will not seek separate compensation for certain staff, clerical and resource expenses for which it normally charges. The bundled rate structure is described in Skadden, Arps' Policy Statement Concerning Charges and Disbursements Under Standard Bundled Rate Structure (the "Bundled Rate Policy"), a copy of which is attached to RCN's engagement agreement with Skadden, Arps, dated as of October 7, 2003 (the "Engagement Letter"), previously submitted with the revised affidavit of Jay M. Goffman, filed on June 4, 2004, in support of the Retention Application.

#### **DISBURSEMENTS**

29. Consistent with its agreement with the Debtors, and firm policy with respect to its other bankruptcy clients, Skadden, Arps will continue to charge the Debtors for all other services provided and for other charges, expenses and disbursements incurred in the rendition of professional services. These charges, expenses and disbursements include, among other things, costs for telephone charges, photocopying, travel, business meals, computerized research, messengers, couriers, postage, witness fees and other fees related to trials and hearings.<sup>9</sup>

#### **THE REQUESTED COMPENSATION SHOULD BE ALLOWED**

30. Section 331 of the Bankruptcy Code provides for interim compensation of professionals and incorporates the substantive standards of section 330 to govern the Court's award of such compensation. 11 U.S.C. § 331. Section 330 of the Bankruptcy Code provides that a court may award a professional employed

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<sup>9</sup> Charges and disbursements are invoiced in accordance with the Bundled Rate Policy.

under section 327 of the Bankruptcy Code "reasonable compensation for actual, necessary services rendered . . . [and] reimbursement for actual, necessary expenses."

11 U.S.C. § 330(a)(1). Section 330 also sets forth the criteria for the award of such compensation and reimbursement:

In determining the amount of reasonable compensation to be awarded, the court shall consider the nature, the extent, and the value of such services, taking into account all relevant factors, including —

- (A) the time spent on such services;
- (B) the rates charged for such services;
- (C) whether the services were necessary to the administration of, or beneficial at the time at which the service was rendered toward the completion of, a case under this title;
- (D) whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed; and
- (E) whether the compensation is reasonable, based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title.

11 U.S.C. § 330(a)(3).

31. In the instant case, Skadden, Arps respectfully submits that the services for which it seeks compensation in this First Interim Fee Application were, at the time rendered, believed to be necessary for, and beneficial to, the Debtors' rehabilitation and reorganization effort. Such services and expenditures were necessary to and in the best interests of the Debtors' estates. Skadden, Arps further submits that the compensation requested herein is reasonable in light of the nature, extent and value of such services to the Debtors, their estates and all parties in interest.

32. The services rendered by Skadden, Arps were necessary and beneficial to the Debtors' estates and were consistently performed in a timely manner commensurate with the complexity, importance and nature of the issues involved. Therefore, the Court's approval of the compensation sought herein is warranted.

33. Skadden, Arps submits 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 application, Skadden, Arps requests that the requirement of the service and filing of a separate memorandum of law under Local Bankr. R. 9013-1(b) be deemed satisfied.

34. Notice of this First Interim Fee Application has been provided to the Master Service List, as defined in, and in accordance with, the Order Under 11 U.S.C. §§ 102 and 105 and Fed. R. Bankr. P. 2002, 9006 and 9007 Establishing Certain Notice, Case Management and Administrative Procedures, entered by this Court on June 2, 2004. Skadden, Arps submits that no other or further notice need be provided.

## CONCLUSION

WHEREFORE, Skadden, Arps respectfully requests that the Court enter an order (i) allowing compensation for the professional services rendered during the First Interim Period in the amount of \$2,116,458.00 and reimbursement for actual and necessary expenses of Skadden, Arps incurred during the First Interim Period in the amount of \$69,369.70; (ii) allowing such compensation for professional service rendered and reimbursement of actual and necessary expenses incurred without prejudice to Skadden, Arps' right to seek additional compensation for services performed and expenses incurred during the First Interim Period, which were not processed at the time of this First Interim Fee Application; and (iii) granting such other and further relief as is just and proper.

Dated: New York, New York  
October 25, 2004

SKADDEN, ARPS, SLATE, MEAGHER  
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# EXHIBIT A