

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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**DECLARATION OF DAVID RASMUSSEN IN SUPPORT OF DEBTORS'
MOTION FOR ORDER UNDER 11 U.S.C. §§ 105 AND 363(b)
AUTHORIZING THE RETENTION OF SPENCER STUART AS
EXECUTIVE SEARCH CONSULTANTS FOR RCN CORPORATION**

David Rasmussen declares under penalty of perjury, pursuant to 28 U.S.C. §1746, that the following is true and correct:

1. I am the General Counsel of Spencer Stuart which maintains corporate offices at 401 N. Michigan #2600, Chicago, IL, 60611. Except as otherwise indicated, I have personal knowledge of the matters set forth herein. Certain disclosures herein relate to matters within the knowledge of other professionals at Spencer Stuart and are based on information received from them.

Professional Qualifications of Spencer Stuart

2. Spencer Stuart is a global executive search firm that identifies, interviews and evaluates potential executive and board candidates for corporations seeking to hire such candidates. Spencer Stuart has nearly 50 years of industry experience and employs nearly 300 consultants and operates a cohesive network of more than 50 offices in 25 countries. Spencer Stuart has developed an international

network of professionals experienced in both local and multi-national businesses, conducting more than 4,000 executive searches annually. Spencer Stuart's clients range from small, emerging companies to Fortune 500 companies and it is the undisputed leader in CEO and Board recruitment, with a 60% market share in CEO Recruitment for Fortune 500 companies.

3. Spencer Stuart has vast experience in and an international reputation for successfully assisting companies in locating high-level executives. Additionally, Spencer Stuart provides extensive services to its clients, including defining profiles of ideal candidates, selecting potential candidates and facilitating the hiring of such candidates.

4. Consultant John J. Keller leads Spencer Stuart's North American Communications Practice, whose business it is to engage with corporate clients in the Communications Services and Technology Industry and assist them in identifying and recruiting senior executives. John J. Keller is one of two Spencer Stuart consultants who have been retained by RCN Corporation ("RCN") to lead the Spencer Stuart team and assist RCN in finding a new Chief Executive Officer ("CEO"). The team also includes a senior research associate who specializes in identifying and assessing talent for projects in the communications sector.

Spencer Stuart's Relationship with Debtors

5. In July 2004 RCN contacted Spencer Stuart about its desire to recruit a new CEO. Shortly thereafter Spencer Stuart was chosen from among several competing firms, and RCN and Spencer Stuart entered into an engagement

letter, dated August 3, 2004 (the "Engagement Letter"), a copy of which is annexed hereto as Exhibit A. Pursuant to the Engagement Letter, Spencer Stuart agreed to provide executive search consultant services to assist RCN in its search for a new CEO. Spencer Stuart has agreed to work with RCN to identify, qualify and recruit appropriate candidates.

Spencer Stuart's Proposed Compensation

6. Spencer Stuart is paid on retainer by its clients, with no hourly fee structure. The retainer is set by calculating one-third of the projected first year's total cash compensation, including any potential first year bonus. Should one-third of the actual total cash compensation package, including any potential bonus, exceed the amount invoiced by Spencer Stuart, the retainer would be adjusted to one-third of the agreed-upon compensation, including any potential bonus. This fee is compensation for performing the search and is not contingent on the placement of a candidate. In addition, Spencer Stuart receives an additional amount equal to at least 10% of each retainer payment, to cover their administrative expenses in conducting the assignment.

7. In consideration for providing the services described in the Engagement Letter, Spencer Stuart would be compensated as follows, as more fully described in the Engagement Letter:

- (a) RCN agrees to pay Spencer Stuart a professional fee (the "Professional Fee") equal to the greater of \$150,000 or one-third of the actual first year's total cash compensation, including any potential bonus.

- (b) RCN agrees to pay to Spencer Stuart a retainer of \$150,000 (the "Retainer") to be applied towards the Professional Fee in 3 monthly installments. Each installment will include a \$5,000 overhead fee to cover the average cost, on a typical assignment, of office telephone, postage, computer communication, reprographics and contracted research. The retainer and overhead fee is to be paid in 3 installments of \$55,000, as follows: (i) upon the entry of an order granting the relief requested in this motion; (ii) August 31, 2004, and (iii) September 30, 2004. If applicable, there will be a final professional fee installment in order to adjust the retainer to one-third of the agreed upon compensation of the executive hired. In addition, RCN further agrees to reimburse Spencer Stuart for any applicable state and city service taxes.
- (c) If RCN terminates Spencer Stuart's retention for any reason within the first month, the Professional Fee will be equal to the first retainer installment plus any associated overhead and expenses it has incurred as described in "d." below. If RCN terminates Spencer Stuart's retention for any reason after the first month, the Professional Fee, associated overhead, and expenses will be prorated on a 90-day basis.
- (d) RCN agrees to reimburse Spencer Stuart for (i) the actual out-of-pocket expenses of consultants and candidates' interview and travel-related expenses such as videoconferencing costs, airfare, car rental/taxi fares, parking, meals, and lodging, and costs of any special report generated, and expedited delivery costs, (ii) the prorated portion of any out-of-office communications expenses, including cellular phone charges, and (iii) the cost of any supplemental background checks requested by RCN.
- (e) RCN agrees that if it hires any person that has been presented or identified to RCN other than for the position of CEO, within one year from the completion or termination of the search assignment, it will pay Spencer Stuart a fee equal to 1/3 of the first year total cash compensation for each such person, including any potential first year bonus.

8. All amounts to be paid by RCN to Spencer Stuart under the Engagement Letter are due as billed and are not contingent upon RCN actually hiring a candidate presented by Spencer Stuart. If RCN's CEO position has not been filled within 6 months, Spencer Stuart will conduct a detailed review of the engagement

with RCN, after which it may terminate the engagement or submit a supplementary proposal letter, which may incorporate additional fees.

9. Spencer Stuart agrees that if a person is hired as CEO of RCN and is subsequently terminated for cause within one year, for reasons that Spencer Stuart should have identified, then it will conduct a replacement search for no additional fee except that RCN agrees to reimburse Spencer Stuart for any expenses incurred in conducting any such replacement search.

10. Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: August 19, 2004

/s/ David Rasmussen
Name: David Rasmussen
Title: General Counsel, Spencer Stuart

EXHIBIT A