

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS**

EDWARD T. JOYCE, MARYKAY JOYCE,)	
JOYCE RETIREMENT PLANS, EDWARD R.)	
JOYCE, AMY JOYCE, KATHERINE MARY)	
JOYCE, JULIE JOYCE SHERLOCK,)	
ARTHUR W. AUFMANN, AUFMANN)	
PROFIT SHARING TRUST, GLENN)	
W. MILLIGAN, AVA M. MILLIGAN, JOSEPH)	
D. KEENAN III, SALLY KEENAN, and)	
JOSEPH D. KEENAN III, AS CUSTODIAN)	
FOR KATHARINE P. KEENAN AND)	
JOSEPH D. KEENAN IV)	
Plaintiffs,)	Case No: 06 C 4754
)	
)	Judge Der-Yeghiayan
)	
v.)	
)	
MORGAN STANLEY & CO.,)	
INCORPORATED)	
)	
Defendant.)	

SECOND AMENDED COMPLAINT

Plaintiffs Edward T Joyce, MaryKay Joyce, Joyce Retirement Plans, Edward R. Joyce, Amy Joyce, Katherine Mary Joyce, Julie Joyce Sherlock, Arthur W. Aufmann, Aufmann Profit Sharing Trust, Glenn W. Milligan, Ava M. Milligan, Joseph D. Keenan III, Sally Keenan, and Joseph D. Keenan III as Custodian for Katharine P. Keenan and Joseph D. Keenan IV (“Plaintiffs”) complain of defendant Morgan Stanley & Co., Incorporated (“Morgan Stanley”) as follows:

NATURE OF THE ACTION

1. This case concerns the acquisition of all the common shares of 21st Century Telecom Group, Inc., now known as RCN Telecom Services of Illinois Inc. (“21st Century”), an

Illinois corporation with its principal place of business in Chicago, Illinois. The acquisition was made by RCN Corporation (“RCN”). As a result of the acquisition, all of the stockholders, warrant holders, option holders and holders of all other 21st Century securities convertible into 21st Century common stock (the “21st Century stockholders”) exchanged their 21st Century securities for RCN common stock. RCN common stock was traded on NASDAQ.

2. At the insistence of RCN (*see* ¶ 16, *infra*) 21st Century engaged Morgan Stanley to assist in negotiating the terms of a merger agreement and to provide financial advice to 21st Century for the benefit of 21st Century and its stockholders, so that the interests of 21st Century and its stockholders would be sufficiently protected. Morgan Stanley agreed to provide financial advice and assistance with respect to structuring, planning and negotiating the transaction.

3. However, Morgan Stanley failed to give 21st Century the advice necessary to protect the interests of 21st Century and Plaintiffs, and as a result they lost more than \$30,000,000.

JURISDICTION AND VENUE

4. This Court has subject matter jurisdiction over this matter and personal jurisdiction over defendant because the transactions out of which Plaintiffs’ claim arose occurred in Cook County, Illinois. (*See* 735 ILCS 5/2-209(a)(1) and (7))

5. Venue is proper in this Court because the transactions out of which Plaintiffs’ claim arose occurred in Cook County, Illinois. (*See* 735 ILCS 5/2-101)

PARTIES

6. Plaintiff Edward T. Joyce (“Joyce”) was Chairman of the Board of 21st Century at the time of the events complained of herein. Joyce and his family, MaryKay Joyce, Joyce

Retirement Plans, Edward R. Joyce, Amy Joyce, Katherine Mary Joyce, and Julie Joyce Sherlock, owned or had options to own approximately 7% of 21st Century's common stock as of December 12, 1999, and they lost more than \$14,000,000 when their RCN stock became worthless. (collectively, the "Joyce Plaintiffs")

7. Plaintiff Glenn Milligan ("Milligan") was 21st Century's founder. Milligan was also 21st Century's president and chief executive officer for many years. At the time of the events complained of herein, Milligan was a member of 21st Century's board. Milligan and his wife, Ava, owned or had options to own approximately 6% of 21st Century's common stock as of December 12, 1999. (collectively, the "Milligan Plaintiffs")

8. Plaintiff Joseph D. Keenan III, his wife, Sally, and their children Katharine and Joseph IV owned or had options to own approximately 1.07% of 21st Century's common stock as of December 12, 1999. (collectively, the "Keenan Plaintiffs")

9. Plaintiff Arthur Aufmann and the Aufmann Profit Sharing Trust owned or had options to own approximately 0.7% of 21st Century as of December 12, 1999. (collectively, the "Aufmann Plaintiffs")

10. Defendant, Morgan Stanley, is a Delaware corporation. Morgan Stanley engages in, *inter alia*, advising corporations and/or its shareholders in connection with the proposed sale or other disposition of their securities; e.g., giving advice and assistance with respect to structuring, planning and negotiating transactions, such that subsequent to the transaction their client's interests will be protected. Morgan Stanley knows their clients need this advice so they can maximize and protect the value of what they receive in the transaction.

FACTS

11. In the late 1990's, 21st Century was engaged in the business of providing bundled telecommunication services to homes and businesses in the Chicago area. It owned a very valuable franchise to provide those services to Area One in Chicago. Area One is an area made up of the central business district and substantially all of the high rise buildings located along the city's lakeshore. 21st Century also was negotiating for additional franchises which would permit it to offer bundled telecommunication services to other areas of the City of Chicago.

12. After receiving its franchise from the City of Chicago, 21st Century raised hundreds of millions of dollars, which it successfully spent in developing a state-of-the-art fiber optic telecommunications network that permitted 21st Century to compete with the incumbent cable and telephony providers.

13. During the course of its efforts to raise additional capital in order to expand into other areas in the City of Chicago and elsewhere, 21st Century began discussions with RCN about investing in 21st Century.

14. Those discussions quickly progressed to the point where RCN expressed an interest in purchasing 21st Century.

15. At the commencement of those negotiations, RCN was represented by Morgan Stanley. 21st Century was represented by its management.

16. Before the parties reached agreement, RCN decided to use Solomon Smith Barney as its investment advisor (instead of Morgan Stanley), and RCN informed 21st Century that it wanted 21st Century to engage Morgan Stanley as its advisor. In the belief that Morgan Stanley was intimately aware of RCN's business, capital structure and other significant information regarding RCN, and that Morgan Stanley would be able to effectively assist 21st

Century in negotiating the terms of the merger/acquisition such that the interests of 21st Century and its common stockholders (the real parties in interest in that transaction) would be protected, 21st Century engaged Morgan Stanley. A copy of Morgan Stanley's letter agreement with 21st Century is attached hereto and incorporated herein by reference as Exhibit A.

17. Unbeknownst to 21st Century, the real reason why RCN wanted Morgan Stanley to be 21st Century's advisor was to ensure that RCN's interests would not be harmed by the advice given to 21st Century's shareholders. Morgan Stanley understood that this was RCN's motivation for recommending Morgan Stanley to 21st Century.

18. On information and belief, one of Morgan Stanley's primary goals in accepting the engagement was to protect RCN's interests. In that regard, 21st Century knew that Morgan Stanley had represented RCN's interests in other significant transactions; i.e., that there was a technical conflict. However, Morgan Stanley did not disclose to 21st Century that one of Morgan Stanley's primary goals was to protect RCN's interests in this transaction; i.e., that there was an actual conflict of interest. Morgan Stanley also failed to disclose to 21st Century that Morgan Stanley would not provide the advice it was hired to provide if doing so would be detrimental to RCN's interests.

19. If the omissions described in paragraph 18 had been disclosed, 21st Century would not have engaged Morgan Stanley.

20. At the time Morgan Stanley was engaged, it knew both that the persons to be benefited by its services were the 21st Century stockholders, and that many of them, including Messrs. Joyce and Milligan, would (at the conclusion of the merger) have substantially all of their net worth invested in RCN common stock. Morgan Stanley also knew that approximately

50% of the 21st Century stockholders were individual investors with limited knowledge about investment vehicles and strategies.

21. In connection with the engagement, Morgan Stanley presented 21st Century's board of directors with a fairness opinion. (*See* Exhibit B). This fairness opinion was included in the merger documents submitted to 21st Century's shareholders with Morgan Stanley's consent. Morgan Stanley concluded in its fairness opinion that the merger was fair to 21st Century shareholders. As explained below, this fairness opinion was not based on an independent investigation by Morgan Stanley and it failed to address serious risks associated with the transaction and ways to hedge those risks.

22. Morgan Stanley's advice resulted in both an agreement being entered into between RCN and 21st Century on December 12, 1999 and 21st Century's shareholders voting to approve the merger of 21st Century into RCN. In addition to preparing and presenting its fairness opinion, Morgan Stanley also attempted to negotiate price protections for 21st Century's stockholders during the merger negotiations because Morgan Stanley knew it was important to protect 21st Century shareholders from the risks of owning RCN stock. RCN refused to agree to any price protections. As a result, 21st Century stockholders were subject to the risk of RCN stock price declines, as described below.

23. The 21st Century shareholders were at risk because as of December 12, 1999 there was no market for the common stock of 21st Century (and thus, the risk of owning that stock was impossible to hedge), and the 21st Century common stockholders would not obtain RCN common stock (which could easily be hedged) until the effective date of the merger (most likely April 28, 2000). The merger agreement provided that the obligation of RCN to exchange its shares for shares of 21st Century was subject to certain conditions, including specifically the

2/3's vote of all 21st Century stockholders and Morgan Stanley knew its fairness opinion would be relied on by RCN's shareholders in deciding to vote for the merger sale to RCN. Although all of the pre-closing conditions were likely to be satisfied, it was uncertain as to how long it would take to satisfy those conditions -- i.e., to reach "the effective date" -- since some of them required the consent of local, state and federal government agencies. Thus, although RCN common stock was selling for approximately \$45 per share as of December 12, 1999, the 21st Century shareholders were at risk that the price could drop dramatically before the effective date of the merger.

24. Notwithstanding the fact that the 21st Century stockholders would be subject to the risk that the value of RCN stock could drop precipitously during the period of time necessary to satisfy all of the pre-conditions to the merger, and that after the pre-closing conditions were met and the deal closed, 21st Century shareholders would receive very risky RCN stock, Morgan Stanley never explained the pre-closing and post-closing risks to the 21st Century shareholders. Morgan Stanley should have -- but did not -- introduce its derivatives desk to 21st Century to explain the risk and to how to hedge that risk. Morgan Stanley failed to do this because, as explained below, doing so would have been detrimental to RCN's interests. Because Morgan Stanley was trying to protect RCN's interests, Morgan Stanley failed to recommend to 21st Century that it advise its stockholders to take steps to protect themselves from the risks of owning RCN stock both during: (a) the period of time between December 12, 1999 and the effective date (approximately April 28, 2000), and (b) after the effective date.

25. Morgan Stanley knew that investment protection vehicles or strategies were readily available to both 21st Century and its shareholders that could have been easily implemented to protect them from any downside risk resulting from exchanging their 21st

Century common stock for RCN common stock. For example, during the period of December 12, 1999 to and including April 28, 2000, they could have purchased a “put” and, thereafter, the shareholders could have purchased a “collar” or entered into a “prepaid forward” at little or no cost.

26. Among the various reasons 21st Century common stockholders voted to merge with RCN was so they could exchange their illiquid shares of 21st Century for shares of RCN.

27. If Morgan Stanley was advising 21st Century with 21 Century’s interests as its top priority in the engagement, it would have strongly recommended that:

- a. during the period from December 12, 1999 to April 28, 2000, 21st Century purchase “puts” on RCN stock for the benefit of its shareholders, or engage in other similar strategies to protect 21st Century shareholders from a downturn in the market price of RCN stock; and
- b. after the merger became effective, the 21st Century stockholders with large concentrations of RCN stock, like Joyce, Milligan, and Keenan, purchase a “collar” or engage in a “prepaid forward”, or engage in some other similar strategy which would have protected them from the down side risk in owning a volatile security like RCN.

28. Morgan Stanley knew the importance of price protections, as evidenced by the fact that Morgan Stanley asked RCN to include price protections in the merger agreement.

Despite its knowledge of the importance of this advice, Morgan Stanley did nothing further to advise 21st Century about the need for and availability of price protections for 21st Century’s shareholders. Had Morgan Stanley given this advice to 21st Century, Joyce and Milligan, as directors of 21 Century, would have received this advice and acted on it.

29. Morgan Stanley intentionally failed to give the advice described in paragraphs 27 and 28 above because (a) the implementation of hedging transactions by 21st Century/RCN shareholders, such as a “put,” a “collar” or a “prepaid forward,” would have required the person/entity who sold the hedge to the 21st Century shareholder to sell a large concentration of RCN shares, which (b) could have depressed the market price of RCN stock, and (c) Morgan Stanley was motivated to support the price of RCN stock because RCN was a major client of Morgan Stanley.

30. If Morgan Stanley had given 21st Century and/or Plaintiffs the advice described in paragraphs 27 and 28 above, Plaintiffs would have implemented one or more of the recommended hedging strategies.

31. Morgan Stanley was very familiar with RCN and, in fact, had given advice to RCN about various corporate strategies. It published on a regular basis its opinions about whether individuals should buy, sell or hold RCN stock. At the time it was giving advice to 21st Century, Morgan Stanley had a published target price for RCN of \$63.00 per share.

32. While Morgan Stanley was giving its advice to 21st Century and through 21st Century to its shareholders, Morgan Stanley saw that the price of RCN stock was approaching its target price. Consequently, Morgan Stanley knew that as RCN approached its target price, the risk of holding RCN stock in the future would be enhanced. Nevertheless, Morgan Stanley never advised 21st Century to advise its shareholders to take steps to protect themselves from the down side risk of holding RCN stock.

33. Again, Morgan Stanley failed to give this advice because its primary goal in its engagement was to protect RCN’s interests -- not 21 Century’s.

34. Between December 12, 1999 and April 28, 2000, the share price of RCN common stock first rose and then dropped 63% from approximately \$45 to \$28.62. Over the next several months, the share price of RCN dropped even more precipitously and then soon became worthless.

35. None of the plaintiffs knew that hedging products, such as collars and prepaid forwards, existed and/or were appropriate products to protect their RCN investment when RCN's stock price was dropping.

36. The Joyce and Aufmann plaintiffs first learned about the existence of hedging products such as collars and prepaid forwards in around December 2002. Thus, the Joyce and Aufmann plaintiffs first discovered that they had suffered a wrongfully caused injury in or around December 2002.

37. The Milligan plaintiffs first learned about the existence of hedging products such as collars and prepaid forwards in or around March 2001. However, it was not until approximately September 2002 that the Milligan plaintiffs first learned that they could have used these complex hedging products to protect their investment in RCN. Thus, the Milligan plaintiffs first discovered that they had suffered a wrongfully caused injury in or around September 2002.

38. The Keenan plaintiffs first learned about the existence of hedging products such as collars and prepaid forwards sometime in 2005. Thus, the Keenan plaintiffs first learned that they had suffered a wrongfully caused injury sometime in 2005.

**COUNT I
FRAUD**

39. Plaintiffs incorporate by reference paragraphs 1 through 38 as though fully set forth herein.

40. As a result of its engagement, Morgan Stanley owed 21st Century and Plaintiffs a duty of full and fair disclosure.

41. Morgan Stanley intentionally failed to disclose the facts discussed in paragraphs 18 and 27 in order to protect its relationship with RCN.

42. If Morgan Stanley had given Plaintiffs the advice described in paragraphs 27 and 28 above, Plaintiffs would have implemented the recommended hedging strategy.

43. Plaintiffs have suffered substantial economic damage as a result of Morgan Stanley's fraudulent omissions.

WHEREFORE, Plaintiffs respectfully request damages in the amount of at least \$30,000,000 and/or all such other relief that this Court deems appropriate.

Respectfully submitted,
EDWARD T. JOYCE, MARY JAY JOYCE, JOYCE
RETIREMENT PLAN, EDWARD R. JOYCE, AMY
JOYCE, KATHERINE MARY JOYCE, JULIE
JOYCE SHERLOCK, ARTHUR W. AUFMANN,
AUFMANN PROFIT SHARING TRUST, GLENN
W. MILLIGAN, AVA M. MILLIGAN, JOSEPH D.
KEENAN III, SALLY KEENAN, and JOSEPH D.
KEENAN III AS CUSTODIAN FOR KATHARINE
P. KEENAN AND JOSEPH D. KEENAN IV

\\s\\ Robert D. Carroll
Attorney for Plaintiffs

William J. Harte
WILLIAM J. HARTE, LTD.
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Chicago, Illinois 60602
(312) 726-5015
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Robert D. Carroll
11 South LaSalle Street, Ste., 1600
Chicago, Illinois 60603
(312) 641-2600
Attorney No. 32513

TAB A

MORGAN STANLEY DEAN WITTER

155 BROADWAY
NEW YORK, NEW YORK 10036
(212) 761-4000

December 10, 1999

PERSONAL AND CONFIDENTIAL

Mr. Robert J. Currey
President and CEO
350 N. Orleans Street, Suite 600
Chicago, IL 60654-1509

Dear Bob:

Pursuant to our recent discussions, I am pleased to confirm the arrangements under which Morgan Stanley & Co. Incorporated ("Morgan Stanley") is engaged by 21st Century Telecom Group, Inc. ("21st Century" or the "Company") in connection with the proposed sale of the Company (the "Transaction").

During the term of our engagement we will provide you with financial advice and assistance in connection with this transaction, including advice and assistance with respect to defining objectives, performing valuation analysis, and structuring, planning and negotiating the transaction.

As you know, our fees for services in connection with a sale transaction depend on the outcome of the assignment and are designed to reflect our contribution to a major corporate objective. In the event that 21st Century reaches any agreement in connection with the Transaction, we will charge an "Exposure Fee" of \$500,000. The Exposure Fee is intended to compensate us for publicly associating Morgan Stanley's name as a financial advisor with the Transaction. The Exposure Fee is payable and is to be paid upon the execution of a definitive agreement to effect the Transaction.

In the event that the Transaction is concluded, we will charge a "Transaction Fee" of \$3,000,000 against which any aforementioned fees paid will be credited. The Transaction Fee will be payable and is to be paid by wire transfer on or prior to the conclusion of the transaction.

Upon your request and at no additional expense, we will render a financial opinion letter in accordance with our customary practice with respect to the consideration to be received in the transaction. The terms of our opinion and the nature and scope of any analysis and investigation we undertake in order to render such opinion shall be such as we consider appropriate in the circumstances. Any advice or opinions provided by Morgan Stanley may not be disclosed or

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referred to publicly or to any third party except in accordance with our prior written consent, which consent shall not be unreasonably withheld.

In addition to our fee for professional services, we will separately bill our expenses as incurred. Generally these expenses include travel costs, document production and other expenses of this type, and will also include the fees of outside counsel and other professional advisors should they be engaged with your consent.

Morgan Stanley will act under this letter agreement as an independent contractor with duties solely to 21st Century. Because we will be acting on your behalf in this capacity, it is our practice to receive indemnification. A copy of our standard indemnity form is attached to this letter.

As we have discussed, Morgan Stanley has been advising RCN Corporation ("RCN") in connection with the Transaction. RCN and 21st Century have requested that Morgan Stanley discontinue providing services to RCN and instead provide services to the Company. The Company understands that Morgan Stanley may use the same team members for this engagement. Additionally, 21st Century agrees that it will not assert any damage, conflict of interest or other claim against us, our affiliates or such other party arising out of our relationship with RCN on the basis of a conflict of interest or otherwise.

Please note that Morgan Stanley is a full service securities firm engaged in securities trading and brokerage activities, as well as providing investment banking, financing, and financial advisory services. In the ordinary course of our trading, brokerage, and financing activities, Morgan Stanley or its affiliates may at any time hold long or short positions, and may trade or otherwise effect transactions, for our own account or the accounts of customers, in debt or equity securities or senior loans of 21st Century, RCN or any other company that may be involved in this transaction.

Our services hereunder may be terminated with or without cause by you or by us at any time and without liability or continuing obligation to you or to us (except for any compensation earned and expenses incurred by us to the date of termination and except, in the case of termination by you, for our right to fees pursuant to this letter for any transactions effected within two years of such termination) and provided that the indemnity provisions will remain operative regardless of any such termination.

Morgan Stanley and 21st Century (on its own behalf and, to the extent permitted by law, on behalf of its shareholders) each waives any right to trial by jury in any action, claim, suit or proceeding with respect to Morgan Stanley's engagement as financial advisor or its role in connection herewith.

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If the terms of our engagement as set forth in this letter are satisfactory, kindly sign the enclosed copy of this letter and indemnification form and return them to us.

We look forward to working with 21st Century on this very important assignment.

Very truly yours,

MORGAN STANLEY & CO.
INCORPORATED

By: Derek H. Utter
Derek H. Utter
Vice President

Accepted:

21ST CENTURY TELECOM GROUP, INC.

By: Donald Allister

Title: CFO

Date: 12/10/99

Enclosure

56/6

TAB B

MORGAN STANLEY DEAN WITTER

1585 BROADWAY
NEW YORK, NEW YORK 10036
(212) 761-4000

December 10, 1999

Board of Directors
21st Century Telecom Group, Inc.
350 N. Orleans Street, Suite 600
Chicago, IL 60654-1509

Members of the Board:

We understand that 21st Century Telecom Group, Inc. ("21st Century" or the "Company"), RCN Corporation ("RCN") and 21st Holding Corp., a wholly owned subsidiary of RCN ("Acquisition Sub"), propose to enter into an Agreement and Plan of Merger, substantially in the form of the draft dated December 10, 1999 (the "Merger Agreement"), which provides, among other things, for the merger (the "Merger") of Acquisition Sub with and into 21st Century. Pursuant to the Merger, 21st Century will become a wholly owned subsidiary of RCN and each outstanding share of voting and non-voting common stock, no par value (the "21st Century Common Stock"), of 21st Century and each outstanding share of Class A Preferred Stock, no par value (the "21st Century Preferred Stock"), of 21st Century, other than shares held in treasury or held by RCN or any affiliate of RCN or 21st Century or as to which dissenters' rights have been perfected in each case, will be converted into the right to receive a certain number of shares of common stock, par value \$1.00 per share (the "RCN Common Stock"), of RCN determined pursuant to certain formulas set forth in the Merger Agreement which are based, on among other things, an Exchange Ratio and the receipt of the Franchise Amount, the Escrowed Common Consideration and the Escrowed Preferred Consideration (collectively, the "Consideration"). The terms and conditions of the Merger are more fully set forth in the Merger Agreement. Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed thereto in the Merger Agreement.

You have asked for our opinion as to whether the Consideration to be received by the holders of shares of the 21st Century Common Stock and the 21st Century Preferred Stock in the aggregate pursuant to the Merger Agreement is fair from a financial point of view to such holders.

For purposes of the opinion set forth herein, we have:

- (i) reviewed certain publicly available financial statements and other information of the Company and RCN;

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- (ii) reviewed certain internal financial statements and other financial and operating data concerning the Company prepared by the management of the Company;
- (iii) reviewed certain financial projections prepared by the management of the Company;
- (iv) reviewed certain financial projections for the Company and for RCN contained in certain securities analysts' research reports;
- (v) discussed the past and current operations and financial condition and the prospects of the Company, including information relating to certain strategic, financial and operational benefits anticipated from the Merger, with senior executives of the Company;
- (vi) discussed the past and current operations and financial condition and the prospects of RCN, including information relating to certain strategic, financial and operational benefits anticipated from the Merger, with senior executives of RCN;
- (vii) reviewed the reported prices and trading activity for the RCN Common Stock;
- (viii) compared the financial performance of the Company and RCN and the prices and trading activity of the RCN Common Stock with that of certain other comparable publicly-traded companies and their securities;
- (ix) reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;
- (x) reviewed the relevant provisions relating to the Notes and the Exchangeable Preferred;
- (xi) participated in discussions and negotiations among representatives of the Company and RCN and their financial and legal advisors;
- (xii) discussed certain tax and accounting issues with senior executives of the Company and with the Company's tax, accounting and legal advisors;
- (xiii) reviewed the draft Merger Agreement and certain related documents; and
- (xiv) performed such other analyses and considered such other factors as we have deemed appropriate.

We have assumed and relied upon without independent verification the accuracy and completeness of information supplied or otherwise made available to us by the Company and RCN for purposes of this opinion. With respect to the financial projections, including information relating to certain strategic, financial and operational benefits anticipated from the Merger, we have assumed that they have been reasonably prepared on basis reflecting the best

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currently available estimates and judgments of the future financial performance of the Company and RCN. As you know, RCN did not make available to us certain internal information or financial projections, and consequently we have relied with your consent on publicly available securities analysts' research reports on RCN. We have further assumed with your consent that the Merger will be consummated on the terms set forth in the Merger Agreement, including, among other things, that the Merger will be treated as a tax-free reorganization and/or exchange, each pursuant to the Internal Revenue Code of 1986. In addition, we have assumed that in connection with the receipt of all necessary regulatory approvals for the Merger, no restrictions will be imposed that would have a material adverse effect on the Company, RCN or the contemplated benefits expected to be derived in the Merger. We have not made any independent valuation or appraisal of the assets or liabilities of the Company, nor have we been furnished with any such appraisals. Our opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof.

We have acted as financial advisor to the Company in connection with this transaction and will receive a fee for our services. In the past, Morgan Stanley & Co. Incorporated ("Morgan Stanley") and its affiliates have provided financial advisory and financing services for RCN and have received fees for the rendering of these services. In connection with the proposed Merger, Morgan Stanley, prior to being retained by 21st Century, informally provided advice to RCN. Morgan Stanley will not receive any fees from RCN in connection with the Merger, and both RCN and 21st Century have waived any potential conflict of interest.

It is understood that this letter is for the information of the Board of Directors of the Company, except that this opinion may be included in its entirety in any filing required to be made by the Company in respect of the Merger. Morgan Stanley expresses no opinion as to the relative valuations of each of the voting and non-voting 21st Century Common Stock and the 21st Century Preferred Stock. In addition, this opinion does not in any manner address the prices at which the RCN Common Stock will trade following announcement or consummation of the proposed Merger, and Morgan Stanley expresses no opinion or recommendation as to how the holders of the 21st Century Common Stock should vote at the shareholders' meetings held in connection with the Merger.

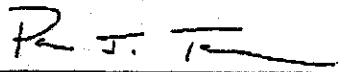
MORGAN STANLEY DEAN WITTER

Based upon and subject to the foregoing, we are of the opinion on the date hereof that the Consideration to be received by the holders of shares of the 21st Century Common Stock and the 21st Century Preferred Stock in the aggregate pursuant to the Merger Agreement is fair from a financial point of view to such holders.

Very truly yours,

MORGAN STANLEY & CO. INCORPORATED

By:



Paul J. Taubman
Managing Director