

Hearing Date: November 16, 2004 at 10:00 a.m.
Objection Deadline: November 15, 2004 at 4:00 p.m.

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Attorneys for Debtors and Debtors-in-Possession

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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**NOTICE OF DEBTORS' MOTION FOR ORDER UNDER 11 U.S.C.
§§ 105(a), 363(b), 503(b) AND 507 AUTHORIZING, APPROVING, AND
RATIFYING (I) COMMITMENTS FOR CONVERTIBLE SECOND-
LIEN NOTES, (II) PLACEMENT AGENT AGREEMENT, AND
(III) PAYMENT OF RELATED FEES AND EXPENSES**

PLEASE TAKE NOTICE that on November 3, 2004, RCN Corpora-
tion ("RCN") and certain of its subsidiaries, debtors and debtors-in-possession in the
above-captioned cases (collectively, the "Debtors"), filed the Debtors' Motion for an
Order under 11 U.S.C. §§ 105(a), 363(b), 503(b) and 507 Authorizing, Approving,

and Ratifying (I) Commitments for Convertible Second-Lien Notes, (II) Placement Agent Agreement, and (III) Payment of Related Fees and Expenses (the "Motion").

PLEASE TAKE FURTHER NOTICE that if timely written objections are filed, served and received in accordance with this notice, the Bankruptcy Court will hold a hearing on **November 16, 2004 at 10:00 a.m.** to consider granting the relief requested in the Motion (the "Hearing").

PLEASE TAKE FURTHER NOTICE that if no written objections to the Motion are timely filed, served and received, the proposed order filed with the Motion will be submitted for signature to the Honorable Robert D. Drain, United States Bankruptcy Judge for the Southern District of New York, Alexander Hamilton Customs House, One Bowling Green, New York, NY 10004-1408 on November 16, 2004.

PLEASE TAKE FURTHER NOTICE that objections to the Motion, if any, must be in writing, must conform to the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules for the Southern District of New York, and must be filed with the Bankruptcy Court in accordance with General Order M-242 (as amended) – registered users of the Bankruptcy Court's case filing system must file electronically, and all other parties in interest must file on a 3.5 inch disk (preferably in Portable Document Format (PDF), WordPerfect or any other Windows-based word processing format); submitted in hard-copy form directly to the chambers of the

Honorable Robert D. Drain, United States Bankruptcy Judge; and served upon (i) RCN Corporation, 105 Carnegie Center, Princeton, NJ 08540, Attention: General Counsel; (ii) Skadden, Arps, Slate, Meagher & Flom LLP, counsel to the Debtors, 4 Times Square, New York, NY, 10036-6522, Attention: D. Jan Baker, Esq. and Frederick D. Morris, Esq.; (iii) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, 21st floor, New York, NY 10004, Attention: Paul K. Schwartzberg, Esq.; (iv) Milbank, Tweed, Hadley & McCloy LLP, counsel to the Official Committee of Unsecured Creditors, 1 Chase Manhattan Plaza, New York, NY 10005, Attention: Dennis Dunne, Esq. and Deirdre Sullivan, Esq.; (v) counsel to any other statutory committee(s) appointed in these cases; (vi) Simpson Thacher & Bartlett LLP, counsel to the agent for the Debtors' prepetition credit facility, 425 Lexington Avenue, New York, NY 10017-3954, Attention: Peter V. Pantaleo, Esq. and Elisha D. Graff, Esq.; and (vii) Kelley, Drye & Warren LLP, counsel to the indenture trustee for the Debtors' outstanding debt securities, 101 Park Avenue, New York, NY 10178, Attention: David E. Retter, Esq. and Debra SuDock, Esq., in each case so as to be **received** no later than 4:00 p.m. Eastern time on **November 15, 2004** (the "Objection Deadline").

PLEASE TAKE FURTHER NOTICE that only those objections made in writing and timely filed and received by the Objection Deadline will be considered by the Bankruptcy Court at the Hearing, and that if no objections to the Motion are timely filed and served in accordance with the procedures set forth herein, the Bankruptcy Court may enter an order granting the Motion **without further notice**.

Dated: New York, New York
November 3, 2004

SKADDEN, ARPS, SLATE, MEAGHER
& FLOM LLP

/s/ D. J. Baker

D. J. Baker (DB 0085)
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Attorneys for Debtors and
Debtors-in-Possession

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Attorneys for RCN Corporation, et al.,
Debtors and Debtors-in-Possession

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)
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Debtors.	: (Jointly Administered)
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**MOTION FOR ORDER UNDER 11 U.S.C. §§ 105(a),
363(b), 503(b) AND 507 AUTHORIZING, APPROVING, AND
RATIFYING (I) COMMITMENTS FOR CONVERTIBLE SECOND-
LIEN NOTES, (II) PLACEMENT AGENT AGREEMENT, AND
(III) PAYMENT OF RELATED FEES AND EXPENSES**

RCN Corporation ("RCN") and certain of its direct and indirect
subsidiaries, debtors and debtors-in-possession in the above-captioned cases (collec-
tively, the "Debtors"), hereby submit this motion for entry of an order under 11
U.S.C. §§ 105(a), 363(b), 503(b) and 507 authorizing, approving, and ratifying (i)

commitment letters by D.E. Shaw Laminar Lending 2, Inc. ("Laminar") and/or its affiliates and designees and certain members of the Creditors' Committee with respect to the purchase of Convertible Second-Lien Notes (as defined herein) to be issued by reorganized RCN as part of its exit financing upon confirmation of its joint plan of reorganization; (ii) an agreement between the Debtors and Deutsche Bank Securities Inc. ("Deutsche Bank") to serve as placement agent with respect to the Convertible Second-Lien Notes; and (iii) payment of all related fees and expenses in connection with the commitment letters and the placement agent agreement. In support of this motion, the Debtors rely on the Affidavit of Timothy Coleman (the "Coleman Affidavit"). In further support of this motion, the Debtors respectfully represent as follows:

BACKGROUND

1. On May 27, 2004, RCN and certain other Debtors filed voluntary petitions in this Court for reorganization relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code").¹ RCN Cable TV of Chicago,

¹ In addition to RCN, TEC Air, Inc., RLH Property Corporation, RCN Finance, LLC and Hot Spots Productions, Inc., all affiliates of RCN, commenced their chapter 11 cases on May 27, 2004.

Inc., an affiliate of RCN, commenced its chapter 11 case on August 5, 2004. Certain additional Debtors commenced their chapter 11 cases on August 20, 2004.²

2. The Debtors continue to manage and operate their business as debtors-in-possession pursuant to Bankruptcy Code sections 1107 and 1108.

3. No trustee or examiner has been appointed in these chapter 11 cases. On June 10, 2004, the United States Trustee for the Southern District of New York appointed the Committee of Unsecured Creditors. No other official committees have been appointed or designated in these chapter 11 cases.

4. 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).

5. The statutory predicates for the relief requested herein are Bankruptcy Code sections 105(a), 363(b), 503(b), and 507.

RELIEF REQUESTED

6. By this motion, the Debtors seek an order pursuant to 11 U.S.C. §§ 105(a), 363(b), 503(b) and 507 authorizing, approving, and ratifying (i) commitment letters by Laminar and certain members of the Creditors' Committee with respect to the purchase of Convertible Second-Lien Notes to be issued by

² RCN Telecom Services of Virginia, Inc., RCN Entertainment, Inc., 21st Century Telecom Services, Inc. and ON TV, Inc., all affiliates of RCN, commenced their chapter 11 cases on August 20, 2004.

reorganized RCN as part of its exit financing upon confirmation of its joint plan of reorganization; (ii) an agreement between the Debtors and Deutsche Bank pursuant to which Deutsche Bank will serve as placement agent with respect to the Convertible Second-Lien Notes; and (iii) payment of all related fees and expenses in connection with the commitment letters and the placement agent agreement.

7. Copies of the commitment letters are attached hereto as Exhibit A, Exhibit B, Exhibit C, and Exhibit D. The placement agent agreement will be in a form to be agreed to by the parties and will provide for a placement fee in an amount equal to no more than 1.5% of the aggregate face amount of the Convertible Second-Lien Notes that Deutsche Bank places. The Debtors respectfully submit that the decision to enter into these agreements and pay the related fees and expenses was the product of arms' length negotiation, was conducted in good faith, represents a sound exercise of the Debtors' business judgment, and should be approved.

BASIS FOR RELIEF

A. The Deutsche Bank Exit Facility

8. Prior to commencement of these chapter 11 cases, during the course of negotiations among the Debtors and their various creditor constituencies, the Debtors and their advisors determined that a new financing facility, designed to replace the Debtors' existing senior secured financing facility, afforded one of the most viable means for a successful restructuring. The additional working capital the

Debtors would seek in such new funding also would be critical to stabilizing and maintaining the Debtors' operations upon emergence from the restructuring process.

9. In furtherance of that goal, prior to commencing these chapter 11 cases, the Debtors' financial advisors approached numerous financial institutions, including traditional asset-based lenders, investment banks, and commercial banks, regarding the furnishing of a commitment letter to the Debtors to replace the existing senior credit facility. The Debtors and their investment bankers received proposals from four financial institutions, including a proposal from Deutsche Bank and Deutsche Bank AG Cayman Islands Branch.

10. Over the course of several weeks, the Debtors and their advisors negotiated the economic and legal terms of each of the four proposals with the respective lenders, and reviewed multiple revisions to the proposed commitments. After careful evaluation, and after consulting with their advisors and creditor constituencies, the Debtors determined, in their business judgment, that Deutsche Bank's proposal would best meet the Debtors' restructuring goals as well as their ongoing working capital and general business needs. Based on that conclusion, the Debtors concentrated their efforts on negotiating and finalizing the terms of the Deutsche Bank proposal.

11. Those negotiations resulted in the execution on May 24, 2004 of a commitment letter and related documents that set forth Deutsche Bank's commit-

ment to provide a new senior exit financing facility to the Debtors (the "Deutsche Bank Commitment Letter"). Pursuant to the Deutsche Bank Commitment Letter, Deutsche Bank would provide an exit facility (the "Exit Facility") comprised of two components: (i) a senior first-lien secured credit facility in the principal amount of \$285 million plus a \$25 million letter of credit facility (the "Senior First-Lien Financing") and (ii) second-lien floating rate notes in the principal amount of \$150 million (the "Second-Lien Notes"). Shortly after commencement of these chapter 11 cases, this Court entered an order authorizing, approving, and ratifying the Deutsche Bank Commitment Letter and the Debtors' payment of the related fees and expenses.³

**B. Alternative Exit
Financing Scenarios**

12. On October 13, 2004, this Court entered an order approving the Debtors' disclosure statement with respect to their proposed joint plan of reorganization. In the disclosure statement, the Debtors stated that they were considering alternative exit financing structures which, if implemented, would alter certain terms of the Exit Facility. One alternative exit financing scenario, described in the disclosure statement, that the Debtors have explored since August 2004 entails the issuance of second-lien notes that are convertible into common stock of reorganized RCN in

³ The Debtors have filed a motion requesting authority to increase the total amount of the Senior First-Lien Financing from \$285 million to \$305 million, with the additional financing to be utilized by the Debtors to purchase certain membership interests in Starpower Communications, LLC. As described below, the amount of the Senior First-Lien Financing may be increased by an additional \$25 million to a total amount of \$330 million.

lieu of the Second-Lien Notes contemplated by the Exit Facility (the "Convertible Second-Lien Notes").

13. This alternative was first brought to the Debtors' attention during late July 2004 in the form of a proposal from Laminar, a significant financial institution who is not a creditor of these estates. The proposal contemplated Laminar's acquisition of a majority of the Convertible Second-Lien Notes, with the balance to be purchased by other investors. In the following weeks, the Debtors had discussions with Laminar about its proposal, and also with members of the Creditors' Committee about the possibility of their agreeing to purchase Convertible Second-Lien Notes offered to, and not purchased by, other creditors of the Debtors. The Debtors and their advisors also contacted other non-creditor institutions with respect to the Convertible Second-Lien Notes. Additionally, certain of the Debtors' general unsecured creditors, other than the members of the Creditors' Committee, also expressed significant interest in serving as placement agent with respect to, and purchasing, the Convertible Second-Lien Notes.

14. Under each of these various scenarios that the Debtors considered, up to \$150 million principal amount of Convertible Second-Lien Notes would be issued either to Deutsche Bank or another financial institution acceptable to the Debtors and the Creditors' Committee, who would serve as initial purchaser and/or placement agent with respect to the Convertible Second-Lien Notes. The

Debtors contemplated that the Convertible Second-Lien Notes would be offered by the placement agent to "accredited investors," as that term is defined pursuant to the Securities Act of 1933, in a transaction intended to qualify as a private placement under section 4(2) of the Securities Act.

15. To facilitate issuance of Convertible Second-Lien Notes, the Debtors requested that certain members of the Creditors' Committee provide commitments to purchase any Convertible Second-Lien Notes offered for resale to, and not purchased by, other general unsecured creditors of the Debtors. Under this scenario, the Debtors contemplated that up to 49% of any Convertible Second-Lien Notes would be offered for sale to general unsecured creditors of the Debtors who qualify as accredited investors, subject to change as necessary in connection with syndication efforts with respect to the Senior First-Lien Financing.

**C. Commitments for the
Convertible Second-Lien Notes**

16. Since approval of the disclosure statement, the Debtors have continued their discussions with Laminar, members of the Creditors' Committee, other general unsecured creditors of the Debtors, and Deutsche Bank about the Convertible Second-Lien Notes. Based upon such discussions, the Debtors have now finalized the key terms upon which reorganized RCN will issue Convertible Second-Lien Notes, on terms consistent with those described in the disclosure statement, in lieu of the Second-Lien Notes contemplated by the Exit Facility.

17. Pursuant to the parties' agreements, Deutsche Bank will serve as placement agent with respect to the Convertible Second-Lien Notes pursuant to a form of placement agent agreement to be agreed to by the parties.⁴ Under the placement agent agreement, Deutsche Bank will act as the placement agent in connection with RCN's sale of the Convertible Second-Lien Notes. As compensation for such services, and subject to certain adjustments, Deutsche Bank will be entitled to a placement fee in an amount equal to no more than 1.5% of the aggregate amount of Convertible Second-Lien Notes sold by Deutsche Bank, plus reasonable out-of-pocket costs and expenses (including the costs of counsel).⁵ The Debtors have agreed to facilitate the offering of Convertible Second-Lien Notes by furnishing to Deutsche Bank a list of holders of general unsecured claims that the Debtors believe qualify as accredited investors.

18. Laminar has agreed to purchase up to \$100 million principal amount of the Convertible Second-Lien Notes pursuant to the commitment letter

⁴ Placement agent agreements generally are form documents that contain provisions relatively standard in the securities industry. While the parties were not able to finalize their form of placement agent agreement prior to the filing of this Motion, the Debtors do not believe that there are any material terms to such agreements requiring disclosure (other than the fee), and therefore determined not to delay the filing of this Motion pending agreement on the final form of the document.

⁵ As is customary in the securities industry, the placement agent agreement will provide that Deutsche Bank and all "indemnified parties," as defined therein, will be indemnified for any loss or damages arising out of the restructuring transactions, except that the Debtors will not have to indemnify Deutsche Bank for any losses or damages arising from the gross negligence or willful misconduct of any indemnified person.

attached hereto as Exhibit A. As described above, however, the parties have agreed that up to 49% of the Convertible Second-Lien Notes will be offered for sale to general unsecured creditors of the Debtors who qualify as accredited investors.⁶ Pursuant to this agreement, Laminar's commitment amount may be reduced to the extent Convertible Second-Lien Notes are purchased by such creditors. A chart indicating the amounts of Convertible Second-Lien Notes Laminar will purchase under different scenarios is contained in the commitment letter.

19. Certain members of the Creditors' Committee have committed to purchase Convertible Second-Lien Notes offered for resale to, and not purchased by, other general unsecured creditors of the Debtors. In particular, Romulus Holdings, Inc., and its affiliates have agreed to purchase up to \$10 million principal amount of the Convertible Second-Lien Notes pursuant to the commitment letter attached hereto as Exhibit B; Tudor Investments Corporation has agreed to purchase up to \$29 million principal amount of the Convertible Second-Lien Notes pursuant to the commitment letter attached hereto as Exhibit C; and York Capital Management has agreed to purchase up to \$11 million principal amount of the Convertible Second-Lien Notes pursuant to the commitment letter attached hereto as Exhibit D.

⁶ As indicated above, such percentage is subject to change as necessary in connection with Deutsche Bank's syndication efforts with respect to the Senior First-Lien Financing.

20. The Debtors currently are in discussions with Deutsche Bank about the possibility of the Senior First-Lien Financing amount being increased by another \$25 million pursuant to, and in accordance with, the Deutsche Bank commitment letter previously approved by this Court.⁷ If such increase occurs, then the aggregate amount of Convertible Second-Lien Notes will be reduced from \$150 million to \$125 million. The amount of the Convertible Second-Lien Notes to be purchased by Laminar and the members of the Creditors' Committee accordingly will be reduced as provided for in their respective commitment letters.

**D. Terms of the Convertible
Second-Lien Notes**

21. The Convertible Second-Lien Notes will be issued pursuant to an indenture by way of a private placement. Pertinent terms of the Convertible Second-Lien Notes are as follows:⁸

<u>Interest:</u>	Interest on the Convertible Second-Lien Notes will be equal to 7.5% per annum, plus 2.0% per annum on overdue principal, interest, and other amounts. This rate compares favorably to that contemplated by the original Second-Lien Notes, which was equal to the Eurodollar rate plus 8%.
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⁷ As noted above in footnote 4, the Debtors have filed a motion requesting authority to increase the total amount of the Senior First-Lien Financing by \$20 million to be utilized by the Debtors to purchase certain membership interests in Starpower Communications, LLC. The potential increase in the Senior First-Lien Financing of \$25 million is in addition to the \$20 million increase contemplated by the Starpower acquisition.

⁸ This description of the Convertible Second-Lien Notes is qualified in its entirety by the actual terms contained in the commitment letters. In the event of any inconsistency between this summary and the terms contained in the commitment letters, the terms of the commitment letters control.

<u>Maturity:</u>	The final maturity date of the Convertible Second-Lien Notes shall be 7½ years from the effective date of the plan and the closing on the Exit Facility.
<u>Guarantees:</u>	Each direct and indirect domestic subsidiary of RCN that guarantees the Senior First-Lien Financing shall provide an unconditional guaranty of all amounts owing under the Convertible Second-Lien Notes.
<u>Security/Collateral:</u>	RCN and each guarantor shall grant valid and perfected second-priority "silent" liens and security interests in the collateral that initially secures the Senior First-Lien Financing, which is comprised of substantially all property of each of RCN and each guarantor (as further described in an intercreditor agreement to be finalized between the parties).
<u>Conversion:</u>	Each \$1,000 face amount of Convertible Second-Lien Notes shall be initially convertible into 41.6667 shares of new common stock of reorganized RCN. This conversion ratio represents an initial conversion premium of 20% of the assumed initial stock price of \$20.00 per share, or an initial conversion price of \$24.00. If the Debtors acquire all membership interests in Starpower Communications, LLC not currently owned by them, then (i) each \$1,000 face amount of Convertible Second-Lien Notes shall be initially convertible into 39.7456 shares of new common stock of reorganized RCN, (ii) the assumed initial stock price will be \$20.97 per share, and (iii) and the initial conversion price will be \$25.16 per share.
<u>Governance:</u>	Laminar shall receive the right, but not the obligation, to nominate one qualified candidate for election as a director of RCN, with such director's term to begin on the effective date of the plan and closing on the Exit Facility, and to be included as a nominee in the proxy statement of RCN; <i>provided that</i> if Laminar does not actually purchase Convertible Second-Lien Notes at the closing, Laminar shall no longer have this right. This right shall continue through the closing date and thereafter for as long as Laminar and its affiliates and designees continue to hold at least 40% of the outstanding Convertible Second-Lien Notes; any director serving at the nomination of

Laminar after Laminar and its affiliates no longer hold at least 40% of the outstanding Convertible Second-Lien Notes shall be subject to replacement in accordance with RCN's certificate of incorporation and bylaws. Upon resale of the Convertible Second-Lien Notes by Laminar, this right shall not be transferable.

Change
of Control:

Each holder of Convertible Second-Lien Notes will be entitled to require RCN, and RCN must offer, to repay the Convertible Second-Lien Notes held by such holder at a price of 101% of the principal amount thereof, plus accrued interest, upon the occurrence of a Change of Control (to be defined). In addition, if on or prior to the third anniversary of the effective date of the Plan and closing on the Convertible Second-Lien Notes a Change of Control shall occur pursuant to which 75% or more of the consideration for the RCN's common stock consists of cash, property or securities that are not listed on a national securities exchange or quoted on a national inter-dealer quotation system, the purchasers may require RCN, and RCN must offer, to repurchase the Convertible Second-Lien Notes held by the purchasers at a price of 107% of the principal amount thereof, plus accrued and unpaid interest thereon. After such third anniversary date, only the repurchase option at 101% will apply.

Commitment:

Each of Laminar and the members of the Creditors' Committee shall receive a commitment fee of 1.0% of the maximum face amount of their initial commitments upon entry of an order approving the commitment letters.

Termination:

The commitments for the Convertible Second-Lien Notes will terminate on January 31, 2005 (the "Expiration Date"), unless definitive documentation with respect to the Convertible Second-Lien Notes has been executed and delivered, the restructuring has been consummated, and the Convertible Second-Lien Notes have been issued. RCN is entitled to extend the Expiration Date (i) on or before January 15, 2005 through February 28, 2005 by paying a fee of 0.25% of the maximum face amount of the initial commitments and (ii) on or before February 15, 2005 through March 31, 2005 by pay-

ing an additional fee of 0.25% of the maximum face amount of the initial commitments.

Covenants: The Convertible Second-Lien Credit Notes will contain covenants, representations, and warranties usual and appropriate for facilities and transactions of this type.

22. The Debtors have concluded that the fees described above are reasonable and appropriate for a financing of this nature and size. Moreover, as described in the Coleman Declaration, the Debtors have determined that they derive significant benefit from the economic terms of the Convertible Second-Lien Notes, including the net lower cost of funds, and in locking in these commitments at this time. Indeed, the prospects for a successful syndication of the Senior First-Lien Financing (scheduled to commence in early November, 2004) are enhanced now that the junior financing contemplated by the Convertible Second-Lien Notes is committed.

23. Based on the foregoing, the Debtors therefore request that the Court authorize, approve, and ratify the Debtors' entry into the placement agent agreement and the commitment letters, along with payment of related fees and expenses (including any indemnities), as valid administrative expenses under sections 503(b) and 507 of the Bankruptcy Code.

APPLICABLE AUTHORITY

24. Bankruptcy Code section 363(c)(1) authorizes a debtor-in-possession to use property of the estate in the ordinary course of business without

court approval. Bankruptcy Code section 363(b) permits a debtor-in-possession to use property of the estate "other than in the ordinary course of business" after notice and a hearing. Additionally, Bankruptcy Code section 105(a) allows a court to "issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of [the Bankruptcy Code]."

25. Court's in this district and elsewhere consistently have held that transactions pursuant to 363(b) should be approved if the debtor demonstrates a sound business justification for implementing it. See In re Lionel Corp., 722 F.2d 1063, 1071 (2d Cir. 1983); In re Delaware Hudson Ry. Co., 124 B.R. 169, 179 (Bankr. D. Del. 1991). Once the debtor articulates a valid business justification, "[t]he business judgment rule 'is a presumption that in making a business decision the directors of a corporation acted on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the company.'" In re Integrated Resources, Inc., 147 B.R. 650, 656 (S.D.N.Y. 1992) (quoting Smith v. Van Gorkom, 488 A.2d 858, 872 (Del. 1985)).

26. As noted by this Court, the business judgment standard under Bankruptcy Code section 363(b), at least in the Second Circuit, differs slightly from the standard in other contexts because "it is the bankruptcy judge's business judgment that is supposed to be applied." In re RCN Corp., Case No. 04-13638 (RDD), June 22, 2004 Hr'g Tr. ¶¶ 50:24–50:2, at 46. But this Court also noted that in certain

circumstances, the bankruptcy judge will give significant deference to a debtor's business judgment:

[B]ankruptcy judges and district judges in this district have been quick to, in the proper circumstances, defer in large part to the debtors' business judgment, particularly where the creditors' committee and the majority of the parties in interest support that judgment . . . particularly . . . where the action that's being proposed to be taken by the debtor was the result of a competitive market-driven bidding process.

In re RCN Corp., June 22, 2004 Hr'g Tr. ¶¶ 51:3–12, at 46. Similarly, under section 105(a) of the Bankruptcy Code, the Court has broad authority under its equitable powers to fashion any order or decree that would preserve or protect the value of the debtor's assets. See, e.g., Adelphia Communs. Corp. v. Rigas, 2003 U.S. Dist. LEXIS 9349, at *12 (S.D.N.Y. 2003) ("Section 105 of Title 11 provides the bankruptcy courts with a broad range of equitable powers over cases within its jurisdiction"); Griffin v. Bonapfel (In re All American of Ashburn, Inc.), 805 F.2d 1515, 1517 (11th Cir. 1986) (per curiam) (noting that section 105(a) provides authority for bankruptcy courts to protect estate property).

27. Finally, Courts consistently have recognized the needs of chapter 11 debtors to enter into agreements similar to the commitments if the fees are negotiated in good faith and in the best interests of the debtors' estates. See e.g., In re Magnatrax Corp., 2003 WL 22287541 at *10 (Bankr. D. Del. Nov. 17, 2003) (order approving pre-funding commitment fees for exit credit agreement in connection with

plan of reorganization where parties engaged in "good faith, arms' length negotiations"); In re Carmike Cinemas, Inc., Case No. 00-33-2 (SLR), Docket No 2085 (Bankr. D. Del. Jan. 3, 2002) (order approving commitment letter in connection with plan of reorganization, including commitment and closing fees were "in the best interests of the Debtors and all parties in interest").

28. Given the benefits expected to accrue to the Debtors as a result of the Convertible Second-Lien Notes, this Court should approve the placement agent agreement and commitment letters. The proposed terms of the Convertible Second-Lien Notes were agreed upon only after an exhaustive marketing process that began months prior to the commencement of these chapter 11 cases, and only after lengthy negotiations conducted at arms' length and in good faith. The lower interest rate contemplated by the Convertible Second-Lien Notes compares favorably to that contemplated by the original Second-Lien Notes. The proposed fees and charges are within the parameters of market fee structures for similar, extensively negotiated, financing arrangements.

29. Commitments at this time for the Convertible Second-Lien Notes also will assist Deutsche Bank as it commences the process of syndicating, and obtaining commitments for, the Senior First-Lien Financing. Prospective participants in the Senior First-Lien Financing will know that the junior financing provided by the Convertible Second-Lien Notes is fully committed, and that there is, therefore,

no risk to the Exit Facility that otherwise may be the case without the commitments provided by Laminar and the members of the Creditors' Committee. Based upon all the foregoing, the Debtors respectfully request that the motion be granted at this time. Moreover, consistent with the terms of the agreements, the Debtors respectfully request that the Court authorize, approve, and ratify the payment of the fees and expenses under sections 503(b) and 507 of the Bankruptcy Code.

30. 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, approving, and ratifying each of the commitment letters, copies of which are attached hereto as Exhibit A, Exhibit B, Exhibit C, and Exhibit D; (ii) authorizing, approving, and ratifying the payment of the fees and expenses contemplated thereby and with respect to the placement agent agreement, including, but not limited to, any fees and indemnities, and granting such payments priority as administrative expense claims under section 503(b)(1) and 507(a)(1) of the Bankruptcy Code; (iii) authorizing, approving and ratifying all indemnity obligations of the Debtors set forth in such agreements, and (iv) granting such other and further relief as is just and proper.

Dated: New York, New York
November 3, 2004

SKADDEN, ARPS, SLATE, MEAGHER
& FLOM LLP

/s/ D.J. Baker
D.J. Baker (DB 0085)
(Member of the Firm)
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(212) 735-3000

Attorneys for Debtors and
Debtors-in-Possession

EXHIBIT A

EXECUTION COPY

D.E. SHAW LAMINAR LENDING 2, INC.

120 West 45th St.
New York, NY 10036

November 3, 2004

RCN Corporation
105 Carnegie Center
Princeton, NJ 08540

Attention: John Dubel

Re: Second-Lien Secured Financing Commitment Letter

Ladies and Gentlemen:

You have informed D.E. Shaw Laminar Lending 2, Inc. ("Laminar") that RCN Corporation (the "Company") and certain of its subsidiaries (collectively, the "Debtors-in-Possession") (i) have filed voluntary petitions for relief under Chapter 11 of the United States Codes entitled "Bankruptcy" (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") and (ii) pursuant to the joint plan of reorganization of the Debtors-in-Possession under the Bankruptcy Code filed with the Bankruptcy Court on October 12, 2004 (the "Plan"), plan to make cash payments in satisfaction of certain claims owing to certain creditors of the Debtors-in-Possession (to the extent provided in the Plan).

We also understand that in order to make such cash payments, to pay the fees and expenses incurred in connection with the Transaction (as defined below, but which in any event shall include the consummation of the Plan by the Company), and to provide for the working capital needs and general corporate requirements of the Company and its subsidiaries after giving effect to the Transaction, it is presently contemplated that the Company desires to issue convertible second-lien debt securities (the "Second-Lien Notes") which shall generate up to \$150.0 million of gross cash proceeds (the "Second-Lien Secured Financing", and, together with the occurrences described in the immediately preceding paragraph, being herein referred to as the "Transaction").

It is understood that the Second-Lien Secured Financing shall consist of up to \$150.0 million aggregate face principal amount of Second-Lien Notes which may at the discretion of Laminar be issued pursuant to a purchase agreement and an indenture (the "Second-Lien Note Purchase Facility"); it being understood that all of the Second-Lien Notes shall be issued on the closing date of the Transaction (the "Closing Date"). A summary of certain of the terms and conditions of the Second-Lien Note Purchase Facility is set forth in Exhibit A attached hereto

(together with the Conditions Precedent set forth in Exhibit B hereto, the "Term Sheet"). Please note that those matters that are not covered or made clear herein or in the Term Sheet are subject to mutual agreement of the parties hereto.

It is understood that Deutsche Bank Securities Inc. has agreed to act as the Company's placement agent in connection with the offer and sale of the Second Lien Notes to Laminar and to creditors of RCN that are "accredited investors" or "qualified institutional buyers" (as such terms are defined pursuant to the Securities Act of 1933, as amended (the "Securities Act")) in a transaction intended to be exempt from registration under the Securities Act; it being further understood that the Company, and not the Purchasers, is obligated to pay all fees and expenses of Deutsche Bank Securities Inc. acting in such capacity.

Laminar is pleased to confirm that, subject to the terms and conditions set forth herein and in the Term Sheet, it and/or its affiliates and designees (as determined in the sole discretion of Laminar) hereby commits to purchase the Second-Lien Notes as follows:

Total Principal Amount of Second-Lien Notes Issued	Principal Amount of Second-Lien Notes Laminar Commits to Purchase	Guaranteed Minimum Commitment Allocation to Laminar
\$100,000,000	\$70,000,000	\$51,000,000
\$125,000,000	\$85,000,000	\$63,750,000
\$150,000,000	\$100,000,000	\$76,500,000

It is understood that at least ten business days prior to the expected Closing Date, the Company shall, by irrevocable written notice, notify Laminar of the final principal amount of Second-Lien Notes that Laminar shall be required to purchase, it being further understood, that in no event shall Laminar's commitment hereunder be greater than \$100.0 million or less than 51% of the total principal amount of Second-Lien Notes issued.

Any Second-Lien Notes not being purchased by Laminar and/or its affiliates and designees or by other accredited investors or qualified institutional buyers (which may include certain other creditors of the Company, as contemplated by the Plan) (collectively, "Purchasers") shall be purchased by members of the Company's creditors committee to be identified by the Company or by other purchasers identified by the Company (the "Backstop Purchasers").

You represent, warrant and covenant that (a) the disclosure statement filed with and approved by the Bankruptcy Court pursuant to the Plan contains "adequate information" (as such term is defined in Section 1125 of the United States Bankruptcy Code) and (b)(i) no information which has been or is hereafter furnished by you or on your behalf to Laminar in connection with the transactions contemplated hereby, and (ii) no other information given at information meetings for the Purchasers and/or potential Purchasers and supplied or approved by you (such other information referred to in this clause (b)(ii) being referred to herein collectively as the "Information") taken as a whole together with the Plan contained (or, in the case of Information

furnished after the date hereof, will contain), as of the time it was (or hereafter is) furnished, any material misstatement of fact or omitted (or will omit) as of such time to state any material fact necessary to make the statements therein taken as a whole not misleading, in the light of the circumstances under which they were (or hereafter are) made; provided that, with respect to Information consisting of statements, estimates and projections regarding the future performance of the Company and its subsidiaries (collectively, the "Projections"), no representation, warranty or covenant is made other than that the Projections have been (and, in the case of Projections furnished after the date hereof, will be) prepared in good faith based on assumptions believed to be reasonable at the time of preparation thereof. To the extent you have supplemented the Information and Projections pursuant to any request by Deutsche Bank under the Senior Secured Financing (as defined in Exhibit B hereto), you agree to provide Laminar with any such supplements until the date of the initial purchasing under the Second-Lien Secured Financing, as appropriate, so that the representations and warranties in the preceding sentence remain correct; provided, however, that Laminar can request such supplements if it has a good faith belief that there has been a material adverse change in the Information and Projections; provided further, that you are not obligated to update the information in the disclosure statement. Nothing in this Commitment Letter shall obligate you to make public any nonpublic information provided to any Purchaser and you may decline to provide such nonpublic information to any party not bound by appropriate confidentiality provisions. You understand that Laminar will use and rely on the Information and the Projections without independent verification thereof.

Laminar's commitments and agreements hereunder are subject to the terms and conditions set forth in Exhibit B to the Term Sheet.

To induce Laminar to issue this letter (together with the Term Sheet, this "Commitment Letter") and to proceed with the documentation of the proposed Second-Lien Secured Financing, you hereby agree that all reasonable fees and expenses (including the reasonable fees and expenses of Willkie Farr & Gallagher LLP) of Laminar and its affiliates and designees arising in connection with this Commitment Letter and in connection with the Transaction and the other transactions described herein (including in connection with our due diligence) incurred on or after August 1, 2004 shall constitute allowed administrative expenses pursuant to section 503(b) of the Bankruptcy Code and shall be for your account and the joint and several account of the other Debtors-in-Possession (and that you shall from time to time upon request from Laminar reimburse it and its affiliates and designees for all such fees and expenses paid or incurred by them within 10 business days of receipt of an invoice for any such fees and expenses, subject to any requirement under the Bankruptcy Code that such reimbursement of fees and expenses be approved by the Bankruptcy Court), whether or not the Transaction is consummated, the Second-Lien Secured Financing is made available or definitive documents for the Second-Lien Note Purchase Facility are executed. You further agree to indemnify and hold harmless (and that the other Debtors-in-Possession shall be jointly and severally obligated to indemnify and hold harmless) Laminar, each Purchaser (including, in any event, each Backstop Purchaser) and their respective affiliates and each director, officer, employee, representative and agent thereof (each, an "indemnified person") from and against any and all actions, suits, proceedings (including any investigations or inquiries), claims, losses, damages, liabilities or expenses of any kind or nature whatsoever which may be incurred by or asserted against or involve Laminar, any Purchaser or any other such indemnified person as a result of or arising out of or in any way related to or resulting from this Commitment Letter or the Transaction and to pay and

reimburse Laminar, each Purchaser and each other indemnified person from time to time promptly following its demand for any reasonable legal or other out-of-pocket expenses incurred in connection with investigating, defending or preparing to defend any such action, suit, proceeding (including any inquiry or investigation) or claim (whether or not Laminar, any Purchaser or any other such indemnified person is a party to any action or proceeding out of which any such expenses arise); provided, however, that you shall not have to indemnify any indemnified person against any loss, claim, damage, expense or liability to the extent same resulted from the gross negligence or willful misconduct of the respective indemnified person (as determined by a court of competent jurisdiction in a final and non-appealable judgment). Any amounts due and payable to an indemnified person pursuant to this paragraph also shall constitute an allowed administrative claim pursuant to section 503(b) of the Bankruptcy Code. This Commitment Letter is issued for your benefit only and no other person or entity may rely hereon. Neither Laminar nor any other indemnified person shall be responsible or liable to you or any other person or entity for (x) any determination made by it pursuant to this Commitment Letter in the absence of gross negligence or willful misconduct on the part of such person (as determined by a court of competent jurisdiction in a final and non-appealable judgment) or (y) any consequential, special, indirect or punitive damages which may be alleged as a result of this Commitment Letter or the financing contemplated hereby.

Laminar reserves the right to employ the services of its affiliates and designees in providing services contemplated by this Commitment Letter and to allocate, in whole or in part, to its affiliates or designees certain fees payable to Laminar in such manner as Laminar and its affiliates and designees may agree in their sole discretion. You also agree that Laminar may at any time and from time to time assign all or any portion of its commitments hereunder to one or more of its affiliates or designees who are capable of performing its obligations hereunder. You further acknowledge that Laminar may share with any of its affiliates or designees, and such affiliates or designees may share with Laminar, any information related to the Transaction, the Company and its subsidiaries and affiliates, or any of the matters contemplated hereby, subject to any confidentiality agreements that may be in effect with respect thereto or agreed upon between the Company and Laminar, as applicable.

You agree that this Commitment Letter is for your confidential use only and that, unless Laminar has otherwise consented, neither its existence nor the terms hereof will be disclosed by you to any person or entity other than your officers, directors, employees, accountants, attorneys, holders of your senior notes and your existing senior lenders and other advisors, and then only on a "need to know" basis in connection with the transactions contemplated hereby and on a confidential basis. Notwithstanding the foregoing, (x) you shall be permitted to furnish a copy hereof (together with disclosure of the fees payable pursuant to the Term Sheet) to the Bankruptcy Court, any committee appointed in the cases, the U.S. Trustee and other required parties in interest in connection with the Transaction, and (y) following your acceptance of the provisions hereof and your return of an executed counterpart of this Commitment Letter to us as provided below, (i) you may make public disclosure of the existence and amount of the commitments hereunder and of the identity of Laminar as an initial purchaser, (ii) you may file a copy of this Commitment Letter in any public record in which it is required by law to be filed and (iii) you may make such other public disclosure of the terms and conditions hereof as, and to the extent, you are required by law, in the opinion of your counsel, to make. Laminar shall have the right to review and approve all public announcements and filings relating to

the transactions contemplated hereby which refer to Laminar, any of its affiliates or designees and any Purchaser before they are made (such approval not to be unreasonably withheld). If this Commitment Letter is not accepted by you as provided below, please immediately return this Commitment Letter (and any copies hereof and thereof) to the undersigned.

The provisions of the five immediately preceding paragraphs, this paragraph and the provisions of the fourth paragraph from the end this Commitment Letter shall survive any termination of this Commitment Letter.

This Commitment Letter (and your rights and obligations hereunder) shall not be assignable by you to any person or entity without the prior written consent of Laminar (and any purported assignment without such consent shall be null and void). This Commitment Letter may not be amended or waived except by an instrument in writing signed by you and Laminar. This Commitment Letter may be executed in any number of counterparts, each of which shall be an original and all of which, when taken together, shall constitute one agreement. Delivery of an executed signature page of this Commitment Letter by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof or thereof, as the case may be. This Commitment Letter shall be governed by, and construed in accordance with, the laws of the State of New York. This Commitment Letter sets forth the entire agreement between the parties as to the matters set forth herein and supersedes all prior communications, written or oral, with respect to the matters herein.

EACH OF THE PARTIES HERETO HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY CLAIM, ACTION, SUIT OR PROCEEDING ARISING OUT OF OR CONTEMPLATED BY THIS COMMITMENT LETTER. YOU HEREBY SUBMIT TO THE NON-EXCLUSIVE JURISDICTION OF THE FEDERAL AND NEW YORK STATE COURTS LOCATED IN THE COUNTY OF NEW YORK IN CONNECTION WITH ANY DISPUTE RELATED TO THIS COMMITMENT LETTER OR ANY MATTERS CONTEMPLATED HEREBY.

Notwithstanding anything to the contrary contained herein, the obligations of the Company under this Commitment Letter are subject to the approval of the Bankruptcy Court; it being understood and agreed to by the Company that upon approval of the Bankruptcy Court, the Company shall pay any and all fees pursuant to the Term Sheet; it being further understood that all such fees are fully earned when paid and are non-refundable.

Laminar's willingness, and commitments, with respect to the Second-Lien Secured Financing as set forth above will automatically terminate on the first to occur of (x) January 31, 2005 or (y) the date on which the Transaction has been consummated and definitive documentation (which shall include, without limitation, a note purchase agreement or indenture, as determined by Laminar, and all related documentation) evidencing each component of the Second-Lien Secured Financing, in form, scope and substance satisfactory to Laminar, shall have been entered into; provided, however, the Company may extend the January 31, 2005 commitment expiration date to February 28, 2005 (the "First Extension Date") if on or before January 15, 2005 the Company pays Laminar a fee of \$250,000 (the "First Extension Fee"); provided further, however, that if the Company exercises the First Extension Date and pays Laminar the First

Extension Fee, then the Company may extend the First Extension Date to March 31, 2005 by paying Laminar an additional \$250,000 on or before February 15, 2005.

* * *

Notwithstanding anything herein to the contrary, the offer made by Laminar represented by this Commitment Letter (the "Offer") shall terminate unless it has been accepted by the Company in accordance with the terms set forth below. Acceptance for the purpose of this Offer shall occur upon: (a) the execution by the Company and delivery to Laminar of this letter; and (b) the Bankruptcy Court-authorized payment to Laminar on or before November 19, 2004 of the Commitment Fee (as defined in Exhibit A hereto). In addition, the Company agrees to file a motion by not later than November 3, 2004, seeking entry of an order authorizing and approving the Commitment Fee and the Expense Reimbursement Obligation, and shall use its reasonable best efforts to have such motion scheduled for hearing on or before November 16, 2004.

For the avoidance of doubt, if *any* of the terms and conditions of this Commitment Letter are not fully satisfied within the deadlines set forth herein for such satisfaction, Laminar shall be relieved of any and all financing or other obligations under this Commitment Letter; provided, however, that notwithstanding any failure of any terms and conditions set forth herein: (a) Laminar shall under no circumstances be required to refund the Commitment Fee to any party; and (b) Laminar shall remain entitled to the Expense Reimbursement.

Very truly yours,

D. E. Shaw Laminar Lending 2, Inc.

By: Max Holmes

Name: Max Holmes

Title: Authorized Signatory

Agreed to and Accepted this
__ day of November, 2004:

RCN CORPORATION

By: _____

Name:

Title:

EXHIBIT A

**SUMMARY OF CERTAIN TERMS
OF CONVERTIBLE SECOND-LIEN NOTES**

EXHIBIT A

SUMMARY OF CERTAIN TERMS
OF CONVERTIBLE SECOND-LIEN NOTES

Unless otherwise defined herein, capitalized terms used herein and defined in the letter agreement to which this Exhibit A is attached (the "Commitment Letter") are used herein as therein defined.

1. Description of Convertible Second-Lien Notes

Issuer:	RCN Corporation (the " <u>Company</u> ").
Issue:	Convertible Second-Lien Notes (the " <u>Second-Lien Notes</u> "). The Second-Lien Notes will be (i) issued on the Closing Date and (ii) used solely to finance, in part, the Transaction and to pay the fees and expenses incurred in connection therewith.
Principal Amount:	\$150,000,000
Issue Price:	Par
Maturity:	7 ½ years; <u>provided, however</u> , in no event will the maturity date occur on or after the maturity date of the Company's contemplated Evergreen loan.
Interest Rate:	7.5%
Default Interest:	Overdue principal, interest and other amounts shall bear interest at a rate per annum equal to the rate which is 2.0% in excess of the rate then otherwise borne by the Second-Lien Notes. Such default interest shall be payable upon demand.
Interest Payments:	Semiannually, on July 15 and January 15, commencing on July 15, 2005, accruing on a 30/360 basis.
Ratings:	None.

2. Terms Applicable to the Second-Lien Notes

Purchasers:	D. E. Shaw Laminar Lending 2, Inc. (" <u>Laminar</u> ") and/or its affiliates and designees (determined in the sole discretion of Laminar) and unsecured creditors of the Company that are accredited investors (collectively, the " <u>Purchasers</u> "); certain members of the creditors committee to be identified by the Company or other purchasers will agree to purchase Second-Lien Notes not purchased by Laminar or other Purchasers (collectively, the " <u>Backstop Purchasers</u> ").
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Guaranties:	Each direct and indirect domestic subsidiary of the Company that guarantees the First-Lien Credit Facilities (each, a " <u>Guarantor</u> " and, collectively, the " <u>Guarantors</u> ") shall be required to provide an unconditional guaranty of all amounts owing under the Second-Lien Notes (the " <u>Guaranties</u> "). Such Guaranties shall be in form and substance mutually agreeable to Laminar and the Company.
Security:	<p>The Company and each Guarantor shall grant valid and perfected second-priority liens and security interests in the collateral that initially secures the First-Lien Credit Facilities (the "<u>Collateral</u>"), which Collateral shall be satisfactory to the Purchasers.</p> <p>All documentation evidencing the security required shall be in form and substance mutually agreeable to Laminar and the Company.</p>
Intercreditor Matters:	The priority of the security interests in the Collateral and related creditors rights will be set forth in an intercreditor agreement satisfactory to Laminar and the lenders under the First-Lien Credit Facilities (the " <u>Intercreditor Agreement</u> "). The Intercreditor Agreement will provide that the rights of holders of the Second-Lien Notes will be "silent" for so long as borrowings under the First-Lien Credit Facilities remain outstanding; <u>provided, however</u> , the Intercreditor Agreement will permit the holders of the Second-Lien Notes to enforce their liens at any time after acceleration or final maturity of the Second-Lien Notes (and after a further 120 day notice period), subject to the obligation to turnover the net proceeds derived from the enforcement to the lenders under the First-Lien Credit Facilities and the ability of such lenders to take over and pursue in a commercially reasonable manner the enforcement proceeding.
Ranking:	The Second-Lien Notes will be unsubordinated obligations of the Company and the Guarantors, pari passu in right of payment with the First-Lien Credit Facilities.
Optional Prepayment:	At any time after the third anniversary of the Closing Date, the Second-Lien Notes may be prepaid, in whole or in part, upon written notice, at the option of the Company together with accrued interest to the prepayment date and with a premium of 7%, declining by 1% per year beginning on the fourth anniversary of the issuance date of the Second-Lien Notes to 1%, in cash if and only if the common stock of the Company (the " <u>Common Stock</u> ") has a closing price of at least 150% of the conversion price for 30 consecutive trading days.
Offer to Repurchase:	The Company will offer to repurchase the Second-Lien Notes at a price equal to 100% of principal amount plus accrued and unpaid interest thereon, with, subject to certain agreed exceptions, (i) the net proceeds from the issuance of any other indebtedness by the Company or any of its Subsidiaries to the extent not required to be paid to the Lenders under the

	<p>First-Lien Credit Facilities; or (ii) the net proceeds from asset sales (to be defined) by the Company or any of its Subsidiaries in excess of the sum of (y) the amount thereof required to be paid to the Lenders under the First-Lien Credit Facilities and (z) amounts reinvested in property (including capital expenditures) to be used in the Company's existing lines of business within 365 days of the date of consummation of the asset sale. Any holder of Second-Lien Notes that accepts the offer to repurchase shall be prepaid at an amount equal to principal, together with accrued interest to the prepayment date.</p>
Change of Control:	<p>Each holder of Second-Lien Notes will be entitled to require the Company, and the Company must offer, to repay the Second-Lien Notes held by such holder at a price of 101% of the principal amount thereof, plus accrued interest, upon the occurrence of a Change of Control (to be defined).</p> <p>In addition, if on or prior to the third anniversary of the Closing Date a Change of Control shall occur pursuant to which 75% or more of the consideration for the Company's common stock consists of cash, property or securities that are not listed on a national securities exchange or quoted on a national inter-dealer quotation system, the Purchasers may require the Company, and the Company must offer, to repurchase the Second-Lien Notes held by the Purchasers at a price of 107% of the principal amount thereof, plus accrued and unpaid interest thereon. After the third anniversary of the Closing Date, if a Change of Control occurs pursuant to which 75% or more of the consideration for the Company's common stock consists of cash, property or securities that are not listed on a national securities exchange or quoted on a national inter-dealer quotation system, the Company must offer to repay the Second-Lien Notes at a price of 101% of the principal amount thereof, plus accrued interest (as contemplated by the immediately preceding paragraph).</p>

3. Conversion of Second-Lien Notes

Assumed Primary Shares:	36,020,850 (per Plan of Reorganization).
Assumed Initial Stock Price:	\$20.00 share price (\$20.97 if StarPower Communications LLC (" <u>StarPower</u> ") is acquired no later than one business day following the Closing Date).
Initial Conversion Premium:	Initial Stock Price plus 20% of the Initial Stock Price.
Assumed Initial Conversion Price:	\$24.00 (\$25.16 if Starpower is acquired no later than one business day following the Closing Date). In the event of a consolidation, merger or other business combination, reclassification, recapitalization or other

Adjustments:	reorganization involving the Company which alters or affects the Common Stock, appropriate adjustments to the conversion rights of the Second-Lien Notes will be made to take into account the transaction.
Assumed Initial Conversion Ratio:	41.6667 shares of Common Stock per \$1,000 principal amount of Second-Lien Notes (to be revised to 39.7456 if StarPower is acquired no later than one business day following the Closing Date).
Anti-Dilution:	Standard anti-dilution provisions appropriate for transactions of this type which will apply to the Conversion Price.
Convertibility:	The holders of the Second-Lien Notes may, at their option, at any time or from time to time convert all or any portion of the Second-Lien Notes into Common Stock at the then applicable Conversion Rate.
Listing:	The Company will list the Common Stock on NYSE or NASDAQ National Market System within 90 days of emergence from Chapter 11. The failure to list the Common Stock within such 90-day period (a " <u>Listing Default</u> ") will result in an automatic increase in the interest rate on the Second-Lien Notes in an amount equal to 25 basis points (" <u>bps</u> ") per annum of the principal amount of the Second-Lien Notes and thereafter the interest rate on the Second-Lien Notes shall automatically increase by an additional amount equal to 25bps per annum each quarter while a Listing Default is continuing until the Listing Default has been cured, subject to a maximum increase of 200bps per annum. In addition, the Company will cause the Common Stock underlying the Second-Lien Notes to be listed on NYSE or NASDAQ National Market System at or prior to the Effective Date (as defined herein). The failure to list the Common Stock at the Effective Time will also be deemed a Listing Default and will result in an automatic increase in the interest rate on the Second-Lien Notes in an amount equal to 25 bps per annum of the principal amount of the Second-Lien Notes and thereafter the interest rate on the Second-Lien Notes shall automatically increase by an additional amount equal to 25bps per annum each quarter while a Listing Default is continuing until the Listing Default has been cured, subject to a maximum increase of 200bps per annum.

4. Additional Terms Applicable to the Second-Lien Notes

Representations and Warranties:	The documentation for the Second-Lien Notes will contain representations and warranties usual and appropriate for facilities and transactions of this type and substantially similar to the representations and warranties contained in the First-Lien Credit Facilities with such modifications as shall be mutually determined by the Purchasers and the Company.
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Covenants:	
<i>Maximum Total Debt / EBITDA</i>	No covenant
<i>Maximum First Lien Debt under the Intercreditor Agreement</i>	Greater of (a) 4x LTM EBITDA (determined on the basis of the most recently available financial statements at the time of incurrence of the debt) and (b) \$380,000,000 (\$400 million if Starpower is acquired and financed with additional first lien debt); in either case, plus an additional basket for first lien debt in an amount equal to 10% of the aggregate First-Lien Credit Facility commitment as originally in effect. Hedges and swaps with respect to an aggregate notional amount not in excess of \$325 million (the " <u>Aggregate H/S Amount</u> ") with the lenders under the First-Lien Credit Facility shall not be subject to this aggregate amount. Hedges and swaps in excess of the Aggregate H/S Amount shall be subject to the limit above. At the time the Company enters into hedges and swaps, the lender shall receive a representation from the Company that it is within the limitation above and that such lender shall be entitled to the security/benefits of the Intercreditor Agreement regardless of a subsequent determination to the contrary.
<i>Liens</i>	No other second lien debt permitted. No junior liens other than (a) a lien granted to Evergreen in the initial principal amount of up to \$35,000,000 or as determined by the Bankruptcy Court at the confirmation hearing and (b) junior liens permitted by the First-Lien Credit Facility which shall be mutually agreed upon by the Purchasers, the Company and the lenders under the First-Lien Credit Facility. No liens senior to the Second-Lien Notes (other than (x) senior liens for the First-Lien Credit Facility, including senior liens on the term loan, the L/C facility and, to the extent permitted above, hedges and swaps, provided that the principal amount secured by such senior liens does not exceed, individually or in the aggregate, the amount contemplated by "Maximum First Lien Debt Under the Intercreditor Agreement" above) and (y) liens (other than those securing the First-Lien Credit Facility) permitted by the First-Lien Credit Facility which shall be mutually agreed upon by the Purchasers, the Company and the lenders under the First-Lien Credit Facility.
<i>Minimum Interest Coverage</i>	No covenant.
<i>Restricted Payments</i>	No restricted payments (including dividends, stock purchases, payments on subordinated debt and investments (other than permitted investments to be agreed to by Laminar, the lenders under the First-Lien Credit Facilities and the Company) in excess of the sum of (a) 50% of cumulative consolidated net income (or 100% of cumulative consolidated net losses) of the Company from the Closing Date, (b) 100% of net proceeds from equity issuances of the reorganized Company from the Closing Date, plus

	(c) \$10,000,000 basket, subject to change to be consistent with the First-Lien Credit Facilities.
<i>Other Covenants</i>	In addition to the foregoing, the documentation for the Second-Lien Notes will contain modified high yield covenants to be mutually agreed upon by the Purchaser, the Company and the lenders under the First-Lien Credit Facility; provided, that the covenants (other than those described above) and defaults and cures shall in no case be more restrictive to the Company than those set forth in the First-Lien Credit Facilities.
Events of Default:	The documentation for the Second-Lien Notes will contain events of default which are usual and customary for Second-Lien Notes and transactions of this type (and comparable in scope to the events of default under the First-Lien Credit Facilities) and which are to be mutually agreed upon by the Company and the Purchasers; provided, such events of default shall include defaults for the following: (a) misrepresentations and breach of warranties in any material respect; (b) nonpayment of principal; (c) nonpayment of interest for ten business days; (d) final judgments against the Company or any Significant Subsidiary (as defined below) in excess of a specified amount; (e) failure of any guarantee to be in effect or any assertion of any Guarantor to such effect; (f) failure of any security interest in excess of a specified amount to be in effect with the priority set forth above; (g) failure to comply with covenants (with a 30 day grace period for covenants); (h) bankruptcy, etc. with respect to the Company or any Significant Subsidiary; and (i) cross acceleration to outstanding debt in excess of \$10 million. As used above, "Significant Subsidiary" shall mean any subsidiary or group of subsidiaries that constitute a "significant subsidiary" under Regulation S-X (but substituting 5% for 10% in the definition).
Board Nomination:	Upon execution of this Commitment Letter, Laminar and/or its affiliates and designees (to the extent such affiliates or designees are directly or indirectly controlling or controlled by or under direct or indirect common control with Laminar) (collectively, the " <u>Laminar Parties</u> ") shall receive the right, but not the obligation, to nominate on or prior to November 19, 2004 one qualified candidate for election as a director of the Company with such director's term to begin on the Closing Date and to be included as a nominee in the proxy statement of the Company; <u>provided, however</u> , that if the Laminar Parties do not actually purchase Second-Lien Notes at the Closing, the Laminar Parties shall no longer have this right. This right shall continue through the Closing Date and thereafter for as long as the Laminar Parties continue to hold at least 40% of the outstanding Second-Lien Notes; any director serving at the nomination of the Laminar Parties after the Laminar Parties no longer hold at least 40% of the outstanding Second-Lien Notes shall be subject to replacement in accordance with the Company's Certificate of Incorporation and bylaws. Upon resale of the Second-Lien Notes by the Laminar Parties, this right shall not be

	transferable.
Conditions Precedent:	As provided in <u>Exhibit B</u> to the Commitment Letter.
Assignments:	Holders of the Second-Lien Notes shall have the absolute and unconditional right to assign all or a portion of the Second-Lien Notes held by such holders in compliance with applicable law to any third party at any time.
Documentation; Governing Law:	The Purchasers' commitments will be subject to the negotiation, execution and delivery of definitive financing agreements (and related security documentation, intercreditor agreement, guaranties, etc.) consistent with the terms of this Term Sheet and mutually agreeable to Laminar and the Company (<u>including, without limitation</u> , as to the terms, conditions, representations, covenants and events of default contained therein). All documentation shall be governed by the internal laws of the State of New York (except security documentation that Laminar determines should be governed by local law).
Registration:	The Company has (i) 60 days after the date of the filing with the SEC of its Form 10-K for the fiscal year ended December 31, 2004 (the " <u>Filing Date</u> ") to file a shelf registration statement with the SEC to register the Second-Lien Notes and the shares of Common Stock underlying the Second-Lien Notes (the " <u>Shelf Registration Statement</u> "); and (ii) 90 days after the date of the filing of the Shelf Registration Statement to cause the Shelf Registration Statement to become effective (the date of effectiveness, the " <u>Effective Date</u> "); <u>provided, however</u> , in no event shall the Effective Date of the Shelf Registration Statement be after September 30, 2005 (the " <u>Outside Date</u> "). The Company shall keep the Shelf Registration Statement effective for three years following the Effective Date unless prior to the expiration of such three year period all of the securities covered thereby have been sold or all remaining unsold securities can be sold without regard to the volume or manner of sale limitations under Rule 144 (without giving effect to Rule 144(k)). In the event the Company fails to (i) file the Shelf Registration Statement by the Filing Date, (ii) cause the Shelf Registration Statement to be declared effective by the Effective Date, (iii) cause the Shelf Registration Statement to be declared effective by the Outside Date or (iv) keep the Shelf Registration Statement effective for three years following the Effective Date (or such earlier period when it may be terminated as set forth above)(each, a " <u>Registration Default</u> "), then, immediately following the occurrence of a Registration Default, the interest rate on the Second-Lien Notes shall automatically increase in an amount equal to 25bps per annum of the principal amount of the Second-Lien Notes and thereafter the interest rate on the Second-Lien Notes shall automatically increase by an additional amount equal to 25bps per annum each quarter while a

	Registration Default is continuing until all Registration Defaults have been cured, subject to a maximum increase of 200bps per annum.
Commitment Fee:	In addition to any fees the Purchasers may be entitled to pursuant to "Commitment Termination" below, the Purchasers will receive a 100bps commitment fee (the " <u>Commitment Fee</u> ") upon execution of the Commitment Letter. The Commitment Fee shall be paid to the Purchasers pro rata based on the percentage of the maximum aggregate principal amount of the Second-Lien Notes each Purchaser initially commits to purchase in writing (regardless of whether such initial amount is subsequently reduced) (it being understood that Laminar's commitment fee shall be \$1,000,000). Laminar shall have the right, but not the obligation, to (i) defer payment of some or all of the Commitment Fee and, to the extent applicable, Commitment Extension Fees (as defined below), owed to it to a later date and (ii) require the Company to pay some or all of the Commitment Fee and, to the extent applicable, Commitment Extension Fees, owed to it to Laminar's affiliates and designees.
Commitment Termination:	The commitments hereunder shall terminate on January 31, 2005 (the " <u>Expiration Date</u> "), unless definitive documentation with respect to the Second-Lien Notes has been executed and delivered, the Transaction has been consummated and the Second-Lien Notes have been issued (and, if relevant, the Escrow Release shall have occurred). The Company is entitled to extend the Expiration Date (i) on or before January 15, 2005 through February 28, 2005 by paying the Purchasers a fee of 25bps (the " <u>First Extension Fee</u> ") and (ii) on or before February 15, 2005 through March 31, 2005 by paying the Purchasers an additional fee of 25bps (the " <u>Second Extension Fee</u> " and together with the First Extension Fee, the " <u>Commitment Extension Fees</u> "). The Commitment Extension Fees shall be paid to the Purchasers pro rata based on the percentage of the maximum aggregate principal amount of the Second-Lien Notes each Purchaser initially commits to purchase in writing (regardless of whether such initial amount is subsequently reduced). It being understood that the First Extension Fee paid to Laminar would be \$250,000 and the Second Extension Fee paid to Laminar would be \$250,000.
Indemnification:	The documentation for the Second-Lien Notes will contain customary indemnities for the Purchasers (other than as a result of the respective the Purchaser's gross negligence or willful misconduct as determined by a court of competent jurisdiction in a final and non-appealable decision). The Registration Rights Agreement will also contain customary indemnities.

EXHIBIT B
CONDITIONS PRECEDENT
TO THE SECOND-LIEN NOTE PURCHASE FACILITY

Those conditions precedent that are usual and customary for these types of facilities, and such additional conditions precedent as are appropriate under the circumstances. Without limiting the foregoing, the following conditions shall apply:

1. The structure and all terms of, and the documentation for (including an intercreditor agreement and security documents), each component of the Transaction shall be reasonably satisfactory in form and substance to Laminar, and such documentation shall be (or, substantially simultaneously with the consummation of the Transaction shall be) in full force and effect. All conditions precedent to the consummation of the Transaction, as set forth in the documentation relating thereto, shall have been satisfied to the reasonable satisfaction of Laminar, and not waived in any manner that is materially adverse to Laminar except with the consent of Laminar. Each component of the Transaction shall have been consummated substantially in accordance with the documentation therefor and all applicable laws.
2. After giving effect to the consummation of the Transaction, the Company and its subsidiaries shall have no outstanding preferred equity, indebtedness or contingent liabilities, except for (i) indebtedness incurred pursuant to the Second-Lien Secured Financing, (ii) indebtedness incurred with respect to the Senior Secured Financing (the "First-Lien Credit Facilities") as contemplated by the commitment letter dated May 24, 2004 (the "Senior Commitment Letter") between the Company, Deutsche Bank AG Cayman Islands Branch and Deutsche Bank Securities Inc. (but excluding any indebtedness contemplated in the Senior Commitment Letter with respect to any Second-Lien Credit Facility, as defined therein), and (iii) certain other debt (in an aggregate amount not to exceed \$50.0 million) and other liabilities that will be assumed pursuant to the Plan (as so assumed, the "Assumed Liabilities"). All terms and conditions (and the amount) of all Assumed Liabilities after giving effect to the Confirmation Order (as defined below) shall be required to be satisfactory to Laminar and the Purchasers.
3. The Chapter 11 plan of the Debtors-in-Possession (the "Plan") shall have been approved by the Bankruptcy Court. The Plan shall have been confirmed pursuant to a confirmation order (the "Confirmation Order") in accordance with Sections 1128 and 1129 of the Bankruptcy Code, and such Confirmation Order shall be in form and substance reasonably satisfactory to Laminar. The Confirmation Order shall have been entered and shall have become final and non-appealable, and all conditions precedent to the effective date of the Plan shall have been satisfied (and not waived without the consent of Laminar) to the reasonable satisfaction of Laminar, the Effective Date of the Plan shall have occurred and \$310.0 million (\$330.0 million if StarPower is acquired) under the Senior Secured Financing shall have been fully funded.

4. The Company shall have received commitments and funding from the Backstop Purchasers with respect to the remaining amount of the Second Lien Notes not purchased by Laminar and the other Purchasers.
5. Since December 31, 2003 (other than the commencement of the bankruptcy cases with respect to the Debtors-In-Possession), nothing shall have occurred (and Laminar shall not have become aware of any facts or conditions not previously known) which Laminar shall determine has had, or could reasonably be expected to have, a Material Adverse Effect (as defined below), except as disclosed in (a) the disclosure statement which is on file with the Bankruptcy Court on the date hereof or (b) the public reports filed by the Company with the Securities and Exchange Commission on or prior to the date hereof. For purposes of this Commitment Letter, "Material Adverse Effect" means a material adverse effect on (x) the Transaction, (y) the property, assets, nature of assets, business, operations, liabilities, condition (financial or otherwise) or prospects of the Company and its subsidiaries taken as a whole, or (z) the rights or remedies of the Purchasers (including, Laminar) or the ability of the Company and its subsidiaries to perform their obligations to the Purchasers (including Laminar) under the Second-Lien Note Purchase Facility.
6. No litigation by any entity (private or governmental) shall be pending or threatened with respect to the Second-Lien Note Purchase Facility or any documentation executed in connection therewith, or with respect to the Transaction, or which Laminar shall determine has had, or could reasonably be expected to have, a Material Adverse Effect.
7. All costs, fees, expenses (including, without limitation, legal fees and expenses (including those legal fees and expenses incurred prior to the date of the Commitment Letter)) and other compensation contemplated hereby, payable to Laminar in respect of the Transaction shall have been paid to the extent due.
8. The guaranties and security and intercreditor agreements required under the Second-Lien Note Purchase Facility shall have been executed and delivered in form, scope and substance mutually agreeable to Laminar and the Company, and Laminar, upon consummation of the transactions contemplated thereby, shall have a perfected security interest in such assets of the Company and its subsidiaries as and to the extent contemplated by and with the priority set forth in the Term Sheet.
9. Laminar shall have received all usual and customary corporate documents, certificates and legal opinions from counsel (including, without limitation, New York counsel) covering matters acceptable to Laminar (including, without limitation, (x) a no-conflicts opinion as to any material contracts of the Company or any of its subsidiaries and (y) compliance with the Margin Regulations).

EXHIBIT B

CONFIDENTIAL

NOTICE OF COMMITMENT TO PURCHASE

November 3, 2004

To: RCN Corporation
105 Carnegie Center
Princeton, NJ 08540

Attention: John Dubel

Ladies and Gentlemen:

The undersigned is a member of the Official Committee of Unsecured Creditors (the "Committee") of RCN Corporation ("RCN" or the "Company"). The undersigned acknowledges receiving and reviewing a copy of the letter agreement (the "Shaw Commitment Letter"), dated November 3, 2004 between D.E. Shaw Laminar Lending 2, Inc. ("Laminar") and the Company relating to the purchase by Laminar of Convertible Second Lien Floating Rate Notes (the "Notes").

The undersigned understands that those Notes not purchased by Laminar pursuant to the Shaw Commitment Letter will be offered for sale by the Company through a placement agent (the "Placement Agent") to general unsecured creditors of RCN who qualify as "accredited investors" or "qualified institutional buyers," as such terms are defined under the Securities Act of 1933 (the "Backstop Purchasers"). Such offer for sale to general unsecured creditors of RCN will be in the form of an offering as described in the Company's Disclosure Statement and Plan. The undersigned further understands that RCN has requested members of the Committee to purchase from the Placement Agent Notes offered for sale to, and not purchased by, such other general unsecured creditors of RCN.

The undersigned hereby commits and agrees to serve as a Backstop Purchaser and thereby to purchase up to the aggregate principal amount of the Notes set forth beneath the undersigned's signature below. Such commitment and agreement is on substantially the same terms as Laminar's commitment pursuant to the Shaw Commitment Letter as if the name of the undersigned were substituted therein for the name of Laminar, except with respect to any terms applicable only to Laminar (such as, by way of example, the term granting to Laminar a right to nominate a candidate for election as a director upon the terms stated in the Shaw Commitment Letter).

The undersigned understands that up to \$150 million aggregate face principal amount of the Notes may be issued. However, the aggregate face principal amount of the Notes to be issued may be reduced to \$125 million in the event that the Company receives commitments from Deutsche Bank AG Cayman Islands Branch and Deutsche Bank Securities,

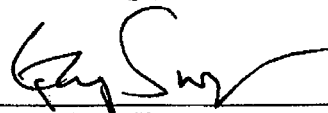
Inc. and/or their affiliates and designees (collectively, "Deutsche Bank") for an increase in its senior first-lien exit financing facility of \$25 million. In the event of such reduction, the undersigned's commitment hereunder shall be reduced in proportion to the amount of its commitment relative to the other Backstop Purchasers. It is further understood that Deutsche Bank may agree to purchase \$20 million aggregate face principal amount of Notes, in which case the undersigned's commitment hereunder shall be further reduced in proportion to the amount of its commitment relative to the other Backstop Purchasers. It is understood and agreed that if the principal amount of Notes purchased by the undersigned is reduced in accordance with any of the provisions of this paragraph, the undersigned shall nonetheless be entitled to a commitment fee, as contemplated by the Shaw Commitment Letter and its attachments, on the full amount of the undersigned's original commitment amount set forth below, without giving effect to such reductions.

This letter agreement may be executed in counterparts, each of which shall be deemed to be an original, but both of which shall constitute the same agreement. This letter agreement shall be governed by and construed in accordance with the laws of the State of New York.

Very truly yours,

Name of Creditors Committee Member:

Romulus Holdings, Inc. & Affiliates

By: 
Name: Gary Singer
Title: Investment Advisor

Aggregate Amount of Notes Committed to:

\$ 10,000,000.

AGREED AND ACKNOWLEDGED to this
3rd day of November, 2004

RCN Corporation

By: _____
Name:
Title:

EXHIBIT C

NOTICE OF COMMITMENT TO PURCHASE

November 3, 2004

To: RCN Corporation
105 Carnegie Center
Princeton, NJ 08540

Attention: John Dubel

Ladies and Gentlemen:

The undersigned is a member of the Official Committee of Unsecured Creditors (the "Committee") of RCN Corporation ("RCN" or the "Company"). The undersigned acknowledges receiving and reviewing a copy of the letter agreement (the "Shaw Commitment Letter"), dated November 3, 2004 between D.E. Shaw Laminar Lending 2, Inc. ("Laminar") and the Company relating to the purchase by Laminar of Convertible Second Lien Floating Rate Notes (the "Notes").

The undersigned understands that those Notes not purchased by Laminar pursuant to the Shaw Commitment Letter will be offered for sale by the Company through a placement agent (the "Placement Agent") to general unsecured creditors of RCN who qualify as "accredited investors" or "qualified institutional buyers," as such terms are defined under the Securities Act of 1933 (the "Backstop Purchasers"). Such offer for sale to general unsecured creditors of RCN will be in the form of an offering as described in the Company's Disclosure Statement and Plan. The undersigned further understands that RCN has requested members of the Committee to purchase from the Placement Agent Notes offered for sale to, and not purchased by, such other general unsecured creditors of RCN.

The undersigned hereby commits and agrees to serve as a Backstop Purchaser and thereby to purchase up to the aggregate principal amount of the Notes set forth beneath the undersigned's signature below. Such commitment and agreement is on substantially the same terms as Laminar's commitment pursuant to the Shaw Commitment Letter as if the name of the undersigned were substituted therein for the name of Laminar, except with respect to any terms applicable only to Laminar (such as, by way of example, the term granting to Laminar a right to nominate a candidate for election as a director upon the terms stated in the Shaw Commitment Letter).


The undersigned understands that up to \$150 million aggregate face principal amount of the Notes may be issued. However, the aggregate face principal amount of the Notes to be issued may be reduced to \$125 million in the event that the Company receives commitments from Deutsche Bank AG Cayman Islands Branch and Deutsche Bank Securities,

Inc. and/or their affiliates and designees (collectively, "Deutsche Bank") for an increase in its senior first-lien exit financing facility of \$25 million. In the event of such reduction, the undersigned's commitment hereunder shall be reduced in proportion to the amount of its commitment relative to the other Backstop Purchasers. It is further understood that Deutsche Bank may agree to purchase \$20 million aggregate face principal amount of Notes, in which case the undersigned's commitment hereunder shall be further reduced in proportion to the amount of its commitment relative to the other Backstop Purchasers. It is understood and agreed that if the principal amount of Notes purchased by the undersigned is reduced in accordance with any of the provisions of this paragraph, the undersigned shall nonetheless be entitled to a commitment fee, as contemplated by the Shaw Commitment Letter and its attachments, on the full amount of the undersigned's original commitment amount set forth below, without giving effect to such reductions.

This letter agreement may be executed in counterparts, each of which shall be deemed to be an original, but both of which shall constitute the same agreement. This letter agreement shall be governed by and construed in accordance with the laws of the State of New York.

Very truly yours,

Name of Creditors Committee Member:

By: 

Name: William T. Flaherty

Title: Managing Director

Tudor Investment Corporation

Signed on behalf of the following Purchasers:

The Raptor Global Portfolio Ltd.

The Tudor BVI Global Portfolio Ltd.

The Altar Rock Fund L.P.

Tudor Proprietary Trading, L.L.C.

Aggregate Amount of Notes Committed to:

\$ 29,000,000

AGREED AND ACKNOWLEDGED to this
3rd day of November, 2004

RCN Corporation

By: _____

Name:

Title:

EXHIBIT D

CONFIDENTIAL

NOTICE OF COMMITMENT TO PURCHASE

November 3, 2004

To: RCN Corporation
105 Carnegie Center
Princeton, NJ 08540

Attention: John Dubel

Ladies and Gentlemen:

The undersigned is a member of the Official Committee of Unsecured Creditors (the "Committee") of RCN Corporation ("RCN" or the "Company"). The undersigned acknowledges receiving and reviewing a copy of the letter agreement (the "Shaw Commitment Letter"), dated November 3, 2004 between D.E. Shaw Laminar Lending 2, Inc. ("Laminar") and the Company relating to the purchase by Laminar of Convertible Second Lien Floating Rate Notes (the "Notes").

The undersigned understands that those Notes not purchased by Laminar pursuant to the Shaw Commitment Letter will be offered for sale by the Company through a placement agent (the "Placement Agent") to general unsecured creditors of RCN who qualify as "accredited investors" or "qualified institutional buyers," as such terms are defined under the Securities Act of 1933 (the "Backstop Purchasers"). Such offer for sale to general unsecured creditors of RCN will be in the form of an offering as described in the Company's Disclosure Statement and Plan. The undersigned further understands that RCN has requested members of the Committee to purchase from the Placement Agent Notes offered for sale to, and not purchased by, such other general unsecured creditors of RCN.

The undersigned hereby commits and agrees to serve as a Backstop Purchaser and thereby to purchase up to the aggregate principal amount of the Notes set forth beneath the undersigned's signature below. Such commitment and agreement is on substantially the same terms as Laminar's commitment pursuant to the Shaw Commitment Letter as if the name of the undersigned were substituted therein for the name of Laminar, except with respect to any terms applicable only to Laminar (such as, by way of example, the term granting to Laminar a right to nominate a candidate for election as a director upon the terms stated in the Shaw Commitment Letter).

The undersigned understands that up to \$150 million aggregate face principal amount of the Notes may be issued. However, the aggregate face principal amount of the Notes to be issued may be reduced to \$125 million in the event that the Company receives commitments from Deutsche Bank AG Cayman Islands Branch and Deutsche Bank Securities,

1/2


Inc. and/or their affiliates and designees (collectively, "Deutsche Bank") for an increase in its senior first-lien exit financing facility of \$25 million. In the event of such reduction, the undersigned's commitment hereunder shall be reduced in proportion to the amount of its commitment relative to the other Backstop Purchasers. It is further understood that Deutsche Bank may agree to purchase \$20 million aggregate face principal amount of Notes, in which case the undersigned's commitment hereunder shall be further reduced in proportion to the amount of its commitment relative to the other Backstop Purchasers. It is understood and agreed that if the principal amount of Notes purchased by the undersigned is reduced in accordance with any of the provisions of this paragraph, the undersigned shall nonetheless be entitled to a commitment fee, as contemplated by the Shaw Commitment Letter and its attachments, on the full amount of the undersigned's original commitment amount set forth below, without giving effect to such reductions.

This letter agreement may be executed in counterparts, each of which shall be deemed to be an original, but both of which shall constitute the same agreement. This letter agreement shall be governed by and construed in accordance with the laws of the State of New York.

Very truly yours,

Name of Creditors Committee Member:

York Capital Management

By: 

Name: Eric Edler

Title: Managing Director

Aggregate Amount of Notes Committed to:

\$ 11,000,000.00

AGREED AND ACKNOWLEDGED to this
3rd day of November, 2004

RCN Corporation

By: _____

Name:

Title:

DECLARATION OF TIMOTHY COLEMAN
IN SUPPORT OF MOTION

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
 Four Times Square
 New York, New York 10036-6522
 (212) 735-3000
 D. J. Baker (DB 0085)
 Frederick D. Morris (FM 6564)

Attorneys for RCN Corporation, et al.,
 Debtors and Debtors-in-Possession

UNITED STATES BANKRUPTCY COURT
 SOUTHERN DISTRICT OF NEW YORK

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

**DECLARATION OF TIMOTHY COLEMAN IN SUPPORT OF
 MOTION FOR ORDER UNDER 11 U.S.C. §§ 105(a), 363(b), 503(b) AND
 507 AUTHORIZING, APPROVING, AND RATIFYING (I) COMMITMENTS
 FOR CONVERTIBLE SECOND-LIEN NOTES, (II) PLACEMENT AGENT
 AGREEMENT, AND (III) PAYMENT OF RELATED
 FEES AND EXPENSES**

STATE OF NEW YORK)
) SS:
 COUNTY OF NEW YORK)

Timothy Coleman, being duly sworn, deposes and states:

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 9, 2004, and its application to be retained as financial advisors to the Debtors has been approved on a final basis by this Court. 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 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 cases throughout my career, including Mirant Corp., Cable & Wireless Holdings, Williams Communications, FLAG Telecom, R.H. Macy & Co., Barneys Inc. and Trans World Airlines, Inc.

2. I submit this declaration (the "Declaration") in support of the motion (the "Motion") of the Debtors for entry of an order under 11 U.S.C. §§ 105(a), 363(b), 503(b) and 507, authorizing, approving, and ratifying (i) commitment letters by D. E. Shaw Laminar Lending 2, Inc. ("Laminar") and/or its affiliates and designees and members of the Creditors' Committee with respect to the purchase of Convertible Second-Lien Notes (defined below) to be issued by reorganized RCN as part of its exit financing upon confirmation of its joint plan of reorganization, copies of which were attached to the motion (the "Commitment Letters"); (ii) an agreement between the Debtors and Deutsche Bank Securities Inc. ("Deutsche Bank") pursuant to

which Deutsche Bank will serve as placement agent with respect to the Convertible Second-Lien Notes, under a placement agreement to be agreed to by the parties (the "Placement Agent Agreement"); and (iii) payment of all related fees and expenses in connection with the Commitment Letters and the Placement Agent Agreement

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.

A. The Deutsche Bank Exit Facility

4. Prior to commencement of these chapter 11 cases, during the course of negotiations among the Debtors and their various creditor constituencies, the Debtors and Blackstone determined that a new financing facility, designed to replace the Debtors' existing senior secured financing facility, afforded one of the most viable means for a successful restructuring. The additional working capital the Debtors would seek in such new funding also would be critical to stabilizing and maintaining the Debtors' operations upon emergence from the restructuring process.

5. Accordingly, prior to commencing the chapter 11 cases, we conducted an exhaustive search for new financing and approached numerous

financial institutions, including traditional asset-based lenders, investment banks and commercial banks regarding furnishing a commitment letter to the Debtors to replace the Debtors' existing senior credit facility. The Debtors and Blackstone received proposals from seven financial institutions, including proposals from Deutsche Bank and Deutsche Bank AG Cayman Islands Branch, Credit Suisse First Boston, Bear, Stearns & Co. Inc. and Wells Fargo Foothill, Inc. (the "Four Proposals").

6. For the next several weeks, the Debtors and their advisors negotiated the economic and legal terms of the Four Proposals with the respective lenders. During this period, the Debtors and Blackstone conducted intensive negotiations with all four of the parties and received and reviewed multiple revisions to the proposed commitments. After careful evaluation, and after consulting with their advisors and creditor constituencies, the Debtors determined, in their business judgment, that Deutsche Bank's proposal would best meet the Debtors' restructuring goals as well as their ongoing working capital and general business needs. Based on that conclusion, the Debtors concentrated their efforts on negotiating the terms of the Deutsche Bank proposal.

7. Those negotiations resulted in the execution on May 24, 2004 of a commitment letter and related documents that set forth Deutsche Bank's commitment to provide a new senior exit financing facility to the Debtors (the "Deutsche Bank Commitment Letter"). Pursuant to the Deutsche Bank Commitment Letter, Deutsche Bank would provide an exit facility (the "Exit Facility") comprised

of two components: (i) a senior first-lien secured credit facility in the principal amount of \$285.0 million plus a \$25.0 million letter of credit facility (the "Senior First-Lien Financing") and (ii) second-lien floating rate notes in the principal amount of \$150.0 million (the "Second-Lien Notes"). Shortly after commencement of these chapter 11 cases, this Court entered an order authorizing, approving, and ratifying the Deutsche Bank Commitment Letter and the Debtors' payment of the related fees and expenses.

8. On October 22, 2004, the Debtors filed a motion with this Court seeking the approval of certain amendments to the Deutsche Bank Commitment Letter. These amendments would increase the size of the Senior First-Lien Financing to \$330.0 million (including the letter of credit facility), in order to facilitate the Debtors' purchase of the remaining 50% interest in their Starpower subsidiary.

B. Alternative Exit Financing Scenarios

9. I understand that on October 13, 2004, this Court entered an order approving the Debtors' disclosure statement with respect to their proposed joint plan of reorganization. In the disclosure statement, the Debtors stated that they were considering alternative exit financing structures which, if implemented, would alter certain terms of the Exit Facility. One alternative exit financing scenario, described in the disclosure statement, that the Debtors and Blackstone have explored since August 2004 entails the issuance of second-lien notes that are convertible into

common stock of reorganized RCN in lieu of the Second-Lien Notes contemplated by the Exit Facility (the "Convertible Second-Lien Notes").

10. This alternative was first brought to the Debtors' and Blackstone's attention during late July 2004 in the form of a proposal from Laminar, a significant financial institution, who I understand is not a creditor of these estates. The proposal contemplated Laminar's acquisition of a majority of the Convertible Second-Lien Notes, with the balance to be purchased by other investors. In the following weeks, the Debtors and Blackstone had discussions with Laminar about its proposal, and also with members of the Creditors' Committee about the possibility of their agreeing to purchase Convertible Second-Lien Notes offered to, and not purchased by, other creditors of the Debtors. The Debtors and Blackstone also had certain discussions with other non-creditor institutions with respect to the Convertible Second-Lien Notes. Subsequent to the filing of the disclosure statement, certain of the Debtors' general unsecured creditors, other than the members of the Creditors' Committee, also expressed significant interest to the Debtors and Blackstone in serving as placement agent with respect to, and purchasing, the Convertible Second-Lien Notes. Blackstone has also been in discussions with such entities.

11. Under each of these various scenarios that the Debtors considered, up to \$150.0 million principal amount of Convertible Second-Lien Notes would be issued either to Deutsche Bank or another financial institution acceptable

to the Debtors and the Creditors' Committee, who would serve as initial purchaser and/or placement agent with respect to the Convertible Second-Lien Notes. The Debtors and their legal advisors contemplated that the Convertible Second-Lien Notes would be offered by the placement agent to "accredited investors," a term that I have been told by the Debtors' Counsel is defined in the Securities Act of 1933, in a transaction intended to qualify as a private placement under the Securities Act.

12. As further described in the disclosure statement, the Debtors also contemplated that up to 49% of any Convertible Second-Lien Notes would be offered for sale to general unsecured creditors of the Debtors who qualify as accredited investors, subject to change as necessary in connection with syndication efforts with respect to the Senior First-Lien Financing. To facilitate issuance of Convertible Second-Lien Notes and to ensure that the Second-Lien Notes would be fully funded, the Debtors and Blackstone requested that certain members of the Creditors' Committee provide commitments to purchase any Convertible Second-Lien Notes offered for resale to, and not purchased by, other general unsecured creditors of the Debtors.

**C. Commitments for the
Convertible Second-Lien Notes**

13. Since approval of the disclosure statement, the Debtors and Blackstone have continued their discussions with Laminar, members of the Creditors' Committee, other general unsecured creditors of the Debtors, and Deutsche Bank about the Convertible Second-Lien Notes. These negotiations were very protracted,

with the parties carefully considering and negotiating several different economic terms and variations of such terms. The negotiations were at all times conducted at arm's length and in good faith. Based upon such discussions, the Debtors have now finalized the key terms upon which reorganized RCN will issue Convertible Second-Lien Notes, on terms consistent with those described in the disclosure statement, in lieu of the Second-Lien Notes contemplated by the Exit Facility.

14. Pursuant to the parties' agreements, Deutsche Bank will likely serve as placement agent with respect to the Convertible Second-Lien Notes pursuant to the Placement Agent Agreement. Under the Placement Agent Agreement, Deutsche Bank would act as the placement agent in connection with RCN's sale of the Convertible Second-Lien Notes. As compensation for such services, and subject to certain adjustments, Deutsche Bank will be entitled to a placement fee in an amount equal to no more than 1.5% of the aggregate amount of Convertible Second-Lien Notes sold by Deutsche Bank plus reasonable out-of-pocket costs and expenses (including the costs of counsel). The Debtors have agreed to facilitate the offering of Convertible Second-Lien Notes by furnishing to Deutsche Bank a list of holders of general unsecured claims that the Debtors believe qualify as accredited investors.

15. Laminar has agreed to purchase up to \$100.0 million principal amount of the Convertible Second-Lien Notes pursuant to the Commitment Letter attached to the Motion as Exhibit B. As described above, however, the parties have agreed that up to 49% of the Convertible Second-Lien Notes will be offered for sale

to general unsecured creditors of the Debtors who qualify as accredited investors.⁷

Pursuant to this agreement, D. E. Shaw's commitment amount may be reduced to the extent Convertible Second-Lien Notes are purchased by such creditors.

16. Certain members of the Creditors' Committee have committed to purchase Convertible Second-Lien Notes offered for resale to, and not purchased by, other general unsecured creditors of the Debtors. In particular, Romulus Holdings, Inc. and affiliates have agreed to purchase up to \$10.0 million principal amount of the Convertible Second-Lien Notes pursuant to the Commitment Letter attached to the Motion as Exhibit B; Tudor Investments has agreed to purchase up to \$29.0 million principal amount of the Convertible Second-Lien Notes pursuant to the Commitment Letter attached to the Motion as Exhibit C; and York Capital Management has agreed to purchase up to \$11.0 million principal amount of the Convertible Second-Lien Notes pursuant to the Commitment Letter attached to the Motion as Exhibit D.

**D. Economic Benefits of
The Convertible Second-Lien Notes**

17. The Debtors, with the assistance of Blackstone, have determined that the Debtors will derive significant benefits from the Convertible Second-Lien Notes. First, the Debtors derive a material economic benefit in the form of a lower interest rate. Interest on the Convertible Second-Lien Notes will be equal to 7.5% per

⁷ As indicated above, such percentage is subject to change as necessary in connection with Deutsche Bank's syndication efforts with respect to the Senior First-Lien Financing.

annum. This rate compares favorably to that contemplated by the original Second-Lien Notes, which was equal to the 3-month London Inter-Bank Offered Rate ("LIBOR") rate plus 8%. During the last six months, the LIBOR rate has ranged between 1.3% and 2.2%. During this period, the interest rate on the Second-Lien Notes would have varied in a range between 9.3% and 10.2%, or between 1.8% and 2.7% more than the rate under the Convertible Second-Lien Notes. Additionally, the LIBOR rate during this period is significantly lower than historical averages, and in preparing the Debtors' financial forecast, a higher rate was used. In the Debtors' financial forecast, the rate payable on the original Second-Lien Notes ranges from 10.9% to 13.7%. In addition, the agreement to place the original Second-Lien Notes allowed for Deutsche Bank to flex its pricing up to an all-in rate of 14.5% per annum, or 7.0% more than the Convertible Second-Lien Notes.

18. Based upon the financial projections prepared by the Debtors, the total interest cost to reorganized RCN of the original Second-Lien Notes during the five-year projection period would have been approximately \$94.4 million,. In contrast, the total annual cost to reorganized RCN of the Convertible Second-Lien Notes is anticipated to be approximately \$43.8 million, not including the final year of the term when significant principal payments were anticipated (no significant principal payments were contemplated prior to the final year of the term of such Notes). The gross annual savings in interest cost to reorganized RCN therefore is expected to be approximately \$50.6 million in the aggregate, prior to any ability of Deutsche Bank

to increase the interest rate on the original Second Lien Notes to a rate greater than LIBOR plus 8.0%.

19. The cash costs associated with the Convertible Second-Lien Notes are significantly less than this estimated net benefit. Such costs include commitment fees in the total amount of \$1.5 million; a break-up fee payable to Deutsche Bank pursuant to its original commitment in the total amount of \$2.3 million; a fee payable to the Placement Agent still to be determined (but not to exceed 1.5%) and the costs and expenses of negotiating the Convertible Second-Lien alternative, amounts which are de minimis in comparison to the benefits to be realized from the transaction.

20. A further benefit afforded by the Commitment Letters is that such Letters will assist Deutsche Bank as it commences the process of syndicating, and obtaining commitments for, the Senior First-Lien Financing. Prospective participants in the Senior First-Lien Financing will know that the junior financing provided by the Convertible Second-Lien Notes is fully committed, and that there is, therefore, no risk to the Exit Facility that otherwise may be the case without the commitments provided by Laminar and the members of the Creditors' Committee. In my experience, this is an important benefit to the Debtors and its estates as they approach confirmation of their plan of reorganization.

21. Finally, in my experience, the cost of the Convertible Second-Lien Notes, including the fees and indemnities contemplated by the Placement Agent Agreement and the Commitment Letters, are comparable to the pricing of similar exit financing

transactions in the current market. The fees and expenses are reasonable in comparison to the amounts being committed. There is nothing unusual in these economic terms; they clearly fall within a reasonable range; and they afford net benefits to the estate as described above.

22. In sum, when considering all of the factors, we concluded that the Convertible Second-Lien Notes represent a better financing alternative than the Second-Lien Notes.

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

correct.

Dated: November 3, 2004

A handwritten signature in black ink, appearing to read 'Timothy Coleman', written over a horizontal line.

Timothy Coleman

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

**ORDER UNDER 11 U.S.C. §§ 105(a),
363(b), 503(b) AND 507 AUTHORIZING, APPROVING,
AND RATIFYING (I) COMMITMENTS FOR CONVERTIBLE
SECOND-LIEN NOTES, (II) PLACEMENT AGENT AGREEMENT,
AND (III) PAYMENT OF RELATED FEES AND EXPENSES**

Upon the motion (the "Motion")¹ of the Debtors for entry of an order under 11 U.S.C. §§ 105(a), 363(b), 503(b) and 507 authorizing, approving and ratifying (i) commitment letters by D.E. Shaw Laminar Lending 2, Inc. and/or its affiliates and designees and certain members of the Creditors' Committee with respect to the purchase of Convertible Second-Lien Notes to be issued by reorganized RCN as part of its exit financing upon confirmation of its joint plan of reorganization, copies of which were attached to the motion (the "Commitment Letters"); (ii) an agreement to be agreed upon between the Debtors and Deutsche Bank Securities Inc. ("Deutsche Bank") pursuant to which Deutsche Bank will serve as placement agent with respect to the Convertible Second-Lien Notes in exchange for a placement fee in an amount equal to

¹ Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Motion.

no more than 1.5% of the aggregate face amount of the Convertible Second-Lien Notes that Deutsche Bank places (the "Placement Agent Agreement"); and (iii) payment of all related fees and expenses in connection with the Commitment Letters and the Placement Agent Agreement; and the Court having reviewed the Motion and the Coleman Declaration; and it appearing that notice of the Motion was good and sufficient under the particular circumstances and that no other and further notice be given; and upon the record herein; and after due deliberation thereon; and good and sufficient cause appearing therefor, it is hereby

FOUND AND DETERMINED THAT:

A. The terms of the Commitment Letters and the Placement Agent Agreement, including the fees, expenses, and indemnities contemplated thereby, were negotiated in good faith and at arms' length;

B. The Debtors' determination to enter into the Commitment Letters and the Placement Agreement constitutes a sound exercise of the Debtors' business judgment and is in the best interests of the Debtors, their estates, their creditors, and other parties in interest; and it is therefore

ORDERED, ADJUDGED, AND DECREED THAT:

1. The Motion is GRANTED.
2. The Debtors' execution of each of the Placement Agent Agreement and the Commitment Letters is ratified and the Debtors are hereby authorized and

empowered to perform the obligations set forth in each of such documents and the obligations incurred by them thereunder, including the indemnities in respect thereof.

3. The fees and expenses payable by the Debtors under each of the Placement Agent Agreement and the Commitment Letters shall be entitled to priority as administrative expense claims under sections 503(b)(1) and 507(a)(1) of the Bankruptcy Code, including the payment of customary indemnities, as and when they become due and shall be paid when and as provided for under the Placement Agent Agreement and the Commitment Letters.

4. Consistent with the terms of the Commitment Letters, the fees and expenses payable thereunder will be fully earned and non-refundable upon entry of this Order.

5. The Debtors' indemnity obligations set forth in the Placement Agent Agreement and the Commitment Letters or in any of the documents entered into in connection thereto are hereby authorized and approved and the Debtors are hereby authorized and empowered to perform any such obligations.

6. The requirement of Local Bankr. R. 9013-1(b) that any motion filed shall be accompanied by a separate memorandum of law is satisfied by the Motion.

Dated: New York, New York
November ____, 2004

HON. ROBERT D. DRAIN
UNITED STATES BANKRUPTCY JUDGE