

HEARING DATE: November 18, 2004
HEARING TIME: 10:00 a.m.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

OBJECTION OF THE UNITED STATES TRUSTEE TO FIRST INTERIM APPLICATIONS FOR COMPENSATION AND REIMBURSEMENT OF EXPENSES

TO THE HONORABLE ROBERT D. DRAIN, BANKRUPTCY JUDGE:

The United States Trustee for the Southern District of New York (the "United States Trustee") has reviewed the following applications seeking interim awards of compensation and reimbursement of expenses.

<u>APPLICANT</u>	<u>PERIOD</u>	<u>FEES</u>	<u>EXPENSES</u>
Skadden Arps Slate Meagher & Flom Counsel to Debtors	5/27/04 - 8/31/04	\$2,116,458.00	\$69,369.70
The Blackstone Group, L.P. Financial Advisor to Debtors	5/27/04- 9/30/04	\$832,258.06	\$27,327.84
Swidler Berlin Shereff Friedman, Regulatory Counsel to Debtors	5/27/04 - 9/30/04	\$83,335.75	\$1,694.31
AP Services, LLC Crisis Manager for Debtor	5/27/04 - 8/31/04	\$2,106,973.50	\$31,438.00
Winston & Strawn, LLP Counsel to Board	6/7/04 - 9/31/04	\$793,897.75 (less reduction of \$40,000) \$753,897.75	\$16,375.93
Milbank Tweed Hadley & McCloy Counsel to Committee	6/10/04 - 8/31/04	\$704,958.00	\$50,002.45
Chanin Capital Partners Financial Advisors to Committee	6/14/04 - 8/31/04	\$256,666.67	\$22,733.57
Capital & Technology Advisors Industry Advisors to Committee	6/14/04 - 8/31/04	\$385,000.00	\$25,434.71

The United States Trustee makes the following objections to the awards of compensation and reimbursement of expenses in the amounts sought for the reasons set forth below:

All Applicants

1. According to the Order Establishing Monthly Compensation entered by this Court on June 22, 2004, professionals in these cases are paid 80% of their fees and 100% of their expenses on a monthly basis. The United States Trustee respectfully requests that the Court not award the outstanding 20% of fees to the applicants until the final resolution of these cases. The results achieved in the cases serve as an important factor in determining the success and reasonableness of the efforts of the bankruptcy professionals. Accordingly, because at the present time the results of the Debtors' cases are still unknown, the United States Trustee believes a continued percentage reduction is proper. See, e.g., In re Bank of New England Corp., 134 B.R. 450, 459 (Bankr. D. Mass. 1991) (because of the difficulty in determining whether services were actual and necessary when reviewing interim applications, bankruptcy courts routinely require hold backs until the end of the case).

Blackstone Group

2. The Blackstone Group fee application does not contain the detailed description of its services required pursuant to the final order authorizing the retention of the Blackstone Group.

Specifically, the order requires the Blackstone Group fee applications to include descriptions of the services provided on behalf of the Debtors, the time expended in providing the services, and the names of the individuals who provided the services. Such information is not contained in the Blackstone Group fee application. Accordingly, the United States Trustee objects to the award of fees to the applicant.

Winston & Strawn

3. The applicant has agreed to reduce its fee request by \$40,000.00. The United States Trustee does not object to the reduced amount.

4. Subject to the objections contained herein, the United States Trustee does not object to the award of fees and expenses sought by the applicants.

WHEREFORE, the United States Trustee respectfully requests that the Court sustain the objection contained herein and grant such other and further relief as it may deem just and proper.

Dated: New York, New York
November 1, 2004

Respectfully submitted,

DEIRDRE A. MARTINI
UNITED STATES TRUSTEE

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