

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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: In re : Chapter 11
: :
: RCN CORPORATION, et al., : Case No. 04-13638 (RDD)
: :
: Debtors. : (Jointly Administered)
: :
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**ADMINISTRATIVE ORDER UNDER 11 U.S.C. §§ 105
AND 331 ESTABLISHING PROCEDURES FOR INTERIM
COMPENSATION AND REIMBURSEMENT OF
EXPENSES OF PROFESSIONALS**

Upon the motion (the "Motion")¹ of the Debtors for entry of an order under 11 U.S.C. §§ 105 and 331 establishing procedures for interim compensation and reimbursement of expenses of court-approved professionals and reimbursement of expenses of statutory committee members; and the Court having reviewed the Motion; and the Court having determined that the relief requested in the Motion is in the best interests of the Debtors, their estates, their creditors, and other parties in interest; and it appearing that proper and adequate notice of the Motion has been given and that no other or further notice is necessary and there being no objection to the Motion; and upon the record herein; and after due deliberation thereon; and good and sufficient cause appearing therefor, it is hereby

¹ Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Motion.

ORDERED, ADJUDGED, AND DECREED THAT:

1. The Motion is GRANTED.

2. Except as may otherwise be provided in orders of this Court authorizing the retention of specific Chapter 11 Professionals, all professionals in these cases may seek monthly compensation and reimbursement of expenses in accordance with the following procedure:

(a) On or before the 20th day of each month following the month for which compensation is sought, each professional may serve a monthly statement (the "Monthly Statement") upon (i) RCN Corporation, 105 Carnegie Center, Princeton, New Jersey 08540, attn: General Counsel, (ii) counsel to the Debtors, Jay M. Goffman, Esq., Skadden, Arps, Slate, Meagher & Flom LLP, Four Times Square, New York, New York 10036-6522, (iii) counsel to the Official Committee of Unsecured Creditors, Dennis F. Dunne, Esq., Milbank, Tweed, Hadley & McCloy LLP, One Chase Manhattan Plaza, New York, New York 10005, (iv) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004, attn: Paul K. Schwartzberg, Esq., and (v) counsel to the agent for the Debtors' prepetition credit facility, Simpson Thacher & Bartlett, 425 Lexington Avenue, New York, NY 10017-3954, attn: Peter V. Pantaleo, Esq. (collectively, the "Notice Parties"). The first such Monthly Statement of any Chapter 11 Professional shall cover services rendered and expenses incurred from the effective date of such professional's retention (the "Retention Date") through the end of the first full month after the Retention Date.

(b) The Monthly Statement need not be filed with the Court and a courtesy copy need not be delivered to the presiding judge's chambers because the proposed procedures are not intended to alter the fee application requirements outlined in sections 330 and 331 of the Bankruptcy Code, and the Chapter 11 Professionals are required to serve and file interim and final applications for approval of fees and expenses in accordance with the relevant provisions of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Local Bankruptcy Rules, and the terms hereof.

(c) Each Monthly Statement must contain a list of the individuals and their respective titles (e.g., attorney, accountant, or paralegal) who provided services during the statement period, their respective billing rates, the aggregate hours spent by each individual, a reasonably detailed breakdown of the disbursements incurred, and contemporaneously maintained time entries for each

individual in increments of tenths (1/10) of an hour. No professional should seek reimbursement of an expense that would otherwise not be allowed pursuant to the Court's Administrative Orders dated June 24, 1991 and April 21, 1995 or the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed under 11 U.S.C. § 330, dated January 30, 1996.

(d) Each Notice Party shall have 15 days from receipt of a Monthly Statement (the "Objection Deadline") to review the Monthly Statement. In the event that a Notice Party has an objection to the compensation or reimbursement sought in a particular statement, such Notice Party shall serve, on or before the Objection Deadline, a written "Notice Of Objection" setting forth the nature of the objection and the amount of fees or expenses at issue upon (i) the professional whose Monthly Statement is the subject of the objection and (ii) the other Notice Parties.

(e) At the expiration of the Objection Deadline the Debtors shall promptly pay 80% of the fees and 100% of the expenses identified in each Monthly Statement to which no Notice of Objection has been served in accordance with paragraph (d).

(f) If the Debtors receive a Notice of Objection with respect to a particular Monthly Statement, they shall withhold payment of that portion of the statement to which the objection is directed and promptly pay the remainder of the fees and disbursements in the percentages set forth in paragraph (e).

(g) Similarly, if the parties to an objection are able to resolve their dispute following the service of a Notice Of Objection, and if the party whose statement was objected to serves upon all of the Notice Parties a statement indicating that the objection is withdrawn and describing in detail the terms of the resolution, then the Debtors shall promptly pay, in accordance with paragraph (e), that portion of the Monthly Statement which is no longer subject to an objection.

(h) All objections that are not resolved by the parties shall be preserved and presented to the Court at the next interim or final fee application hearing to be heard by the Court in accordance with paragraph (j) below.

(i) The service of a Notice of Objection in accordance with paragraph (d) shall not prejudice the objecting party's right to object to any fee application made to the Court in accordance with the Bankruptcy Code on any ground, whether or not raised in the objection. Furthermore, the decision by any party not to object to a Monthly Statement shall not constitute a waiver of any kind or prejudice that party's right to object to any fee application subsequently made to the Court in accordance with the Bankruptcy Code.

(j) Approximately every 120 days, but no more than every 150 days, each Chapter 11 Professional shall serve and file with the Court an application for interim or final court approval and allowance, pursuant to sections 330 and 331 of the Bankruptcy Code (as the case may be), of the compensation and reimbursement of expenses requested.

(k) Any Chapter 11 Professional who fails to file when due an application seeking approval of compensation and expenses previously paid under these procedures (i) shall be ineligible to receive further monthly payments of fees or expenses as provided herein until all such overdue applications are filed and (ii) may be required to disgorge any fees paid since his or her retention or the last fee application, whichever is later.

(l) The pendency of an application or an order that payment of compensation or reimbursement of expenses was improper as to a particular Monthly Statement shall not disqualify a professional from the future payment of compensation or reimbursement of expenses as set forth above, unless otherwise ordered by the Court.

(m) Neither the payment of, nor the failure to pay, in whole or in part, monthly compensation and reimbursement as provided herein shall have any effect on the Court's interim or final allowance of compensation and reimbursement of expenses of any of the Chapter 11 Professionals.

(n) Counsel for the Official Committee of Unsecured Creditors may, in accordance with the foregoing procedures, collect and submit statements of expenses, with supporting vouchers, from members of the committee, provided that these reimbursement requests comply with this Court's Administrative Orders dated

June 24, 1991 and April 21, 1995. The interim and final fee application process is also applicable to committee member expenses.

3. The Debtors shall include all payments to Chapter 11 Professionals on their monthly operating reports, detailed so as to state the amount paid to each of the professionals.

4. All time periods set forth in this Order shall be calculated in accordance with Fed. R. Bankr. P. 9006(a).

5. The Debtors shall serve a copy of this Order upon all Chapter 11 Professionals and the Notice Parties. No other Notice of the Motion or this Order is required.

6. Notice of hearings to consider interim and final applications for approval and allowance shall be deemed adequate if made to the Master Service List, as defined in the Order under 11 U.S.C. §§ 102 and 105 and Fed. R. Bankr. P. 2002, 9006 and 9007 Establishing Certain Notice, Case Management and Administrative Procedures. Furthermore, notwithstanding any orders providing for notice procedures in these cases, the actual interim and final fee applications need only be served upon the Notice Parties, with a courtesy copy delivered to chambers.

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

Dated: New York, New York
June 22, 2004

/s/Robert D. Drain
Judge Robert D. Drain
UNITED STATES BANKRUPTCY JUDGE