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D. J. Baker (DB 0085)
(Member of the Firm)
Frederick D. Morris (FM 6564)

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

AFFIDAVIT OF SERVICE

PLEASE NOTE that on October 28, 2004, I caused true copies of the (i) First Interim Application Of The Blackstone Group L.P., As Financial Advisor To RCN Corporation And Affiliates For Allowance Of Interim Compensation For Actual And Necessary Services Rendered And Reimbursement Of All Actual Necessary Expenses Incurred For The Period Of May 27, 2004 Through September 30, 2004, attached hereto as Exhibit A, to be served via first class mail on:

The Office Of The United States Trustee
33 Whitehall Street, 21st floor
New York, NY 10004
Att'n: Paul K. Schwartzberg

Milbank, Tweed, Hadley & McCloy LLP
1 Chase Manhattan Plaza
New York, NY 10005
Att'n: Dennis Dunne

Simpson, Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017-3954
Att'n: Peter V. Pantaleo

RCN Corporation
105 Carnegie Center
Princeton, NJ 08540
Att'n: Deborah M. Royster

Executed in: New York, New York
On: November 1, 2004

/s/ Adriana G. Salazar
Adriana G. Salazar

/s/ Vottress Chapman
Notary Public

EXHIBIT A

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

----- X
In re :

RCN CORPORATION, et al., :

Debtors. :

Chapter 11

Case No. 04-13638 (RDD)

(Jointly Administered)
----- X

**FIRST INTERIM APPLICATION OF THE BLACKSTONE GROUP L.P., AS
FINANCIAL ADVISOR TO RCN CORPORATION AND AFFILIATES FOR
ALLOWANCE OF INTERIM COMPENSATION FOR ACTUAL AND NECESSARY
SERVICES RENDERED AND REIMBURSEMENT OF ALL ACTUAL AND NECESSARY
EXPENSES INCURRED FOR THE PERIOD OF MAY 27, 2004 THROUGH SEPTEMBER 30, 2004**

SUMMARY SHEET

Name of Applicant

Persons Providing:

The Blackstone Group L.P.

Professional Services:

Timothy Coleman, Thomas Middleton, Elias
Dokas, Shervin Korangy, Bruce Haggerty, Medhi
Malaki, Vivek Garipalli, and Vinicius Vacanti

Authorized to Provide

Professional Services to:

RCN Corporation

Date of Retention Order:

August 3, 2004

Period for which compensation
and reimbursement is sought:

May 27, 2004 through September 30, 2004

Amount of Compensation sought
as actual, reasonable, and necessary:

\$832,258.06

Amount of Expense Reimbursement
sought as actual, reasonable, and necessary:

\$27,327.84

Amount of Cash Payment sought:

\$294,833.43

This is a(n):

 x interim final application.

The total time expended for the preparation of this application is approximately 12 hours and
the corresponding compensation requested is \$0.00.

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

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In re :

RCN CORPORATION, et al., :

Debtors. :

Chapter 11

Case No. 04-13638 (RDD)

(Jointly Administered)
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**FIRST INTERIM APPLICATION OF THE BLACKSTONE GROUP L.P., AS
FINANCIAL ADVISOR TO RCN CORPORATION AND AFFILIATES FOR
ALLOWANCE OF INTERIM COMPENSATION FOR ACTUAL AND NECESSARY
SERVICES RENDERED AND REIMBURSEMENT OF ALL ACTUAL AND NECESSARY
EXPENSES INCURRED FOR THE PERIOD OF MAY 27, 2004 THROUGH SEPTEMBER 30, 2004**

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

The Blackstone Group L.P. (“Blackstone”) respectfully represents as follows:

I. Background

1. Blackstone is financial advisor to the above-captioned debtors and debtors-in-possession (collectively, the “Debtors”).

2. On May 27, 2004 (the “Petition Date”), the Debtors each filed voluntary petitions with this Court for reorganization relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). The Debtors continue to manage and operate their businesses as debtors-in-possession pursuant to §§ 1107 and 1108 of the Bankruptcy Code.

3. On May 27, 2004, the Debtors applied to this Court for an order authorizing them to employ Blackstone pursuant to an engagement agreement dated March 10, 2004 (the “Engagement Agreement”) as their financial advisor, effective as of the Petition Date. A copy of the Engagement Agreement is attached hereto as Appendix A.

4. On June 3, 2004, this Court entered an interim order pursuant to 11 U.S.C. §§ 327 and 328 and Fed. R. Bankr. P. 2014 and 2016(a) authorizing the employment and retention of Blackstone as financial advisor to the Debtors.

5. On June 22, 2004, this Court entered an order (the “Administrative Order”) establishing procedures for interim compensation and reimbursement of expenses of professionals and committee members pursuant to 11 U.S.C. §§ 105(a) and 331.

6. On August 3, 2004, this Court entered a final order (the "Retention Order") pursuant to 11 U.S.C. §§ 327 and 328 and Fed. R. Bankr. P. 2014 and 2016(a) authorizing the employment and retention of Blackstone as financial advisor to the Debtors, effective as of the Petition Date. A copy of the Retention Order is attached hereto as Appendix B.

7. On August 20, 2004, the Debtors filed with this Court a Joint Plan of Reorganization and a Disclosure Statement with respect to the Joint Plan of Reorganization. The Debtors subsequently filed a revised Disclosure Statement and Plan of Reorganization that was approved by the Court on October 12, 2004.

8. This is the first interim fee application (the “Application”) of Blackstone for (i) allowance of compensation for financial advisory services rendered on behalf of the Debtors during the period of May 27, 2004 through September 30, 2004 (the “Application Period”); and (ii) the reimbursement of out-of-pocket expenses incurred in connection with the services rendered to the Debtors during the Application Period.

9. This Application is made pursuant to the provisions of §§ 328(a), 330 and 331 of the Bankruptcy Code, Rule 2016 of the Federal Rules of Bankruptcy Procedure, the Retention Order, the Administrative Order, and the Local Rules of the United States Bankruptcy Court for the Southern District of New York.

10. Professional services and out-of-pocket expenses for which compensation and reimbursement are sought were rendered and expended on behalf of the Debtors pursuant to chapter 11 of the Bankruptcy Code. Blackstone believes it is appropriate that it be compensated for the time spent and reimbursed for the out-of-pocket expenses incurred in connection with these matters.

11. As was set forth in its retention application, Blackstone provided financial advisory services to the Debtors prior to the Petition Date.

II. The Blackstone Retention

12. On May 27, 2004, the Debtors applied to this Court for an order authorizing them to retain Blackstone pursuant to the Engagement Agreement as their financial advisor. Specifically, Blackstone was retained as financial advisor to provide the following Restructuring services (as defined in the Engagement Agreement):

- (a) Assist in the evaluation of the Debtors' businesses and prospects;
- (b) Assist in the development of the Debtors' long-term business plan and related financial projections;
- (c) Assist in the development of financial data and presentations to the Debtors' Board of Directors, various creditors and other third parties;
- (d) Analyze the Debtors' financial liquidity and evaluate alternatives to improve such liquidity;
- (e) Analyze various restructuring scenarios and the potential impact of these scenarios on the recoveries of those stakeholders impacted by the Restructuring;
- (f) Provide strategic advice with regard to a Restructuring of the Debtors' Obligations;
- (g) Evaluate the Debtors' debt capacity and alternative capital structures;
- (h) Participate in negotiations among the Debtors and its creditors, suppliers, lessors and other interested parties;
- (i) Advise the Debtors and negotiate with lenders with respect to potential waivers or amendments of various credit facilities;

- (j) Prepare valuation of the business and a liquidation analysis in conjunction with a plan of reorganization;
- (k) Provide expert witness testimony concerning any of the subjects encompassed by the other financial advisory services, if requested;
- (l) Assist the Debtors in preparing marketing materials in conjunction with a possible Transaction;
- (m) Assist the Debtors in identifying potential buyers or parties in interest to a transaction and assist in the due diligence process;
- (n) Assist and advise the Debtors concerning the terms, conditions and impact of any proposed Transaction;
- (o) Seek sources of debt and equity capital in connection with a Restructuring or a Transaction; and
- (p) Provide such other advisory services as are customarily provided in connection with the analysis, negotiation, documentation, confirmation, and consummation of a Restructuring or a Transaction, as requested and mutually agreed;

13. Pursuant to the Engagement Agreement, the Debtors agreed to pay Blackstone the following fees in consideration for the services to be rendered:

- (a) A monthly advisory fee in the amount of \$200,000.00 (and as further defined in the Engagement Agreement);
- (b) A Restructuring Fee as defined in the Engagement Agreement;
- (c) A Transaction Fee as defined in the Engagement Agreement; and
- (d) Reimbursement of all reasonable out-of-pocket expenses as defined in the Engagement Agreement.

14. Pursuant to the Retention Order, the Debtors and Blackstone agreed to modify the fees payable to Blackstone. The following fees were agreed to in consideration for the services rendered:

(a) The Monthly Fee shall be \$200,000 for the months from and including June, 2004 through and including November, 2004 (the "Initial Monthly Fee") and shall be \$100,000 for each month thereafter (the "Final Monthly Fee"), provided however, that Blackstone may seek by application to this Court to increase the amount of the Final Monthly Fee in the event of a significant change in the services to be provided in these cases. There shall be no presumptions created by this order to either grant or deny such application to increase the Final Monthly Fee,

and all objections of the United States Trustee and all parties in interest are preserved until such time. The Initial Monthly Fee and the Final Monthly Fee are collectively referred to herein as the "Monthly Fee."

(b) Under all circumstances and notwithstanding any claim under the Blackstone engagement letter for a higher fee, the Restructuring Fee and the Transaction Fee (collectively, the "Restructuring Fees") shall be \$7.8 million in the aggregate and be deemed earned (and not subject to review other than under the provisions of paragraph 7 below) upon the earlier of (x) a sale or sales of all or substantially all of the assets of the Debtors as a going concern or (y) upon the substantial consummation of a plan or plans of reorganization, as the case may be, for each of the Debtors; provided that no Restructuring Fees shall be payable (A) prior to (but shall be paid on) the earlier of (I) substantial consummation of a plan or plans of reorganization, as the case may be, for each of the Debtors and (II) the making of the initial distributions with respect to any of the Debtors under Section 726 of the Bankruptcy Code or (B) in the event of the liquidation, other than in a sale or sales as a going concern, of any entity or entities individually or collectively constituting 50% or more of the subscribers of the United States businesses of RCN Corporation and its direct and indirect subsidiaries (including for this purpose, subscribers at its United States joint venture affiliates but only to the extent of its percentage ownership or membership interest in such affiliate) as of the date hereof. Other than the Monthly Fee and the Restructuring Fee, no other fees shall be paid to Blackstone.

(c) Except as provided in the following paragraph and as otherwise modified herein, the terms of the Monthly Fee and the Restructuring Fees shall not hereafter be subject to challenge except under the standard of review set forth in Bankruptcy Code section 328(a), provided however that if Blackstone shall seek an increase in the Final Monthly Fee above \$100,000 or if Blackstone shall request payment of the Restructuring Fee following the termination of the engagement under either clauses (ii) or (iii) of paragraph 8 hereof, such request shall be subject to objection, review and approval under Bankruptcy Code section 330.

III. Specific Services Provided by Blackstone During the Application Period

15. During the Application Period, the services provided by Blackstone on behalf of the Debtors included the following:

- (a) Modifying the Debtors' forecasts based on developments in the chapter 11 cases;
- (b) Assisting in all aspects of the refinancing process, including rating agency presentations, bank offering memorandum and financial analysis;
- (c) Assisting in discussions and updates regarding the regulatory approval process;
- (d) Analyzing various strategic business configuration alternatives;
- (e) Negotiating with stakeholders regarding various matters on the chapter 11 cases, including the structure of the POR;

- (f) Presenting to and updating senior management and the Board of Directors regarding developments in the cases;
- (g) Assisting in the preparation of the revised Plan and Disclosure Statement approved by the Court on October 12, 2004;
- (h) Performing a liquidation analysis for Disclosure Statement purposes;
- (i) Exploring further financing alternatives for the Debtors;
- (j) Valuing the Debtors' businesses for Disclosure Statement purposes; and
- (k) Participating in conference calls and meetings with other advisors and representatives to discuss numerous aspects of the case.

IV. The Blackstone Team

16. The financial services set forth above were performed primarily by: Timothy Coleman, Senior Managing Director; Thomas Middleton, Senior Managing Director; Elias Dokas, Managing Director; Shervin Korangy, Vice President; Bruce Haggerty, Associate; Medhi Malaki, Associate; Vivek Garipalli, Analyst; Vinicius Vacanti, Analyst; and other Blackstone professionals as needed. Details of the background and experience of the professionals are provided in Appendix C.

V. Payments Received During Blackstone's Pre-Petition Retention

17. Prior to the Petition Date (the "Petition Date") and this Court's Retention Order dated August 3, 2004, Blackstone served as financial advisor to the Debtors pursuant to the Engagement Agreement. During that pre-petition retention, the Debtors paid Blackstone a sum total of \$757,214.47¹, which includes \$35,000.00 received as an expense deposit (the "Pre-Petition Expense Deposit"), for services rendered by Blackstone on behalf of the Debtors during the period of March 9, 2004 through June 30, 2004. Of the \$757,214.47 Blackstone received during its pre-petition retention, Blackstone earned pre-petition fees totaling \$467,741.94 and

¹ Pursuant to the Engagement Agreement, Blackstone may receive a monthly advisory fee in the amount of \$200,000.00 with payments to be made in advance of monthly periods beginning on the first and ending on the last day of each month.

was reimbursed for \$22,214.47 of reimbursable pre-petition out-of-pocket expenses for the pre-petition period of March 9, 2004 through May 26, 2004. Thus, after crediting the earned pre-petition fees and reimbursable out-of-pocket expenses from the total amount of pre-petition payments received by Blackstone (i.e., \$757,214.47), Blackstone was holding \$232,258.06 of unapplied “on account” cash and also holding the \$35,000.00 Pre-Petition Expense Deposit as of the Petition Date.

18. With respect to the Pre-Petition Expense Deposit, Blackstone has identified unbilled pre-petition expenses in the amount of \$26,248.65. Accordingly, Blackstone has applied \$26,248.65 of the Pre-Petition Expense Deposit against said unbilled pre-petition expenses leaving a balance of \$8,751.35 of the Pre-Petition Expense Deposit. There may exist additional pre-petition out-of-pocket expenses that Blackstone incurred, but has not yet processed due to timing, against which Blackstone will credit the remaining portion of the Pre-Petition Expense Deposit. Any unused portion of the Pre-Petition Expense Deposit will be returned to the Debtors at the conclusion of Blackstone’s retention.

19. Outlined below are tables summarizing the amounts billed and payments received by Blackstone during its pre-petition retention:

(i) Pre-Petition Fees

<u>Pre-Petition Advisory Periods</u>	<u>Fees</u>
March 9 – 31, 2004	\$100,000.00
April 1 – 30, 2004	200,000.00
May 1 – 26, 2004	167,741.94
Subtotal	467,741.94
Total Amount Received	(700,000.00)
“On Account” Cash²	<u><u>\$(232,258.06)</u></u>

(ii) Pre-Petition Out-Of-Pocket Expenses

<u>Pre-Petition Advisory Periods</u>	<u>Out-Of-Pocket Expenses</u>
March 9 – 31, 2004	\$0.00
April 1 – 30, 2004	0.00
May 1 – 26, 2004	22,214.47
Subtotal	22,214.47
Total Amount Received ³	(57,539.67)
Pre-Petition Expense Deposit	(35,000.00)
Additional Pre-Petition Expenses	26,248.65
Remaining Pre-Petition Expense Deposit	<u><u>\$(8,751.35)</u></u>

VI. Blackstone’s Request for Compensation and Reimbursement of Expenses

A. Blackstone’s Request for Compensation

20. During the Application Period, Blackstone has provided professional advisory services to the Debtors and earned fees for such services totaling \$832,258.06 for the period of May 27, 2004 through September 30, 2004. Accordingly, Blackstone has applied the “on account” cash (i.e., \$232,258.06) towards the payment of its financial advisory fee pro rated for the period of May 27, 2004 through May 31, 2004 (or \$32,258.06), and towards the payment of its financial advisory fee for the month of June 2004 (or \$200,000.00). As of the date of this Application, no “on account” cash for fees remains.

21. As of the date of this Application, Blackstone has received payment for fees and expenses related to the Application Period in the amount of \$552,258.06, which includes the \$232,258.06 of “on account” cash Blackstone was holding as of the Petition Date. Thus,

² Applied against financial advisory fees for the period from May 27, 2004 through June 30, 2004.

³ Amount received includes \$35,000.00 Pre-Petition Expense Deposit.

Blackstone seeks payment in the amount of \$280,000.00 for fees earned during the Application Period (equal to \$832,258.06 of fees earned less \$552,258.06 of payments received).

22. Blackstone respectfully submits that the compensation requested for the services rendered by Blackstone to the Debtors during the Application Period is fully justified and reasonable based upon (a) the time and labor required during the proceedings, (b) the complexity of the issues presented, (c) the skill necessary to perform the financial advisory services properly, (d) the preclusion of other employment, (e) the customary fees charged to clients in non-bankruptcy situations for similar services rendered, (f) time constraints required by the exigencies of the case, and (g) the experience, reputation and ability of the professionals rendering services.

23. Blackstone respectfully submits that the services it has rendered to the Debtors have been necessary and in the best interests of the Debtors and the estate and have furthered the goals of all parties in interest. Blackstone respectfully submits that under all of the criteria normally examined in chapter 11 reorganization cases, the compensation requested by Blackstone is reasonable in light of the work performed by Blackstone to date in these cases.

24. The amount of the fees requested in this Application and Blackstone's billing practices are consistent with market practices in a bankruptcy context. Blackstone has never billed its clients based on the number of hours expended by its professionals. Accordingly, Blackstone does not have hourly rates for its professionals, and Blackstone's professionals generally do not maintain detailed time records of the work performed for its clients. Moreover, pursuant to the Retention Order, Blackstone is not required to maintain time records as Blackstone is being retained on a fixed monthly fee basis.

B. Blackstone's Request for Reimbursement of Out-Of-Pocket Expenses Incurred

25. During the Application Period, Blackstone incurred actual and necessary out-of-pocket expenses aggregating \$27,327.84. Blackstone respectfully requests this Court's allowance of the reimbursement of the out-of-pocket expenses incurred during the Application Period in the amount of \$27,327.84. To date, Blackstone has been reimbursed in the amount of \$12,494.41 for out-of-pocket expenses incurred during the Application Period. Thus, Blackstone seeks payment in the amount of \$14,833.43 for out-of-pocket expenses incurred during the Application Period. Details of the expenses incurred during the Application Period are provided in Appendix D.

26. Blackstone's charges for out-of-pocket expenses to the Debtors are determined in the same manner as for clients in non-bankruptcy matters. Out-of-pocket expenses incurred by Blackstone are charged to a client if out-of-pocket expenses are incurred for the client or are otherwise necessary in connection with services rendered for such particular client. Blackstone does not factor general overhead expenses into any disbursements charged to its clients in connection with chapter 11 cases. Blackstone has followed its general internal policies with respect to out-of-pocket expenses billed to the Debtors as set forth below, with any exceptions specifically explained.

- (a) Blackstone's general policy permits its professionals to charge in-office dinner meals to a client after 8:00 p.m. if the employee is required to provide services to the client during such dinnertime. Further, administrative personnel are permitted to bill in-office lunch meals to a client if the employee is specifically requested to work through lunch or in-office dinner meals to a client if the employee is required to work three hours beyond their regularly scheduled workday.
- (b) Messengers, couriers, or overnight delivery are used by Blackstone to deliver hard copy documents relating to the client matter which require receipt on an expedited basis; otherwise, Blackstone uses the regular postal system. Any charges for, either messengers, couriers, or overnight delivery are billed to a client at cost.
- (c) The external research category consists of charges from outside services, which supply, for a fee, financial documents to Blackstone. The services provided by these

companies generally consist of the retrieval of financial documents from regulatory agencies and/or the retrieval of research that would not otherwise be unavailable to Blackstone. The internal research category of expenses consist of charges for time spent by Blackstone's research staff, billed at a rate of \$100 per hour, in operating the computer/electronic terminals related to certain computer/electronic service companies.

- (d) Blackstone bills photocopying charges at the rate of \$0.20 per page for black and white photocopies, and \$0.75 per page for color photocopies.
- (e) With respect to airfare travel, all domestic airfare charges billed to the Debtors are based on coach fare rates. Should international airfare travel be required during these cases, all international airfare charges will be billed to the Debtors based on business fare rates.
- (f) With respect to local travel, Blackstone's general policy enables employees to travel by taxi or, in certain circumstances private car service, to and from meetings while rendering services to a client on a client related matter, for which the client is charged. Further, and primarily for safety reasons, employees are permitted to charge to a client the cost of transportation home if an employee is required to work past 9:00 p.m. on client specific matters.
- (g) Blackstone bills its clients for time spent by its employees on its word processing system. The word processing system automatically allocates time to a client based upon the operator's "log-in" by a client matter number. Clients are charged at the personnel cost of \$52.00 per hour for the actual amount of time spent by the operator while rendering word processing services to the client; however, when word processing services are being used after normal business hours, the client is not billed for both an overtime charge and a word processing charge.
- (h) Blackstone bills outgoing facsimile charges at a rate of \$1.25 per page. Blackstone does not bill incoming facsimile charges.

27. Blackstone respectfully submits that the out-of-pocket expenses for which it seeks an allowance and reimbursement of in this Application were necessary and reasonable both in scope and amount.

VII. Summary

28. A summary of all fees and out-of-pocket expenses applied for in this Application is outlined below:

<u>Monthly Periods</u>	<u>Total Fees⁴</u>	<u>Total Expenses</u>	<u>Subtotal</u>	<u>Less "On Account" Cash</u>	<u>Less Amounts Received</u>	<u>Amount Sought⁵</u>
May 27 – 31, 2004	\$32,258.06	\$410.37	32,668.43	\$(32,258.06)	\$(410.37)	\$--
June 2004	200,000.00	507.54	200,507.54	(200,000.00)	(507.54)	--
July 2004	200,000.00	1,876.00	201,876.00	--	(161,876.00)	40,000.00
August 2004	200,000.00	9,700.50	209,700.50	--	(169,700.50)	40,000.00
September 2004	200,000.00	14,833.43	214,833.43	--	--	214,833.43
Total(s)	\$832,258.06	\$27,327.84	859,585.90	\$(232,258.06)	\$(332,494.41)	\$294,833.43

29. No prior application for the relief requested herein has been made.

30. All services for which Blackstone requests compensation were performed for and on behalf of the Debtors and not on behalf of any other person or stakeholder.

31. No agreement or understanding exists between Blackstone and any other entity for the sharing of compensation received or to be received for services rendered in or in connection with these proceedings.

⁴ Advisory for the period of May 27, 2004 through May 31, 2004 calculated as follows: \$200,000.00 multiplied by 5/31 (or 5 out of 31 days).

⁵ Amounts sought for the months of July and August 2004 reflect unpaid holdbacks. No holdbacks shown for the month of September 2004 since no payment has yet been received.

VIII. Requested Relief

WHEREFORE, Blackstone respectfully requests the Court to:

- (a) Approve the allowance of the fees and expenses submitted in Blackstone's Application, comprised of (i) monthly advisory fees in the amount of \$832,258.06; and (ii) out-of-pocket expenses in the amount of \$27,327.84;
- (b) Authorize and direct the Debtors to pay Blackstone's allowed and unpaid fees and out-of-pocket expenses, as set forth in the table below;

Monthly Advisory Fees	\$832,258.06
Out-Of-Pocket Expenses	27,327.84
Subtotal	<u>859,585.90</u>
Less: Payments Received	(564,752.47)
Total Amount Due to Blackstone	<u>\$294,833.43</u>

- (c) Grant such other and further relief as this Court deems just and proper.

Dated: October 27, 2004

THE BLACKSTONE GROUP L.P.
Financial Advisor to the Debtors

By: 

Timothy R. Coleman

Senior Managing Director

345 Park Avenue

New York, NY 10154

(212) 583-5000

(212) 583-5707 (fax)

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

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

AFFIDAVIT

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

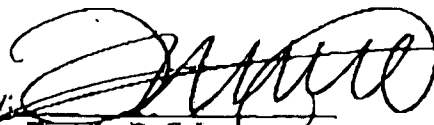
Timothy R. Coleman, being duly sworn, deposes and says:

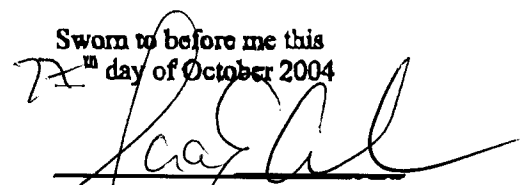
1. I am a Senior Managing Director of the firm of The Blackstone Group L.P. (“Blackstone”), which firm maintains offices for providing financial advisory services at 345 Park Avenue, New York, New York 10154. Blackstone is acting as financial advisor for the above-captioned debtors and debtors-in-possession (collectively, the “Debtors”) in the captioned case.

2. This affidavit is submitted pursuant to Local Rule 2016-1 of the United States Bankruptcy Court for the Southern District of New York in connection with Blackstone's Application (the “Application”) for (i) allowance of compensation for the financial advisory services rendered by Blackstone on behalf of the Debtors in the amount of \$832,258.06 during the period of May 27, 2004 through September 30, 2004 (the “Application Period”), and (ii) the reimbursement of Blackstone’s out-of-pocket expenses in the amount of \$27,327.84 incurred during the Application Period.

3. All of the services for which Blackstone seeks compensation were performed for and on behalf of the Debtors and not on behalf of any other person or stakeholder.

4. No agreement or understanding exists between Blackstone and any other entity for the sharing of compensation received or to be received for services rendered in or in connection with these cases.

By: 
Timothy R. Coleman
Senior Managing Director

Sworn to before me this
7th day of October 2004

JANA E. CARLSON
Notary Public, State of New York
No. 01CA5073251
Qualified in New York County
Commission Expires February 18, 2006

APPENDIX A

The Blackstone Group®

March 10, 2004

Mr. David C. McCourt
Chairman and Chief Executive Officer
RCN Corporation
105 Carnegie Center
Princeton, NJ 08540

Dear David:

This letter confirms the understanding and agreement (the “Agreement”) between The Blackstone Group L.P. (“Blackstone”) and RCN Corporation (together with any affiliates and subsidiaries, the “Company”) regarding the retention of Blackstone by the Company effective as of March 9, 2004 (the “Effective Date”) as its financial advisor for the purposes set forth herein.

Under this Agreement, Blackstone will provide financial advisory services to the Company in connection with a possible restructuring of certain or all liabilities of the Company and the (i) sale, merger or other disposition of all or a portion of the Company or its assets, but only if and when requested by the Company; or (ii) arranging of debt or equity capital (collectively, a “Transaction”), and will assist the Company in analyzing, structuring, negotiating and effecting the Restructuring or Transaction pursuant to the terms and conditions of this Agreement. As used in this Agreement, the term Restructuring shall mean, collectively, (i) any restructuring, reorganization (whether or not pursuant to Chapter 11 of the United States Bankruptcy Code) and/or recapitalization of the Company affecting existing or potential debt obligations or other claims, including, without limitation, senior debt, junior debt, trade claims and general unsecured claims (collectively, the “Obligations”), and/or (ii) any repurchase, refinancing, extension or repayment by the Company of substantially all of the senior debt and junior debt other than in the ordinary course of business, or in accordance with existing contractual obligations.

The financial advisory services to be rendered by Blackstone will include the following:

- (a) Assist in the evaluation of the Company’s businesses and prospects;
- (b) Assist in the development of the Company’s long-term business plan and related financial projections;

The Blackstone Group® L.P.
345 Park Avenue
New York, NY 10154
212 583-5000

- (c) Assist in the development of financial data and presentations to the Company's Board of Directors, various creditors and other third parties;
- (d) Analyze the Company's financial liquidity and evaluate alternatives to improve such liquidity;
- (e) Analyze various restructuring scenarios and the potential impact of these scenarios on the recoveries of those stakeholders impacted by the Restructuring;
- (f) Provide strategic advice with regard to a Restructuring of the Company's Obligations;
- (g) Evaluate the Company's debt capacity and alternative capital structures;
- (h) Participate in negotiations among the Company and its creditors, suppliers, lessors and other interested parties;
- (i) Advise the Company and negotiate with lenders with respect to potential waivers or amendments of various credit facilities;
- (j) Prepare a valuation of the business and a liquidation analysis in conjunction with a plan of reorganization;
- (k) Provide expert witness testimony concerning any of the subjects encompassed by the other financial advisory services, if requested;
- (l) Assist the Company in preparing marketing materials in conjunction with a possible Transaction;
- (m) Assist the Company in identifying potential buyers or parties in interest to a Transaction and assist in the due diligence process;
- (n) Assist and advise the Company concerning the terms, conditions and impact of any proposed Transaction;
- (o) Seek sources of debt and equity capital in connection with a Restructuring or a Transaction; and
- (p) Provide such other advisory services as are customarily provided in connection with the analysis, negotiation, documentation, confirmation, and consummation of a Restructuring or a Transaction, as requested and mutually agreed.

Notwithstanding anything contained in this Agreement to the contrary, Blackstone shall have no responsibility for designing or implementing any initiatives to improve the Company's operations, profitability, cash management or liquidity. Blackstone makes no representations or warranties about the Company's ability to (i) successfully improve its operations, (ii) maintain or secure sufficient liquidity to operate its business, or (iii) successfully complete a Restructuring. Blackstone is retained under this Agreement solely to provide advice regarding a Restructuring or a Transaction, and is not being retained to provide "crisis management."

The Company will pay the following fees to Blackstone for its financial advisory services:

- (i) a monthly advisory fee (the "Monthly Fee") in the amount of \$100,000 for the period from the date of this agreement through March 31, 2004, and thereafter \$200,000 per month in cash, with the first \$100,000 Monthly Fee payable upon the execution of this Agreement by both parties and all other installments of such

Monthly Fee at \$200,000 per month payable in advance on the 1st business day of each month;

- (ii) an additional fee (the “Restructuring Fee”) as specified in the table below. The Restructuring Fee shall be subject to reduction (the “Transaction Credit”) by a percentage of the aggregate Transaction Fees received by Blackstone pursuant to this Agreement. The percentage used to calculate the Transaction Credit is specified in the table below. In no event will the amount of the Transaction Credit exceed the amount of the Restructuring Fee; nor shall the sum of (i) the Transaction Fee plus (ii) the Restructuring Fee, net of any credits, exceed \$10,500,000:

Date on which Restructuring Fee is earned	Restructuring Fee	Transaction Credit percentage
Prior to September 9, 2004	\$8,000,000	None
On or after September 9, 2004 but prior to March 9, 2005	\$7,000,000	25%
On or after March 9, 2005	\$6,000,000	50%

Except as otherwise provided herein, a Restructuring shall be deemed to have been consummated upon (a) the binding execution and effectiveness of all necessary waivers, consents, amendments or restructuring agreements between the Company and its creditors involving the compromise of the face amount of such Obligations or the conversion of all or part of such Obligations into alternative securities, including equity, in the case of an out-of-court restructuring; or (b) the execution and confirmation of a Plan of Reorganization pursuant to an order of the Bankruptcy Court, in the case of an in-court restructuring. The Restructuring Fee will be:

(I) earned on the earliest of:

- (w) if the Restructuring is implemented without a chapter 11 filing, upon consummation of the Restructuring,
- (x) in the event that the Company implements the Restructuring by means of a plan of reorganization under chapter 11 of the United States Bankruptcy Code, the date on which the Bankruptcy Court enters the Confirmation Order confirming the Plan

(II) payable, in immediately available funds, on consummation of the Restructuring.

Notwithstanding the foregoing, (a) a Restructuring specifically shall be deemed to exclude any assumption at face value of Obligations in connection with the sale or disposition of any subsidiaries, joint ventures, assets or lines of business of the Company and (b) the restructured Obligations shall exclude any Obligations in respect of which a Restructuring Fee has previously been paid;

- (iii) upon the consummation of a Transaction, a Transaction fee (“Transaction Fee”) payable in cash directly out of the gross proceeds of the Transaction calculated as 2% of the Consideration.

As used in this Agreement, Consideration means the gross value of all cash, securities and other properties paid, payable or raised directly or indirectly, in one transaction or in a series or combination of transactions, to or for the benefit of the Company, in connection with the Transaction or a transaction related thereto (including, without limitation, amounts paid (A) pursuant to covenants not to compete or similar arrangements and (B) to holders of any warrants, stock purchase rights, convertible securities or similar rights and to holders of any options or stock appreciation rights, whether or not vested). Consideration shall also include the face amount of any long-term liabilities or preferred stock (including indebtedness for borrowed money and the amount set forth in the Company’s financial statements for any pension liabilities and guarantees) indirectly or directly assumed or acquired, or otherwise repaid or retired, in connection with or in anticipation of the Transaction. Consideration shall exclude any debt or equity invested by existing bondholders (as of the Effective Date). If the Transaction takes the form of a purchase of assets, Consideration shall also include (i) the value of any current assets not purchased, minus (ii) the value of any current operating liabilities not assumed, in either case as relates to the business(es) or operations being purchased. Consideration shall include all amounts paid into escrow and all contingent payments payable in connection with the Transaction, with fees on amounts paid into escrow to be payable upon the establishment of such escrow and fees on contingent payments to be payable when such contingent payments are made. If the Consideration to be paid is computed in any foreign currency, the value of such foreign currency shall, for purposes hereof, be converted into U.S. dollars at the prevailing exchange rate on the date or dates on which such Consideration is paid.

In this Agreement, the value of any securities (whether debt or equity) or other property paid or payable as part of the Consideration shall be determined as follows: (1) the value of securities that are freely tradable in an established public market will be determined on the basis of the last market closing price prior to the public announcement of the Transaction; and (2) the value of securities that are not freely tradable or have no established public market or, if the Consideration

utilized consists of property other than securities, the value of such other property shall be the fair market value thereof as mutually agreed by the parties hereto; and

- (iv) reimbursement of all reasonable out-of-pocket expenses incurred during this engagement, including, but not limited to, travel and lodging, direct identifiable data processing and communication charges, courier services, working meals, reasonable fees and expenses of Blackstone's counsel and other necessary expenditures, payable upon rendition of invoices setting forth in reasonable detail the nature and amount of such expenses. In connection therewith the Company shall pay Blackstone on the Effective Date and maintain thereafter a \$25,000 expense advance for which Blackstone shall account upon termination of this Agreement.

In the event that the Company is or becomes a debtor under Chapter 11 of the Bankruptcy Code, the Company shall use its best efforts to promptly apply to the bankruptcy court having jurisdiction over the Chapter 11 case or cases (the "Bankruptcy Court") for the approval pursuant to sections 327 and 328 of the Bankruptcy Code of (A) this Agreement, including the attached indemnification agreement, and (B) Blackstone's retention by the Company under the terms of this Agreement and subject to the standard of review provided in section 328(a) of the Bankruptcy Code and not subject to any other standard of review under section 330 of the Bankruptcy Code. The Company shall supply Blackstone with a draft of such application and any proposed order authorizing Blackstone's retention sufficiently in advance of the filing of such application and proposed order to enable Blackstone and its counsel to review and comment thereon. Blackstone shall have no obligation to provide any services under this Agreement in the event that the Company becomes a debtor under the Bankruptcy Code unless Blackstone's retention under the terms of this Agreement is approved under section 328(a) of the Bankruptcy Code by a final order of the Bankruptcy Court no longer subject to appeal, rehearing, reconsideration or petition for certiorari, and which order is acceptable to Blackstone in all respects. Blackstone acknowledges that in the event that the Bankruptcy Court approves its retention by the Company, Blackstone's fees and expenses shall be subject to the jurisdiction and approval of the Bankruptcy Court under section 328(a) of the Bankruptcy Code and any applicable fee and expense guideline orders; and, provided further, that Blackstone shall not be required to maintain receipts for expenses in amounts less than \$75. In the event that the Company becomes a debtor under the Bankruptcy Code and Blackstone's engagement hereunder is approved by the Bankruptcy Court, the Company shall pay all fees and expenses of Blackstone hereunder as promptly as practicable in accordance with the terms hereof and as permitted by the Bankruptcy Court. Prior to commencing a Chapter 11 case, the Company shall pay all invoiced amounts to Blackstone in immediately available funds by wire transfer.

With respect to Blackstone's retention under sections 327 and 328 of the Bankruptcy Code, the Company acknowledges and agrees that Blackstone's restructuring expertise as well as its capital markets knowledge, financing skills and mergers and acquisitions capabilities, some or all of which may be required by the Company during the term of Blackstone's engagement hereunder, were important factors in determining the amount of the various fees set forth herein,

and that the ultimate benefit to the Company of Blackstone's services hereunder could not be measured merely by reference to the number of hours to be expended by Blackstone's professionals in the performance of such services. The Company also acknowledges and agrees that the various fees set forth herein have been agreed upon by the parties in anticipation that a substantial commitment of professional time and effort will be required of Blackstone and its professionals hereunder over the life of the engagement, and in light of the fact that such commitment may foreclose other opportunities for Blackstone and that the actual time and commitment required of Blackstone and its professionals to perform its services hereunder may vary substantially from week to week or month to month, creating "peak load" issues for the firm. In addition, given the numerous issues which Blackstone may be required to address in the performance of its services hereunder, Blackstone's commitment to the variable level of time and effort necessary to address all such issues as they arise, and the market prices for Blackstone's services for engagements of this nature in an out-of-court context, the Company agrees that the fee arrangements hereunder (including the Monthly Fee, Restructuring Fee, and Transaction Fee) are reasonable under the standards set forth in 11 U.S.C. Section 328(a).

The advisory services and compensation arrangement set forth in this Agreement do not encompass other investment banking services or transactions that may be undertaken by Blackstone at the request of the Company issuing fairness opinions or any other specific services not set forth in this Agreement. The terms and conditions of any such investment banking services, including compensation arrangements, would be set forth in a separate written agreement between Blackstone and the appropriate party.

Except as contemplated by the terms hereof or as required by applicable law or legal process, Blackstone shall keep confidential all material non-public information provided to it by or at the request of the Company, and shall not disclose such information to any third party or to any of its employees or advisors except to those persons who have a need to know such information in connection with Blackstone's performance of its responsibilities hereunder and who are advised of the confidential nature of the information and who agree to keep such information confidential.

The Company will furnish or cause to be furnished to Blackstone such information as Blackstone believes appropriate to its assignment (all such information so furnished being the "Information"). The Company recognizes and confirms that Blackstone (a) will use and rely primarily on the Information and on information available from generally recognized public sources in performing the services contemplated by this Agreement without having independently verified the same, (b) does not assume responsibility for the accuracy or completeness of the Information and such other information, (c) is entitled to rely upon the Information without independent verification, and (d) will not make an appraisal of any assets in connection with its assignment.

In the event that the Information belonging to the Company is stored electronically on Blackstone's computer systems, Blackstone shall not be liable for any damages resulting from unauthorized access, misuse or alteration of such information by persons not acting on its behalf, provided that Blackstone exercises the same degree of care in protecting the confidentiality of,

and in preventing unauthorized access to, the Company's information that it exercises with regard to its own most sensitive proprietary information.

Except as required by applicable law, any advice to be provided by Blackstone under this Agreement shall not be disclosed publicly or made available to third parties (other than the Company's other professional advisors or, if appropriate in the Company's judgment, in any filings in a Chapter 11 proceeding) without the prior written consent of Blackstone. All services, advice and information and reports provided by Blackstone to the Company in connection with this assignment shall be for the sole benefit of the Company and shall not be relied upon by any other person.

The Company acknowledges and agrees that Blackstone will provide its financial advice exclusively to the members of the Board of Directors and senior management of the Company and not to the Company's shareholders or other constituencies. The Board of Directors and senior management will make all decisions for the Company regarding whether and how the Company will pursue a Restructuring or Transaction and on what terms and by what process. In so doing, the Board of Directors and senior management will also obtain the advice of the Company's legal, tax and other business advisors and consider such other factors which they consider appropriate before exercising their independent business judgment in respect of a Restructuring or Transaction. The Company further acknowledges and agrees that Blackstone has been retained to act solely as financial advisor to the Company and does not in such capacity act as a fiduciary for the Company or any other person. Blackstone shall act as an independent contractor and any duties of Blackstone arising out of its engagement pursuant to this Agreement shall be owed solely to the Company.

In consideration of Blackstone's agreement to provide financial advisory services to the Company in connection with this Agreement, it is agreed that the Company will indemnify Blackstone and its agents, representatives, members and employees. A copy of our standard form of indemnification agreement is attached to this Agreement as Attachment A.

In the event that, as a result of or in connection with Blackstone's engagement for the Company, Blackstone becomes involved in any legal proceeding or investigation or is required by government regulation, subpoena or other legal process to produce documents, or to make its current or former personnel available as witnesses at deposition or trial, the Company will reimburse Blackstone for the reasonable fees and expenses of its counsel incurred in responding to such a request. Nothing in this paragraph shall affect in any way the Company's obligations pursuant to the separate indemnification agreement attached hereto.

Blackstone's engagement hereunder may be terminated upon 30 days' written notice without cause by either the Company or Blackstone; termination for cause by either party will occur forthwith. Notwithstanding the foregoing, (a) the provisions relating to the payment of fees and expenses accrued through the date of termination, the status of Blackstone as an independent

contractor and the limitation as to whom Blackstone shall owe any duties will survive any such termination, (b) any such termination shall not affect the Company's obligations under the indemnification agreement attached as Attachment A or Blackstone's confidentiality obligations hereunder and (c) Blackstone shall be entitled to the Restructuring Fee or Transaction Fee in the event that a Restructuring or Transaction, respectively, is consummated at any time prior to the expiration of 12 months following the termination of this Agreement (the "Tail"). In the event the Company files a chapter 11 case and despite the Company's efforts to have Blackstone's engagement approved by the Bankruptcy Court, Blackstone elects not to pursue their engagement retention with the Bankruptcy Court on terms consistent with this Agreement, the Tail shall not apply.

The Company does not appear on the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control of the United States Department of the Treasury, nor is it a prohibited party according to other U.S. government regulatory or enforcement agencies.

Notwithstanding anything to the contrary provided elsewhere herein, none of the provisions of this Agreement shall in any way limit the activities of Blackstone Group Holdings L.L.C. and its affiliates in their businesses distinct from the restructuring advisory business of The Blackstone Group L.P., provided that the Information is not made available to representatives of Blackstone Group Holdings L.L.C. and its affiliates who are not involved in the restructuring advisory business of The Blackstone Group L.P. and that appropriate "Chinese wall" measures are taken to insure confidentiality. Notwithstanding the immediately preceding sentence, neither Blackstone Group Holdings L.L.C. nor any of its affiliates shall purchase, advise any third party regarding a purchase or otherwise participate in the purchase of the Company's or any of its subsidiaries' stock, assets, claims or securities without the prior written consent of the Company.

This Agreement (including the attached indemnification agreement) embodies the entire agreement and understanding between the parties hereto and supersedes all prior agreements and understandings relating to the subject matter hereof. If any provision of this Agreement is determined to be invalid or unenforceable in any respect, such determination will not affect the Agreement in any other respect, which will remain in full force and effect. No waiver, amendment or other modification of this Agreement shall be effective unless in writing and signed by each party to be bound thereby. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts executed in and to be performed in that state.

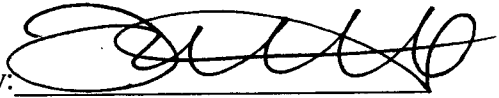
The Company and Blackstone each hereby agree that any action or proceeding brought by either party against the other based hereon or arising out of Blackstone's engagement hereunder, shall be brought and maintained exclusively (i) if a Bankruptcy case has been filed, in the Bankruptcy Court handling such case, unless that Bankruptcy Judge directs otherwise, and (ii) if no Bankruptcy case has been filed in the courts of the State of New York located in the City and County of New York or in the United States District Court for the Southern District of New York; the Company and Blackstone each irrevocably submit to the jurisdiction of the courts

of the State of New York located in the City and County of New York and the United States District Court for the Southern District of New York and appellate courts from any thereof for the purpose of any action or proceeding based hereon or arising out of Blackstone's engagement hereunder. The Company and Blackstone each hereby irrevocably waive, to the fullest extent permitted by law, any objection it may have or hereafter may have to the laying of venue of any such action or proceeding brought in any such court referred to above and any claim that such action or proceeding has been brought in an inconvenient forum and agrees not to plead or claim the same.

Please confirm that the foregoing correctly sets forth our agreement by signing and returning to Blackstone the duplicate copy of this Agreement and the indemnification agreement attached hereto as Attachment A.

Very truly yours,

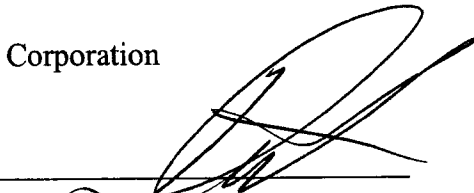
THE BLACKSTONE GROUP L.P.

By: 

Name: Timothy R. Coleman
Title: Senior Managing Director

Accepted and Agreed to as
of the date first written above:

RCN Corporation

By: 

Name: David C. McCourt
Title: Chairman and Chief Executive Officer

ATTACHMENT A

March 10, 2004

The Blackstone Group L.P.
345 Park Avenue
New York, NY 10154

INDEMNIFICATION AGREEMENT

Gentlemen:

This letter will confirm that we have engaged The Blackstone Group L.P. ("Blackstone") to advise and assist us in connection with the matters referred to in our letter of agreement dated as of March 10, 2004 (the "Engagement Letter"). In consideration of your agreement to act on our behalf in connection with such matters, we agree to indemnify and hold harmless you and your affiliates and your and their respective partners (both general and limited), members, officers, directors, employees and agents and each other person, if any, controlling you or any of your affiliates (you and each such other person being an "Indemnified Party") from and against any losses, claims, damages, expenses and liabilities whatsoever, whether they be joint or several, related to, arising out of or in connection with the engagement (the "Engagement") under the Engagement Letter and will reimburse each Indemnified Party for all expenses (including reasonable fees, expenses and disbursements of counsel) as they are incurred in connection with investigating, preparing, pursuing, defending or assisting in the defense of any action, claim, suit, investigation or proceeding related to, arising out of or in connection with the Engagement or this agreement, whether or not pending or threatened, whether or not any Indemnified Party is a party, whether or not resulting in any liability and whether or not such action, claim, suit, investigation or proceeding is initiated or brought by us. We will not, however, be liable under the foregoing indemnification provision for any losses, claims, damages or liabilities (or expenses relating thereto) that are finally judicially determined by a court of competent jurisdiction to have primarily resulted from the gross negligence or willful misconduct of Blackstone. We also agree that no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to us or our owners, parents, affiliates, security holders or creditors for or in connection with the Engagement except for any such liability for losses, claims, damages or liabilities incurred by us that are finally judicially determined by a court of competent jurisdiction to have primarily resulted from the gross negligence or willful misconduct of Blackstone.

If the indemnification provided for in the preceding paragraph is for any reason unavailable to an Indemnified Party in respect of any losses, claims, damages or liabilities

referred to herein, then, in lieu of indemnifying such Indemnified Party hereunder, we shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities (and expenses relating thereto) (i) in such proportion as is appropriate to reflect the relative benefits received (or anticipated to be received) by you, on the one hand, and us, on the other hand, from the Engagement or (ii) if and only if the allocation provided by clause (i) above is for any reason not available, in such proportion as is appropriate to reflect not only the relative benefits referred to in such clause (i) but also the relative fault of each of you and us, as well as any other relevant equitable considerations; provided, however, to the extent permitted by applicable law, in no event shall your aggregate contribution to the amount paid or payable exceed the aggregate amount of fees actually received by you under the Engagement Letter. For the purposes of this agreement, the relative benefits to us and you of the Engagement shall be deemed to be in the same proportion as (a) the total value paid or contemplated to be paid or received or contemplated to be received by us, our security holders and our creditors in the transaction or transactions that are subject to the Engagement, whether or not any such transaction is consummated, bears to (b) the fees paid or to be paid to Blackstone under the Engagement Letter (excluding any amounts paid as reimbursement of expenses).

Neither party to this agreement will, without the prior written consent of the other party (which consent will not be unreasonably withheld), settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought hereunder (a "Judgment"), whether or not we or any Indemnified Party are an actual or potential party to such claim, action, suit or proceeding. In the event that we seek to settle or compromise or consent to the entry of any Judgment, we agree that such settlement, compromise or consent (i) shall include an unconditional release of Blackstone and each other Indemnified Party hereunder from all liability arising out of such claim, action, suit or proceeding, (ii) shall not include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of Blackstone or each other Indemnified Party, and (iii) shall not impose any continuing obligations or restrictions on Blackstone or each other Indemnified Party.

Promptly after receipt by an Indemnified Party of notice of any complaint or the commencement of any action or proceeding with respect to which indemnification is being sought hereunder, such person will notify us in writing of such complaint or of the commencement of such action or proceeding, but failure to so notify us will not relieve us from any liability which we may have hereunder or otherwise, except to the extent that such failure materially prejudices our rights. If we so elect or are requested by such Indemnified Party, we will assume the defense of such action or proceeding, including the employment of counsel reasonably satisfactory to Blackstone and the payment of the fees and disbursements of such counsel.

In the event, however, such Indemnified Party reasonably determines in its judgment that having common counsel would present such counsel with a conflict of interest or if we fail to assume the defense of the action or proceeding in a timely manner, then such Indemnified Party may employ separate counsel reasonably satisfactory to us to represent or defend it in any such

action or proceeding and we will pay the fees and disbursements of such counsel; provided, however, that we will not be required to pay the fees and disbursements of more than one separate counsel for all Indemnified Parties in any jurisdiction in any single action or proceeding. In any action or proceeding the defense of which we assume, the Indemnified Party will have the right to participate in such litigation and to retain its own counsel at such Indemnified Party's own expense.

The foregoing reimbursement, indemnity and contribution obligations of the Company under this agreement shall be in addition to any rights that an Indemnified Party may have at common law or otherwise, and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Company and such Indemnified Party.

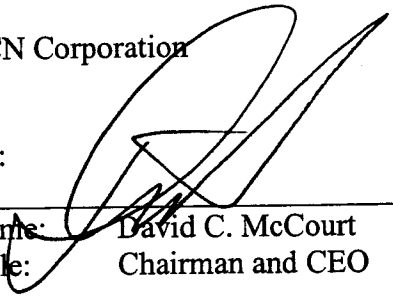
The provisions of this agreement shall apply to the Engagement and any written modification of the Engagement and shall remain in full force and effect regardless of any termination or the completion of your services under the Engagement Letter.

This Agreement and the Engagement Letter shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts executed in and to be performed in that state.

Very truly yours,

RCN Corporation

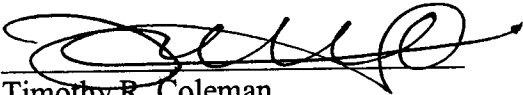
By:


Name: David C. McCourt
Title: Chairman and CEO

Accepted and Agreed
to as of the date first
written above:

THE BLACKSTONE GROUP L.P.

By:


Timothy R. Coleman
Senior Managing Director

APPENDIX B

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

**FINAL ORDER, UNDER 11 U.S.C. §§ 327 AND 328
AND FED. R. BANKR. P. 2014 AND 2016,
AUTHORIZING RETENTION OF THE BLACKSTONE
GROUP L.P. AS FINANCIAL ADVISORS FOR THE DEBTORS**

Upon the application (the "Application")¹ of the Debtors for entry of an order under 11 U.S.C. §§ 327 and 328 and Fed. R. Bankr. P. 2014 and 2016, authorizing the retention of The Blackstone Group L.P. ("Blackstone") as financial advisors for the Debtors, effective as of the Petition Date; and the Court having reviewed the Application and the Coleman Declaration, and considered all objections and responses of parties in interest filed prior to, or presented at, the hearing on the Application, and the Court being satisfied that Blackstone represents no interest adverse to the Debtors' estates, that it is a "disinterested person" as that term is defined in Bankruptcy Code section 101(14), as modified by Bankruptcy Code section 1107(b), that its retention, as modified herein, is in the best interests of the Debtors, their estates, creditors, and parties in interest; and it appearing the notice of the Application was good and sufficient under the particular circumstances and that no other or further notice need be given; and upon the record herein; and after due deliberation thereon; and good and sufficient cause appearing therefore, it is hereby

¹ Unless otherwise defined herein capitalized terms used herein have the meaning ascribed to them in the Application.

ORDERED, ADJUDGED and DECREED that:

1. The Application, as modified herein, is GRANTED on a final basis.

2. Pursuant to Bankruptcy Code sections 327 and 328 and Fed. R. Bankr. P. 2014 and 2016, the Debtors, as debtors-in-possession, are hereby authorized to retain Blackstone as their financial advisor, effective as of the Petition Date, in accordance with the Application (as modified herein) and this Final Order, and Blackstone is authorized to perform the services described therein.

3. Blackstone shall be compensated in accordance with the Application (as modified herein), subject to applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Bankruptcy Rules for the Southern District of New York, guidelines established by this Court, the United States Trustee Fee Guidelines, and the orders of this Court, except that Blackstone will not be required to maintain time records in accordance with the United States Trustee Guidelines, provided, however, that in its fee applications filed with this Court, Blackstone shall present descriptions of those services provided on behalf of the Debtors, the approximate time expended in providing those services and the individuals who provided professional services on behalf of the Debtors. Blackstone shall otherwise comply with, and be entitled to the benefits of, the Administrative Order under 11 U.S.C. §§ 105 and 331 Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals dated June 22, 2004 (the "Fee Order").

4. The Monthly Fee shall be \$200,000 for the months from and including June, 2004 through and including November, 2004 (the "Initial Monthly Fee") and shall be \$100,000 for each month thereafter (the "Final Monthly Fee"), provided however, that

Blackstone may seek by application to this Court to increase the amount of the Final Monthly Fee in the event of a significant change in the services to be provided in these cases. There shall be no presumptions created by this order to either grant or deny such application to increase the Final Monthly Fee, and all objections of the United States Trustee and all parties in interest are preserved until such time. The Initial Monthly Fee and the Final Monthly Fee are collectively referred to herein as the "Monthly Fee."

5. Under all circumstances and notwithstanding any claim under the Blackstone engagement letter for a higher fee, the Restructuring Fee and the Transaction Fee (collectively, the "Restructuring Fees") shall be \$7.8 million in the aggregate and be deemed earned (and not subject to review other than under the provisions of paragraph 7 below) upon the earlier of (x) a sale or sales of all or substantially all of the assets of the Debtors as a going concern or (y) upon the substantial consummation of a plan or plans of reorganization, as the case may be, for each of the Debtors; provided that no Restructuring Fees shall be payable (A) prior to (but shall be paid on) the earlier of (I) substantial consummation of a plan or plans of reorganization, as the case may be, for each of the Debtors and (II) the making of the initial distributions with respect to any of the Debtors under Section 726 of the Bankruptcy Code or (B) in the event of the liquidation, other than in a sale or sales as a going concern, of any entity or entities individually or collectively constituting 50% or more of the subscribers of the United States businesses of RCN Corporation and its direct and indirect subsidiaries (including for this purpose, subscribers at its United States joint venture affiliates but only to the extent of its percentage ownership or membership interest in such affiliate) as of the date

hereof. Other than the Monthly Fee and the Restructuring Fee, no other fees shall be paid to Blackstone.

6. Except as provided in the following paragraph and as otherwise modified herein, the terms of the Monthly Fee and the Restructuring Fees shall not hereafter be subject to challenge except under the standard of review set forth in Bankruptcy Code section 328(a), provided however that if Blackstone shall seek an increase in the Final Monthly Fee above \$100,000 or if Blackstone shall request payment of the Restructuring Fee following the termination of the engagement under either clauses (ii) or (iii) of paragraph 8 hereof, such request shall be subject to objection, review and approval under Bankruptcy Code section 330.

7. The United States Trustee retains all rights to object to Blackstone's interim and final fee applications (including expense reimbursement) including the Monthly Fee and Restructuring Fees on all grounds including, but not limited to, the reasonableness standard provided for in Bankruptcy Code section 330. All compensation and reimbursement of expenses to be paid to Blackstone shall be subject to prior approval of this Court in accordance with the requirements of Bankruptcy Code sections 330 and 331.

8. In addition to any termination rights or provisions in the Engagement Letter attached to the Application or in the Application, Blackstone's retention as financial advisor to the debtors in possession shall terminate if (i) the voluntary chapter 11 case or cases of any entity or entities individually or collectively constituting 50% or more of the subscribers of the United States businesses of RCN Corporation and its direct and indirect subsidiaries (including for this purpose, subscribers at its United States joint

venture affiliates but only to the extent of its percentage ownership or membership interest in such affiliate) as of the date hereof shall be dismissed without the consent of the Committee, (ii) a chapter 11 trustee with plenary powers for all or substantially all of the Debtors' estates shall be appointed, provided that any such trustee may elect to retain Blackstone on the same or different terms as his or her financial advisor and provided further that all rights of the Committee to object to such retention and all terms of such retention are reserved, or (iii) the chapter 11 case of any entity or entities individually or collectively constituting 50% or more of the subscribers of the United States businesses of RCN Corporation and its direct and indirect subsidiaries (including for this purpose, subscribers at its United States joint venture affiliates but only to the extent of its percentage ownership or membership interest in such affiliate) as of the date hereof shall be converted to a case or cases under chapter 7 of the Bankruptcy Code.

9. All requests of Blackstone for payment of indemnity pursuant to the Indemnification Agreement shall be made by means of an application (interim or final as the case may be) and shall be subject to review by the Court to ensure that payment of such indemnity conforms to the terms of the Indemnification Agreement and is reasonable based upon the circumstances of the litigation or settlement in respect of which indemnity is sought; provided, however, that in no event shall Blackstone be indemnified in the case of its own bad-faith, self-dealing, breach of fiduciary duty (if any), gross negligence or willful misconduct.

10. In no event shall Blackstone be indemnified if the Debtors or a representative of the Debtors' estates, asserts a claim for, and a court determines by final

order that such claim arose out of, Blackstone's own bad-faith, self-dealing, breach of fiduciary duty (if any), gross negligence or willful misconduct.

11. In the event that Blackstone seeks reimbursement for attorneys' fees from the Debtors pursuant to the Indemnification Agreement, the invoices and supporting time records from such attorneys shall be included in Blackstone's own applications (both interim and final) and such invoices and time records shall be subject to the United States Trustee's guidelines for compensation and reimbursement of expenses and the approval of this Court under the standards of Bankruptcy Code sections 330 and 331 without regard to whether such attorney has been retained under Bankruptcy Code section 327 and without regard to whether such attorneys' services satisfy Bankruptcy Code section 330(a)(3)(C).

12. 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 Application.

Dated: New York, New York
August 3, 2004

/s/ ROBERT D. DRAIN
UNITED STATES BANKRUPTCY JUDGE

APPENDIX C

Biographies of Blackstone Professionals

- **Timothy Coleman.** Timothy Coleman is a Senior Managing Director in the Restructuring & Reorganization Advisory group. Since joining Blackstone 1992, Mr. Coleman has worked on a variety of Restructuring and Reorganization assignments. These include serving as Plan Facilitator in Bidermann Industries USA, Inc.; representing AT&T in AT&T Canada, Alestra, AT&T Broadband and Excite@Home; representing Xerox Corporation, Williams Communications (now known as Wiltel Communications), FLAG Telecom, Harnischfeger Industries, Vencor, Inc., Teligent, Inc., Russell-Stanley Holdings, Inc., Indesco International, Inc., Safelite Glass Corp., R.H. Macy & Co., Camelot Music, Inc., Barneys Inc., Plaid Clothing Group Inc., Alliance Entertainment Corporation, Geneva Steel Company, Garden Way, Inc., Big V Supermarkets, Ermis Maritime Shipping, JPS Textile Group, Inc., Molten Metal Technology, Inc., and CellNet Data Systems Inc.; and advising various creditors of Camelot Music, Inc., Edison Brothers Stores, Inc., Warehouse Entertainment, Inc., Guangdong Enterprises, Koll Real Estate, Criimi Mae, Harrah's Jazz Company, Stratosphere Corporation, Weiner's Stores, Inc., Woodward & Lothrop, Inc., Stokely USA, Inc., Supercanal Holding, S.A., Scott & Co., Liberté Investors, and Special Committees of the Boards of Sunbeam Corp. and Hechinger Company. Before joining Blackstone, Mr. Coleman was a Vice President at Citibank N.A. for twelve years, where he divided his time between corporate restructuring, real estate restructuring, and loan syndications.
- **Thomas S. Middleton.** Thomas Middleton is a Senior Managing Director in the Corporate Advisory Services group. Before joining Blackstone in July 2003, Mr. Middleton was head of the Global Communications Group and Vice Chairman of Investment Banking at Merrill Lynch, where he worked on some of the largest transactions in the communications sector. These included the merger of Bell Atlantic with NYNEX and, subsequently, GTE, as well as the merger of US WEST and Qwest. Other notable transactions at Merrill included the sale of the IBM Global Network to AT&T and the formation of the Verizon Wireless partnership with Vodafone. Prior to Merrill Lynch, Mr. Middleton was Co-Head of the Telecommunications Group at Salomon Brothers, where he worked on a wide variety of transactions, including strategic privatizations in which he represented successful acquirers in New Zealand, Mexico and Australia, as well as governments in Hungary and Thailand. Before Salomon, he was an M&A specialist at Kidder Peabody. Between leaving Merrill Lynch in 2002 and joining Blackstone, Mr. Middleton, through his own consulting firm, advised Qwest on the sale of its Dex directories subsidiary.
- **Elias T. Dokas.** Elias Dokas is a Managing Director in the Corporate Advisory Services group. Since joining Blackstone in 1997, Mr. Dokas has been involved in a variety of corporate advisory transactions including those in the telecommunications and financial services industries. Selected experience includes the restructuring of \$6 billion in liabilities of Williams Communications Group and sale of a 45% interest to Leucadia National Corp., the sale of Williams Communications Solutions to Platinum Equity, the sale of Williams Communications Canada to TELUS Corp. and the sale of Rosenbluth International to American Express. He has also advised Sony Corp. and State Street Corp. on M&A transactions. Other transaction experience includes the sale of Volpe Brown Whelan to

Prudential Securities, the sale of Banco Patrimonio to Chase Manhattan, the acquisition of ING Barings' U.S. investment banking operations by ABN AMRO and advisory services for ContiFinancial Corp. and the minority shareholders of Maritz, Inc. Prior to joining Blackstone, Mr. Dokas was with Merrill Lynch Capital Partners where he was involved in the analysis and execution of private equity investments in a wide range of industries.

- **Shervin Korangy.** Shervin Korangy is a Vice President in the Restructuring & Reorganization Advisory group. Since joining Blackstone in 1996, Mr. Korangy has been involved in advising companies and creditors in various transactions, including AT&T Corp. in Alestra S. de R.L. de C.V., AT&T Corp. in AT&T Canada, AT&T in Excit@Home, AT&T Broadband in certain JVs with Adelpia Communications, Audio Visual Services Corporation, Best Products Co., Inc., The Caldor Corporation, Camelot Music, Inc., Ermis Maritime Holdings, JPS Textile Group, Inc., Koll Real Estate Group, Motorola Inc. in Iridium LLC, Net Serviços de Comunicação S.A., Paragon Trade Brands, Plaid Clothing Group, Inc., Safelite Glass Corp., SLM International, Inc., Warehouse Entertainment, Williams Communications (now known as Witel Communications), and Winstar Communications, Inc.
- **Bruce Haggerty.** Bruce Haggerty is an Associate of The Blackstone Group in the Restructuring & Reorganization Advisory group. Mr. Haggerty's current and completed assignments include advising Enron Corp., Xerox Corporation, Vencor, Inc, Big V Supermarkets, Inc., Telergy, Inc., RCN Corp. and Russell Stanley Holdings, Inc. Mr. Haggerty received his A.B. degree from Harvard University.
- **Mehdi R. Malaki.** Mehdi Malaki is an Associate in the Corporate Advisory Services group. Mr. Malaki started his career as an Equity Analyst with JP Morgan Investment Management. He joined Blackstone in 1998 as a Financial Analyst in the Alternative Asset Management Group and transitioned to the Corporate Advisory Services Group in 1999. Mr. Malaki rejoined Blackstone in 2004 after earning an MBA from Stanford's Graduate School of Business. He holds a BS in Finance and a BS in Civil Engineering from the University of Pennsylvania, where he graduated *summa cum laude*.
- **Vivek Garipalli.** Vivek Garipalli was an Analyst in the Restructuring & Reorganization Advisory Group. Mr. Garipalli's completed restructuring assignments included work for The LTV Corporation and Fleming Companies, Inc. Before joining Blackstone, Mr. Garipalli worked in the Healthcare Group at Credit Suisse First Boston, where he executed mergers and acquisitions and financing assignments.
- **Vinicius Vacanti.** Vinicius Vacanti is an Analyst in the Corporate Advisory Services group. Since joining Blackstone in 2003, Mr. Vacanti has worked on several transactions in various industries. Before joining Blackstone, Mr. Vacanti worked for the Media and Communications Group at Merrill Lynch, where he worked in the publishing and gaming/lodging industries. Mr. Vacanti graduated cum laude with an AB in Applied Mathematics and Economics from Harvard College and was a John Harvard Scholar.

APPENDIX D

The Blackstone Group®

October 27, 2004

Mr. David C. McCourt
Chairman and Chief Executive Office
RCN Corporation
105 Carnegie Center
Princeton, NJ 08540

Monthly advisory fee pro rated for the period of May 27, 2004 through May 31, 2004:	\$	32,258.06
Monthly advisory fee for the period of June 1, 2004 through June 30, 2004:		200,000.00
Less: "On Account Cash" ⁽¹⁾		<u>(232,258.06)</u>
Subtotal		0.00
Out-of-pocket expenses processed for the period through June 30, 2004: ⁽²⁾		
Meals	\$	285.42
Research		406.14
Communications		8.75
Photocopying		<u>217.60</u>
		<u>917.91</u>
Subtotal		917.91
Less: Payment Received		<u>(917.91)</u>
Total Due	\$	<u><u>-</u></u>

Please wire transfer funds to:

JP Morgan Chase
One New York Plaza
New York, NY 10017
ABA# 021 000 021
Credit Account: The Blackstone Group L.P.
Accounts Receivable Dept. 14th Floor
Account # 066-287472

Invoice Number: 3591-T

⁽¹⁾ See paragraphs 5 thru 8 of Blackstone's May 27 thru June 30, 2004 fee statement for explanation.

⁽²⁾ Expenses incurred, but not yet processed due to timing differences will be billed at a later date.

The Blackstone Group® L.P.

345 Park Avenue
New York, NY 10154
212 583-5000

RCN Corporation
Summary of Expenses Processed
Through June 30, 2004
Invoice No. 3591-T

	GL Detail Jun-2004		Total Expenses
Meals	\$ 285.42		\$ 285.42
Internal Research	257.11		257.11
External Research - Multex	141.72		141.72
External Research - Factset	7.31		7.31
Communications - Messenger - EDM	8.75		8.75
Photocopying	217.60		217.60
Total Expenses	\$ 917.91		\$ 917.91
		\$	285.42
Meals			285.42
Research			406.14
Communications			8.75
Photocopying			217.60
			917.91
Total Expenses		\$	917.91

RCN Corporation
Detail of Expenses Processed
Through June 30, 2004
Invoice No. 3591-T

Meals

Korangy (catered meal for 10 people during client meeting @ Blackstone)	05/27/04	285.42	
	Subtotal - Meals	\$ 285.42	285.42

Internal Research

Vacanti	06/01/04 - 06/15/04	257.11	
	Subtotal - Internal Research	257.11	257.11

External Research

Multex

Vacanti	06/01/04 - 06/15/04	141.72	
	Subtotal - Multex	141.72	141.72

Factset

Vacanti	06/01/04 - 06/15/04	7.31	
	Subtotal - Factset	7.31	7.31

	Subtotal - External Research		149.03
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Communications

Messenger - EDM

Haggerty	05/27/04	8.75	
	Subtotal - Communications - Messenger - EDM	8.75	8.75

Internal Photocopying

Haggerty	06/01/04 - 06/20/04	101.40	
Garipalli	05/27/04	116.20	
	Subtotal - Internal Photocopying	217.60	217.60

	Total Expenses	\$ 917.91	
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The Blackstone Group®

October 27, 2004

Mr. David C. McCourt
Chairman and Chief Executive Office
RCN Corporation
105 Carnegie Center
Princeton, NJ 08540

Monthly advisory fee for the period of July 1, 2004 through July 31, 2004: 200,000.00

Out-of-pocket expenses processed for the period through July 31, 2004:⁽¹⁾

Ground Transportation	\$ 31.00	
Meals	457.12	
Research	27.78	
Legal Expenses	380.00	
Communications	11.25	
Photocopying	968.85	1,876.00
		<hr/>
Subtotal		201,876.00
Less: Payments Received		(161,876.00)
		<hr/>
Total Due		\$ 40,000.00
		<hr/> <hr/>

Please wire transfer funds to:

JP Morgan Chase
One New York Plaza
New York, NY 10017
ABA# 021 000 021
Credit Account: The Blackstone Group L.P.
Accounts Receivable Dept. 14th Floor
Account # 066-287472

Invoice Number: 3657-T

⁽¹⁾ Expenses incurred, but not yet processed due to timing differences will be billed at a later date.

The Blackstone Group® L.P.

345 Park Avenue
New York, NY 10154
212 583-5000

RCN Corporation
Summary of Expenses Processed
Through July 31, 2004
Invoice No. 3657-T

	GL Detail Jul-2004	Total Expenses
Ground Transportation - Local Travel	\$ 31.00	\$ 31.00
Meals	457.12	457.12
External Research - Multex	27.78	27.78
Legal Expenses	380.00	380.00
Communications - Messenger - EDM	11.25	11.25
Photocopying	968.85	968.85
Total Expenses	\$ 1,876.00	\$ 1,876.00
Ground Transportation		
	\$	31.00
Meals		457.12
Research		27.78
Legal Expenses		380.00
Communications		11.25
Photocopying		968.85
Total Expenses	\$	1,876.00

RCN Corporation
Detail of Expenses Processed
Through July 31, 2004
Invoice No. 3657-T

Local Travel

Malaki (weekend taxi home from Blackstone)	06/26/04	8.00	
Malaki (evening taxi home from Blackstone)	06/28/04	7.00	
Malaki (evening taxi home from Blackstone)	06/29/04	7.00	
Malaki (evening taxi home from Blackstone)	06/30/04	9.00	
	Subtotal - Local Travel		\$ 31.00

Meals

Garipalli (working dinner meal)	06/03/04	22.88	
Garipalli (working dinner meal)	06/04/04	24.96	
Garipalli (working dinner meal)	06/04/04	30.45	
Haggerty (working dinner meal)	06/09/04	27.50	
Malaki (working lunch with E. Dokas)	06/11/04	22.00	
Malaki (working dinner)	06/11/04	25.00	
Malaki (weekend lunch meal)	06/27/04	5.96	
Middleton (working dinner meal with D. McCourt and other of RCN)	06/14/04	298.37	
	Subtotal - Meals		457.12

External Research

Multex

Malaki	06/16/04 - 06/30/04	27.78	
	Subtotal - External Research - Multex		27.78

Legal Expenses

Simpson Thacher & Bartlett	06/21/04 - 06/28/04	380.00	
	Subtotal - Legal Expenses		380.00

Communications

Messenger - EDM

Haggerty	07/27/04	11.25	
	Subtotal - Communications - Messenger - EDM		11.25

Photocopying

Helwig	06/20/04 - 07/23/04	69.60	
Vacanti	06/20/04 - 07/23/04	899.25	
	Subtotal - Photocopying		968.85

Total Expenses		\$ 1,876.00
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The Blackstone Group®

October 27, 2004

Mr. David C. McCourt
Chairman and Chief Executive Office
RCN Corporation
105 Carnegie Center
Princeton, NJ 08540

Monthly advisory fee for the period of August 1, 2004 through August 31, 2004: 200,000.00

Out-of-pocket expenses processed for the period through August 31, 2004: ⁽¹⁾

Ground Transportation	\$ 4,338.72	
Meals	1,533.73	
Research	2,358.40	
Communications	157.00	
Photocopying	<u>1,312.65</u>	<u>9,700.50</u>
Subtotal		209,700.50
Less: Payments Received		<u>(169,700.50)</u>
Total Due		<u><u>\$ 40,000.00</u></u>

Please wire transfer funds to:

JP Morgan Chase
One New York Plaza
New York, NY 10017
ABA# 021 000 021
Credit Account: The Blackstone Group L.P.
Accounts Receivable Dept. 14th Floor
Account # 066-287472

Invoice Number: 3677-T

⁽¹⁾ Expenses incurred, but not yet processed due to timing differences will be billed at a later date.

The Blackstone Group® L.P.

345 Park Avenue
New York, NY 10154
212 583-5000

RCN Corporation
Summary of Expenses Processed
Through August 31, 2004
Invoice No. 3677-T

	GL Detail	Total
	Aug-2004	Expenses
Ground Transportation - Car Services - Concord	\$ 711.84	\$ 711.84
Ground Transportation - Car Services - Elite	3,626.88	3,626.88
Meals	1,533.73	1,533.73
Internal Research	603.87	603.87
External Research - Multex	78.89	78.89
External Research - Disclosure	198.01	198.01
External Research - Dow Jones	199.27	199.27
External Research - Factset	874.64	874.64
External Research - Securities Data	159.31	159.31
External Research - MarketResearch.Com	244.41	244.41
Communications - Telephone Conferencing	26.41	26.41
Communications - Federal Express	119.34	119.34
Communications - Messenger - EDM	11.25	11.25
Photocopying	1,312.65	1,312.65
Total Expenses	\$ 9,700.50	\$ 9,700.50
	Ground Transportation	\$ 4,338.72
	Meals	1,533.73
	Research	2,358.40
	Communications	157.00
	Photocopying	1,312.65
	Total Expenses	\$ 9,700.50

**RCN Corporation
Detail of Expenses Processed
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Car Service

Concord

Coleman (car to Blackstone from client meeting in New York, NY)	06/10/04	64.77
Coleman (car to client meeting in New York, NY from Blackstone)	06/21/04	37.74
Middleton (car home from client meeting in New York, NY)	06/14/04	127.50
Middleton (car to Blackstone from client's offices in Princeton, NJ)	06/29/04	230.46
Middleton (car to client's offices in Princeton, NJ from home)	06/29/04	251.37

Subtotal - Concord

711.84

Elite

Crevello (car to client meeting in New York, NY from Blackstone)	06/24/04	27.39
de Almeida (car home from Blackstone)	07/06/04	50.80
Dokas (evening car service home from Blackstone)	06/21/04	60.49
Dokas (evening car service home from Blackstone)	06/25/04	60.49
Dokas (evening car service home from Blackstone)	06/28/04	88.03
Dokas (car to client's offices in Princeton, NJ from home)	06/29/04	172.74
Dokas (evening car service home from Blackstone)	06/30/04	82.93
Dokas (evening car service home from Blackstone)	07/12/04	60.49
Haggerty (car to client's offices in Princeton, NJ from Blackstone)	06/16/04	143.51
Haggerty (car to client meeting in New York, NY from Blackstone)	06/27/04	24.33
Haggerty (car to Blackstone from client meeting in New York, NY)	06/27/04	24.33
Haggerty (car to client meeting from home)	06/28/04	29.33
Haggerty (car to Blackstone from client meeting in New York, NY)	06/28/04	36.57
Haggerty (evening car service home from Blackstone)	06/29/04	20.45
Haggerty (car to client's offices in Princeton, NJ from home)	06/29/04	166.82
Haggerty (car to Blackstone from client's offices in Princeton, NJ)	06/29/04	154.17
Haggerty (car to client meeting in New York, NY from Blackstone)	07/01/04	53.91
Haggerty (car to Blackstone from client meeting in New York, NY)	07/01/04	24.33
Haggerty (evening car service home from Blackstone)	07/08/04	20.45
Haggerty (car to client meeting in New York, NY from Blackstone)	07/19/04	24.33
Haggerty (car to Princeton, NJ from home)	07/20/04	160.80
Haggerty (car to Blackstone from client's offices in Princeton, NJ)	07/20/04	178.65
Haggerty (car to client meeting in New York, NY from Blackstone)	07/21/04	20.45
Haggerty (car to client's offices in Princeton, NJ from home)	07/23/04	168.25
Haggerty (car to New York, NY from client's offices in Princeton, NJ)	07/23/04	200.89
Haggerty (car to client meeting in New York, NY from Blackstone)	07/27/04	32.69
Haggerty (evening car service home from Blackstone)	07/27/04	26.57
Korany (car home from Blackstone)	06/04/04	25.30
Korany (round trip car to/from home from/to Blackstone)	06/23/04	52.99
Korany (car to Court to attend hearing related to Blackstone's retention application)	07/27/04	43.71
Office Services - Edwards (evening car service home from Blackstone)	07/31/04	25.30
Office Services - Garcia (evening car services to Blackstone from home)	06/29/04	28.20
Office Services - Harrison (evening car service to Blackstone from home)	06/30/04	44.88
Office Services - Harrison (evening car service to Blackstone from home)	07/15/04	40.80
Office Services - Harrison (evening car service to Blackstone from home)	07/27/04	40.80
Office Services - Harrison (evening car service to Blackstone from home)	08/04/04	40.80
Publishing Services - Hasnas (evening car service home from Blackstone)	08/01/04	20.45
Publishing Services - John (evening car service to Blackstone from home)	06/29/04	61.66
Publishing Services - John (evening car service to Blackstone from home)	07/01/04	64.72
Publishing Services - Rankin (evening car service to Blackstone from home)	07/13/04	19.48
Publishing Services - Riverso (evening car service to Blackstone from home)	08/01/04	45.85
Publishing Services - McEwen (evening car service home from Blackstone)	07/18/04	26.27
Sherman (evening car service home from Blackstone)	08/01/04	52.43
Vacanti (evening car service home from Blackstone)	06/08/04	20.45
Vacanti (evening car service home from Blackstone)	06/14/04	20.45
Vacanti (evening car service home from Blackstone)	06/17/04	20.45
Vacanti (evening car service home from Blackstone)	06/21/04	27.59
Vacanti (evening car service home from Blackstone)	06/23/04	20.45
Vacanti (car to client's offices in Princeton, NJ from home)	06/29/04	173.76
Vacanti (car to Blackstone from client's offices in Princeton, NJ)	06/29/04	141.63
Vacanti (evening car service home from Blackstone)	06/30/04	49.83
Vacanti (evening car service home from Blackstone)	07/15/04	45.95
Vacanti (package delivery to Riverside, CT from Blackstone relating to RCN)	07/16/04	103.38
Vacanti (package delivery to Brookside, NJ from Blackstone relating to RCN)	07/31/04	120.62

**RCN Corporation
Detail of Expenses Processed
Through August 31, 2004
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Vacanti (package delivery to Greenwich, CT from Blackstone relating to RCN)	07/31/04	134.49	
	Subtotal - Elite		3,626.88
	Subtotal - Car Services		4,338.72
<u>Meals</u>			
Coleman (catered breakfast meal for 15 people during client meeting held @ Blackstone)	07/19/04	126.83	
Crevello (working dinner meal)	06/08/04	13.25	
Crevello (working dinner meal)	06/09/04	6.18	
Crevello (working dinner meal)	06/12/04	9.96	
Crevello (working dinner meal)	06/17/04	13.00	
Crevello (working dinner meal)	06/22/04	20.00	
Crevello (working dinner meal)	06/26/04	9.71	
Crevello (working dinner meal)	06/27/04	7.28	
Crevello (working dinner meal)	06/28/04	17.25	
Crevello (working dinner meal)	06/29/04	20.00	
Crevello (working dinner meal)	07/12/04	20.00	
Crevello (working dinner meal)	07/14/04	20.00	
Garipalli (working dinner meal)	06/01/04	20.00	
Haggerty (working dinner meal)	05/28/04	20.00	
Haggerty (working dinner meal)	06/03/04	20.00	
Haggerty (working dinner meal)	06/04/04	20.00	
Haggerty (working dinner meal)	06/10/04	20.00	
Haggerty (catered breakfast meal for 15 people during client meeting held @ Blackstone)	06/16/04	126.83	
Haggerty (catered lunch meal for 18 people during client meeting held @ Blackstone)	06/16/04	472.52	
Haggerty (catered breakfast meal for 11 people during client meeting held @ Blackstone)	07/09/04	116.34	
Haggerty (catered lunch meal for 11 people during client meeting held @ Blackstone)	07/09/04	259.38	
Haggerty (catered lunch meal for 6 people during client meeting held @ Blackstone)	07/14/04	141.02	
Malaki (working dinner meal)	06/16/04	20.00	
Malaki (working dinner meal)	07/12/04	14.18	
	Subtotal - Meals		1,533.73
<u>Internal Research</u>			
Crevello	07/16/04 - 07/31/04	58.80	
Crevello	08/01/04 - 08/15/04	180.00	
Vacanti	07/16/04 - 07/31/04	185.07	
Vacanti	08/01/04 - 08/15/04	180.00	
	Subtotal - Internal Research		603.87
<u>External Research</u>			
<u>Multex</u>			
Crevello	07/16/04 - 07/31/04	4.07	
Vacanti	08/01/04 - 08/15/04	74.82	
	Subtotal - Multex		78.89
<u>Disclosure</u>			
Crevello	07/16/04 - 07/31/04	68.92	
Crevello	08/01/04 - 08/15/04	6.88	
Vacanti	08/01/04 - 08/15/04	122.21	
	Subtotal - Disclosure		198.01
<u>Dow Jones</u>			
Crevello	07/16/04 - 07/31/04	13.35	
Crevello	08/01/04 - 08/15/04	0.98	
Vacanti	07/16/04 - 07/31/04	1.47	
Vacanti	08/01/04 - 08/15/04	183.47	
	Subtotal - Dow Jones		199.27
<u>Factset</u>			
Vacanti	07/16/04 - 07/31/04	55.20	
Vacanti	08/01/04 - 08/15/04	819.44	
	Subtotal - Factset		874.64

RCN Corporation
 Detail of Expenses Processed
 Through August 31, 2004
 Invoice No. 3677-T

Securities Data

Vacanti	07/13/04	159.31	
	Subtotal - Securities Data		159.31

MarketResearch.Com

Vacanti	06/14/04	244.41	
	Subtotal - MarkResearch.Com		244.41

	Subtotal - External Research		2,358.40
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Communications

Telephone Conferencing

Haggerty	06/03/04	26.41	
	Subtotal - Telephone Conferencing		26.41

Federal Express

Vacanti	07/15/04	11.85	
Vacanti	07/15/04	20.12	
Vacanti	07/15/04	20.12	
Vacanti	07/15/04	20.37	
Vacanti	07/15/04	22.58	
Vacanti	07/15/04	24.30	
	Subtotal - Federal Express		119.34

Messenger - EDM

Crevello	07/16/04	11.25	
	Subtotal - Messenger - EDM		11.25

	Subtotal - Communications		157.00
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Internal Photocopying

Butler	07/24/04 - 08/17/04	62.25	
Vacanti	07/24/04 - 08/17/04	1,250.40	
	Subtotal - Photocopying		1,312.65

	Total Expenses		\$ 9,700.50
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The Blackstone Group®

October 27, 2004

Mr. David C. McCourt
Chairman and Chief Executive Office
RCN Corporation
105 Carnegie Center
Princeton, NJ 08540

Monthly advisory fee pro rated for the period of September 1, 2004 through September 30, 2004: \$ 200,000.00

Out-of-pocket expenses processed for the period through September 30, 2004:¹

Ground Transportation	\$ 662.36	
Meals	1,512.72	
Research	4,924.94	
Legal Expenses	5,525.00	
Communications	176.51	
Photocopying	2,031.90	14,833.43
		<hr/>
Total		\$ 214,833.43

Please wire transfer funds to:

JP Morgan Chase
One New York Plaza
New York, NY 10017
ABA# 021 000 021
Credit Account: The Blackstone Group L.P.
Accounts Receivable Dept. 14th Floor
Account # 066-287472

Invoice Number: 3695-T

¹ Expenses incurred, but not yet processed due to timing differences will be billed at a later date.

The Blackstone Group® L.P.
345 Park Avenue
New York, NY 10154
212 583-5000

RCN CORPORATION
Summary of Expenses
3695-T

	GL Detail	Total
	Sep-2004	Expenses
Ground Transportation - Car Services - Elite	\$ 512.36	\$ 512.36
Ground Transportation - Local Travel	150.00	150.00
Meals	1,512.72	1,512.72
Internal Research	180.00	180.00
External Research - Multex	69.57	69.57
External Research - Dow Jones	2.92	2.92
External Research - Factset	4,484.73	4,484.73
External Research - P.A.C.E.R.	2.17	2.17
External Research - Other	185.55	185.55
Legal Expenses	5,525.00	5,525.00
Communications - Telephone Conferencing	85.51	85.51
Communications - Messenger - EDM	91.00	91.00
Photocopying	2,031.90	2,031.90
Total Expenses	\$ 14,833.43	\$ 14,833.43
	Ground Transportation	\$ 662.36
	Meals	1,512.72
	Research	4,924.94
	Legal Expenses	5,525.00
	Communications	176.51
	Photocopying	2,031.90
	Total Expenses	\$ 14,833.43

RCN CORPORATION
Expense Detail Processed
Through September 30, 2004
3695-T

Car Service

Elite

Crevello (credit for waiting time)	06/24/04	(3.00)	
Dokas (credit for waiting time)	06/28/04	(27.00)	
Dokas (credit for waiting time)	06/30/04	(12.00)	
Haggerty (credit for waiting time)	06/28/04	(3.00)	
Haggerty (credit for stops)	06/29/04	(10.00)	
Haggerty (car to client meeting in New York, NY from Blackstone)	07/22/04	515.66	
Haggerty (credit for waiting time)	07/27/04	(12.00)	
Haggerty (credit for waiting time)	07/27/04	(6.00)	
Haggerty (car home from Blackstone)	08/03/04	20.45	
Haggerty (car home from Blackstone)	08/19/04	20.45	
Office Services - Harrison (credit for tolls)	06/30/04	(4.00)	
Office Services - Martin (car home from Blackstone)	08/25/04	50.80	
Publishing Services - John (credit for waiting time)	06/29/04	(6.00)	
Publishing Services - John	07/27/04	(6.00)	
Vacanti (credit for waiting time)	06/30/04	(6.00)	
	Subtotal - Car Service	\$	512.36

Local Travel

Helwig (taxi home from Blackstone)	06/10/04	14.00	
Helwig (taxi home from Blackstone)	06/13/04	13.00	
Helwig (taxi home from Blackstone)	06/15/04	13.00	
Helwig (taxi home from Blackstone)	06/16/04	13.00	
Helwig (taxi home from Blackstone)	06/20/04	14.00	
Helwig (taxi home from Blackstone)	06/22/04	13.00	
Helwig (taxi home from Blackstone)	06/22/04	13.00	
Helwig (taxi home from Blackstone)	06/24/04	13.00	
Helwig (taxi home from Blackstone)	06/27/04	5.00	
Helwig (taxi home from Blackstone)	06/28/04	13.00	
Helwig (taxi home from Blackstone)	07/13/04	13.00	
Helwig (taxi home from Blackstone)	07/27/04	13.00	
	Subtotal - Local Travel	\$	150.00

Meals

Butler (working meal)	08/26/04	8.79
Coleman (working meal with T. Middleton of Blackstone)	06/28/04	40.00
Coleman (working meal)	08/19/04	9.30
Crevello (working dinner meal)	07/28/04	20.00
Crevello (working dinner meal)	07/29/04	20.00
Crevello (working dinner meal)	08/02/04	20.00
Dokas (working dinner meal)	07/22/04	20.00
Dokas (working dinner meal)	07/26/04	20.00
Dokas (working dinner meal)	08/02/04	20.00
Haggerty (working dinner meal)	06/17/04	20.00
Haggerty (working dinner meal)	06/29/04	20.00
Haggerty (working dinner meal)	07/02/04	20.00
Haggerty (working dinner meal)	07/06/04	20.00
Haggerty (working dinner meal)	07/08/04	12.48
Haggerty (working dinner meal)	07/12/04	20.00
Haggerty (working dinner meal)	07/13/04	20.00
Haggerty (working dinner meal with John Dubel of RCN & T. Coleman of Blackstone)	07/14/04	64.41
Haggerty (working dinner meal)	07/16/04	20.00
Haggerty (working dinner meal)	07/19/04	20.00
Haggerty (working dinner meal)	07/20/04	20.00
Haggerty (meal with 2 representatives of RCN, 1 representative of CTA & 1 Blackstone personnell)	07/23/04	77.24
Haggerty (working dinner meal)	07/26/04	20.00
Haggerty (working dinner meal)	07/27/04	20.00
Haggerty (working dinner meal)	07/28/04	20.00
Haggerty (working dinner meal)	07/30/04	19.07
Haggerty (working dinner meal)	08/02/04	20.00
Haggerty (working dinner meal)	08/03/04	20.00
Haggerty (working dinner meal)	08/04/04	20.00

RCN CORPORATION
Expense Detail Processed
Through September 30, 2004
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Haggerty (catered lunch meal during client meeting held @ Blackstone)	08/04/04	158.29	
Haggerty (working dinner meal)	08/09/04	20.00	
Haggerty (working dinner meal)	08/11/04	20.00	
Haggerty (working dinner meal)	08/12/04	20.00	
Haggerty (working lunch meal)	08/19/04	9.30	
Korangy (working dinner meal)	07/28/04	20.00	
Korangy (working dinner meal)	08/02/04	20.00	
Korangy (working dinner meal)	08/03/04	15.21	
Korangy (working dinner meal)	08/04/04	20.00	
Korangy (working dinner meal)	08/05/04	20.00	
Korangy (working lunch meal)	08/19/04	9.30	
Malaki	06/13/04	20.00	
Office Services - Martin (working dinner meal)	07/27/04	12.50	
Vacanti (working meal while traveling)	05/30/04	1.70	
Vacanti (working dinner meal)	06/05/04	8.96	
Vacanti (working dinner meal)	06/06/04	8.96	
Vacanti (working dinner meal)	06/07/04	8.96	
Vacanti (working dinner meal)	06/08/04	19.55	
Vacanti (working dinner meal)	06/09/04	8.96	
Vacanti (working dinner meal)	06/13/04	8.96	
Vacanti (working dinner meal)	06/15/04	20.00	
Vacanti (working meal)	06/16/04	8.96	
Vacanti (working dinner meal)	06/17/04	20.00	
Vacanti (working dinner meal)	06/20/04	20.00	
Vacanti (working dinner meal)	06/21/04	8.96	
Vacanti (working dinner meal)	06/23/04	8.96	
Vacanti (working dinner meal)	06/24/04	20.00	
Vacanti (working dinner meal)	06/26/04	9.45	
Vacanti (working dinner meal)	06/28/04	16.30	
Vacanti (working dinner meal)	06/29/04	10.59	
Vacanti (working dinner meal)	07/01/04	20.00	
Vacanti (working dinner meal)	07/06/04	15.83	
Vacanti (working dinner meal)	07/08/04	8.96	
Vacanti (working dinner meal)	07/10/04	8.96	
Vacanti (working dinner meal)	07/11/04	20.00	
Vacanti (working dinner meal)	07/12/04	14.32	
Vacanti (working dinner meal)	07/14/04	10.59	
Vacanti (working dinner meal)	07/17/04	19.00	
Vacanti (working dinner meal)	07/18/04	20.00	
Vacanti (working dinner meal)	07/20/04	16.02	
Vacanti (working dinner meal)	07/22/04	20.00	
Vacanti (working dinner meal)	07/24/04	20.00	
Vacanti (working dinner meal)	07/25/04	20.00	
Vacanti (working dinner meal)	07/26/04	16.41	
Vacanti (working dinner meal)	07/27/04	20.00	
Vacanti (working dinner meal)	08/08/04	17.92	
Vacanti (working dinner meal)	08/10/04	8.96	
Vacanti (working dinner meal)	08/13/04	10.59	
	Subtotal - Meals	1,512.72	1,512.72
 <u>Internal Research</u>			
Vacanti	08/16/04 - 08/31/04	180.00	
	Subtotal - Internal Research	180.00	180.00
 <u>External Research</u>			
<u>Multex</u>			
Vacanti	08/16/04 - 08/31/04	69.57	
	Subtotal - Multex	69.57	69.57
 <u>Dow Jones</u>			
Vacanti	09/01/04 - 09/15/04	2.92	
	Subtotal - Dow Jones	2.92	2.92

RCN CORPORATION
Expense Detail Processed
Through September 30, 2004
3695-T

Factset

Vacanti	08/16/04 - 08/31/04	4,400.11	
Vacanti	09/16/04 - 09/18/04	84.62	
	Subtotal - Factset	<u>4,484.73</u>	4,484.73

P.A.C.E.R.

de Almeida	06/02/04	2.17	
	Subtotal - P.A.C.E.R.	<u>2.17</u>	2.17

Other

Bardes (Service: Thomson West, Purpose: research concerning Debtors' POR & Disclosure Statement)	08/06/04	37.50	
Bardes (Service: Thomson West, Purpose: research concerning Debtors' POR & Disclosure Statement)	08/06/04	148.05	
	Subtotal - Other	<u>185.55</u>	185.55
	Subtotal - Research		4,744.94

Legal Expenses

Simpson Thacher & Bartlett	07/26/04 - 08/02/04	5,525.00	
	Subtotal - Legal Expenses	<u>5,525.00</u>	5,525.00

Communications

Telephone Conferencing

Coleman	07/08/04	9.00	
Coleman	07/08/04	13.50	
Coleman	07/08/04	63.01	
	Subtotal - Telephone Conferencing	<u>85.51</u>	85.51

Messenger - EDM

Crevello	08/02/04	91.00	
	Subtotal - Messenger - EDM	<u>91.00</u>	91.00
	Subtotal - Communications		176.51

Photocopying

Haggerty	09/06/04 - 09/19/04	633.00	
Korangy	09/06/04 - 09/19/04	787.50	
Vacanti	08/24/04 - 08/29/04	4.20	
Vacanti	09/06/04 - 09/19/04	82.20	
Vacanti	09/20/04 - 09/26/04	525.00	
	Subtotal - Photocopying	<u>2,031.90</u>	2,031.90

Total Expenses	<u>\$ 14,833.43</u>
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