

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re : Chapter 11
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RCN CORPORATION, et. al., : Case No. 04-13638
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Debtors. : (Jointly Administered)
: :
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**INTERIM ORDER UNDER 11 U.S.C. §§ 105, 362 and 541 (A) ESTABLISHING
NOTICE AND HEARING PROCEDURES FOR TRADING IN EQUITY
INTERESTS AND (B) SCHEDULING FINAL HEARING THEREON**

Upon the motion (the "Motion")¹ of the Debtors for entry of an interim order (the "Interim Order") pursuant to 11 U.S.C. §§ 105, 362 and 541 (a) establishing notification and hearing procedures for trading in equity interests in RCN and (b) scheduling final hearing thereon; the Court having reviewed the Motion and the Saile Affidavit; 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 the Debtors will suffer irreparable harm if interim relief is not granted as provided herein; and it appearing that notice of the Motion was good and sufficient under the particular circumstances and that no other and further notice be given; and upon the record herein; and after due deliberation thereon; and good and sufficient cause appearing therefor, it is hereby

ORDERED, ADJUDGED AND DECREED THAT:

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

1. The Motion is GRANTED on an interim basis.
2. Until further order of this Court to the contrary, any purchase, sale, abandonment or other transfer of equity interests in the Debtors in violation of the procedures set forth herein (including the notice requirements set forth in paragraph 3 below) shall be null and void ab initio as an act in violation of the automatic stay under 11 U.S.C. § 362.
3. The following interim procedures shall apply to trading in equity interests in RCN:
 - (a) Any person or entity who currently is or becomes a Substantial Equityholder (as defined in paragraph (e) below) shall file with this Court, and serve upon the Debtors and counsel to the Debtors, a notice of such status, in the form attached hereto as Exhibit 1A, on or before the later of (A) 40 calendar days after the effective date of notice of this Interim Order or (B) ten calendar days after becoming a Substantial Equityholder.
 - (b) Prior to effectuating any transfer, conversion or abandonment of any equity interest (including any option to acquire any equity interest, as defined in paragraph (e) below) which would result in either (x) an increase in the amount of equity interests of RCN beneficially owned (as defined in paragraph (e) below) by a Substantial Equityholder or (y) a person or entity becoming a Substantial Equityholder, such Substantial Equityholder, person or entity shall file with this Court, and serve on the Debtors and counsel to the Debtors, advance written notice, in the form attached hereto as Exhibit 1B,² of the intended transfer, conversion or abandonment of equity interests.

² A notice in the form of Exhibit 1B is hereinafter referred to as a "Notice of Intent to Purchase, Acquire or Otherwise Accumulate."

(c) Prior to effectuating any transfer, conversion or abandonment of any equity interest (including any option to acquire any equity interest, as defined in paragraph (e) below) which would result in either (x) a decrease in the amount of equity interests of RCN beneficially owned by a Substantial Equityholder or (y) a person or entity ceasing to be a Substantial Equityholder, such Substantial Equityholder, person or entity shall file with this Court, and serve on the Debtors and counsel to the Debtors, advance written notice, in the form attached hereto as Exhibit 1C,³ of the intended transfer, conversion or abandonment of any equity interest.

(d) The Debtors shall have 15 calendar days after receipt of a Notice of Proposed Transfer to file with this Court and serve on such Substantial Equityholder an objection to any proposed transfer, conversion or abandonment of any equity interest described in the Notice of Proposed Transfer on the grounds that such transfer, conversion or abandonment may adversely affect the Debtors' ability to utilize the Losses. If the Debtors file such an objection, such transaction shall not be effective unless approved by a final and nonappealable order of this Court. If the Debtors do not object within such 15-day period, such transaction may proceed solely as specifically set forth in the Notice of Proposed Transfer. Further transactions of a type specified herein beyond the scope of the Notice of Proposed Transfer must be the subjects of additional notices as set forth herein, with their own 15-day waiting periods.

(e) For purposes of this Interim Order:

³ A notice in the form of Exhibit 1C is hereinafter referred to as a "Notice of Intent to Sell, Trade, Convert, Abandon or Otherwise Transfer" (and, together with a Notice of Intent to Purchase, Acquire or Otherwise Accumulate, is collectively referred to as a "Notice of Proposed Transfer").

(i) "Substantial Equityholder" is any person or entity that has beneficial ownership of (i) at least 5 million shares of the common stock of RCN, or (ii) any shares of preferred stock of RCN;

(ii) "beneficial ownership" of equity interests includes (i) direct and indirect ownership (e.g., a holding company would be considered to beneficially own or acquire all equity interests owned or acquired by its subsidiaries), (ii) ownership by any group of persons acting pursuant to a formal or informal understanding to make a coordinated acquisition of an equity interest, (iii) ownership by such holder's family members and (iv) ownership of an equity interest which such holder has an option to acquire; and

(iii) an "option" to acquire an equity interest includes any contingent purchase, warrant, convertible debt or equity, put, equity interest subject to risk of forfeiture, contract to acquire an equity interest or similar interest, in each case, regardless of whether such interest or right is contingent or otherwise not currently exercisable.

4. A hearing to determine whether the procedures described in the Motion should be approved on a final basis will be held on June 22, 2004 at 10:00 a.m.

5. The Debtors shall serve the Interim Order and a notice of entry of Interim Order setting forth the procedures authorized herein substantially in the form attached hereto as Exhibit 2 (the "Notice of Interim Order") on (a) the Office of the United States Trustee for the Southern District of New York; (b) any committee appointed under Bankruptcy Code section 1102; (c) the general unsecured claimants listed in the Debtors' chapter 11 petitions, if no statutory committee of unsecured creditors has yet been appointed; (d) counsel for the Debtors' secured lenders (or agents in respect thereof, as

the case may be); (e) all known record holders of common or preferred stock of RCN; (f) the transfer agent(s) for any class or series of common or preferred stock of RCN; (g) counsel to the unofficial committee of noteholders; (h) the Securities and Exchange Commission; and (i) the Internal Revenue Service. The Interim Order and Notice of Interim Order shall be served via first class mail, postage prepaid. No further notice of entry of this Interim Order need be served by the Debtors.

6. Any transfer agent(s) for any class or series of common or preferred stock of RCN having notice hereof shall provide the Interim Order and Notice of Interim Order to all holders of such stock registered with such transfer agent(s). Any such registered holder shall, in turn, provide such Interim Order and Notice of Interim Order to any holder for whose account such registered holder holds such stock, and so on down the chain of ownership.

7. The Debtors shall serve the Motion and a notice of the Motion in substantially the form attached hereto as Exhibit 4 (the "Notice of Motion") on (i) the Office of the United States Trustee for the Southern District of New York; (ii) counsel for the Debtors' secured lenders (or agents in respect thereof, as the case may be); (iii) the transfer agent(s) for any class or series of common or preferred stock of RCN; (iv) counsel to the unofficial committee of noteholders; (v) the general unsecured claimants listed in the Debtors' chapter 11 petitions; (vi) the Securities and Exchange Commission; and (vii) the Internal Revenue Service. The Motion and Notice of Motion shall be served via first class mail, postage prepaid. No further notice of the Motion need be served by the Debtors.

8. Any person or entity or broker or agent acting on such person or entity's behalf who sells an aggregate amount of at least 500,000 shares of common stock of RCN or any shares of preferred stock of RCN (or an option with respect to common

or preferred stock of RCN) to another person or entity shall provide a copy of this Interim Order to such purchaser of such stock or to any broker or agent acting on such purchaser's behalf.

9. The requirements set forth in this Interim Order are in addition to the requirements of Rule 3001(e) of the Federal Rules of Bankruptcy Procedure and applicable securities, corporate and other laws, and do not excuse compliance therewith.

10. Notwithstanding the provisions of Bankruptcy Rules 6004(g), this Interim Order shall not be stayed for ten days after the entry hereof, but shall be effective and enforceable immediately upon issuance hereof.

11. 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 2, 2004

/s/ ROBERT D. DRAIN
UNITED STATES BANKRUPTCY JUDGE