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Debtors and Debtors-in-Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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

DECLARATION OF TIMOTHY COLEMAN IN SUPPORT OF MOTION FOR ORDER UNDER 11 U.S.C. §§ 105(a), 363(b), 364(c)(1), 503(b) AND 507 AUTHORIZING, APPROVING AND RATIFYING EXIT FINANCING COMMITMENTS AND PAYMENT OF RELATED FEES AND EXPENSES

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

Timothy Coleman, being duly sworn, deposes and states:

1. I am a senior managing director in the Restructuring & Reorganization Advisory Group of The Blackstone Group ("Blackstone") in New York.

Blackstone has been advising the Debtors since March 10, 2004 and its application to be retained as financial advisors to the Debtors is currently pending before the Court. I have been employed by Blackstone since 1992. Before joining Blackstone, I was a Vice President at Citibank, N.A. for twelve years. I received a BA from the University of California at Santa Barbara, and an MBA from the University of Southern California. Blackstone's Restructuring and Reorganization and Advisory group was established in 1991. Blackstone has advised both companies and creditors in over 145 distressed situations, involving over $315 billion of total liabilities. I have personally been involved in a variety of restructuring and reorganization roles throughout my career.

2. I submit this affidavit (the "Affidavit") in support of the motion of the Debtors for entry of an order under 11 U.S.C. §§ 105(a), 363(b), 364(c)(1), 503(b) and 507, authorizing, approving and ratifying (i) the Commitment Letter[1] detailing Deutsche Bank's commitment to provide the New Senior Exit Financing, subject to the terms and conditions contained therein and the related Fee Letter, (ii) the Engagement Letter, (iii) the Engagement Indemnity Letter and (iv) the Work Letter (the "Motion").

[1] Any capitalized terms not expressly defined herein have the meanings given to them in the Motion (as defined below).

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

The Need for the New Senior Exit Financing

4. Seeking approval for the postpetition financing in these cases, which is to be provided pursuant to the Commitment Letter and other Exit Financing Commitments, is critical to the Debtors' restructuring efforts. After considering various restructuring alternatives, the Debtors and Blackstone determined that a new financing facility to replace the existing Senior Credit Facility was the most viable means for a successful restructuring. Specifically, the Debtors and Blackstone determined that replacing the Senior Credit Facility early in the chapter 11 process was the best way to (i) expedite the process of negotiating with the Debtors creditors; and (ii) obtain additional working capital critical to stabilizing and maintaining the Debtor's operations upon exiting from the restructuring process and competing in the Debtors core lines of business.

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

tions, including traditional asset-based lenders, investment banks and commercial banks regarding furnishing a commitment letter to the RCN Companies to replace the existing Senior Credit Facility. The Debtors and Blackstone received proposals from seven financial institutions which included proposals from Deutsche Bank, Credit Suisse First Boston, Bear, Stearns & Co. Inc. and Wells Fargo Foothill, Inc. (the "Four Proposals")

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

7. Those negotiations resulted in the Commitment Letter and the other Exit Financing Commitments that detail Deutsche Bank's commitment to provide the New Senior Exit Financing. The Commitment Letter and the other Exit Financing Commitments were executed on May 24, 2004. Deutsche Bank has agreed to fully

fund the New Senior Exit Financing, subject to the terms and conditions set forth in the Exit Financing Commitments, which will allow the Debtors to emerge from bankruptcy expeditiously and provide for the Debtors' ongoing working capital requirements thereafter.

8. The necessity for the New Senior Exit Financing on the terms provided in the Exit Financing Commitments is also appropriate in light of the Senior Lenders' unwillingness to provide the Debtors with financing on terms acceptable to the Debtors. Accordingly, the proceeds from the New Secured Financing will be used by the Debtors to repay in full the obligations of the Debtors under the Senior Credit Facility, as well as provide additional funds necessary to meet the Debtors' ongoing working capital requirements. Notably, both the Senior Lenders and the Noteholders' Committee have already approved of the Debtors' entry into this financing.

9. Although pursuing approval of the Exit Financing Commitments at this early stage of the proceedings is unusual, there are several important reasons warranting the Motion. First, the New Senior Exit Financing is critical to the Debtors' ability to emerge from bankruptcy quickly and on the terms we have discussed with various creditor constituencies prior to the Petition Date. Second, court approval of the New Senior Exit Financing, and the escrow arrangement contemplated thereby, will greatly enhance the Debtors' ability to negotiate with its

various constituencies as to the feasibility of its reorganization plan. Thirdly, the capital markets have been particularly receptive at present to the New Senior Exit Financing and there can be no assurance that market conditions will not change for the worse. Thus, approval of the financing to be obtained under the Exit Financing Commitments, even at this early stage, is in the best interests of the Debtors' estates and facilitates their goal of a rapid emergence from chapter 11.

The New Senior Exit Financing is Fair and Reasonable

10. As noted above, the New Senior Exit Financing represents the culmination of an exhaustive solicitation process for financing that was conducted by Blackstone prior to the Petition Date. The Debtors, Blackstone and the Debtors' other advisors negotiated at arms' length with Deutsche Bank and several other potential lenders for several weeks. Over the course of those negotiations the Exit Financing Commitments were repeatedly revised to meet the RCN Companies' long term strategic needs and goals.

11. The cost of the New Credit Facilities are also comparable to the pricing of similar exit financing transactions in the current market. If the Court fails to ratify the Exit Financing Commitments, and such failure renders the Exit Financing Commitments unenforceable, I believe that the Debtors will be saddled with additional administrative expenses in seeking alternative sources of funding. Other lenders will demand the payment of due diligence fees, attorneys' fees and another

commitment fee before they provide the Debtors with a commitment letter. Additionally, the delay in obtaining a replacement for the New Credit Facilities would disrupt negotiations and could significantly lengthen the Debtors' chapter 11 cases. As demonstrated by the extensive search undertaken by the Debtors and Blackstone, there can be no assurance that another lender will be willing to commit to a new financing facility, nor can there be any assurance that the terms of such a proposed facility will be as favorable as that proposed by Deutsche Bank. As such, when considering all of the factors, we concluded that the New Credit Facilities were the Debtors' best financing alternative.

12. Accordingly, we advised the Debtors that the terms of the Exit Financing Commitments and the related fees are reasonable, in comparison to the amounts being committed. The reasonableness of the proposed transaction is supported by the benefits the Debtors will derive. The New Senior Exit Financing is essential to the Debtors' exit from bankruptcy and the financing of a plan of reorganization. Securing the commitments at this point in the Debtor's chapter 11 cases provides the estates with added assurance they will emerge from chapter 11 expeditiously and greatly expedites the negotiation of a plan of reorganization.

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

Dated June 7, 2004

/s/ Timothy Coleman
Timothy Coleman