

November 15, 2004

RCN Corporation
105 Carnegie Center
Princeton, NJ 08540

Attention: John Dubel

Re: Second-Lien Secured Financing Commitment Letter

Ladies and Gentlemen:

1. You have informed Tejas Securities Group, Inc. ("Tejas") that RCN Corporation (the "Company") and certain of its subsidiaries (collectively, the "Debtors-in-Possession") (i) have filed voluntary petitions for relief under Chapter 11 of the United States Code entitled "Bankruptcy" (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") and (ii) pursuant to the joint plan of reorganization of the Debtors-in-Possession under the Bankruptcy Code filed with the Bankruptcy Court on October 12, 2004 (the "Plan"), plan to make cash payments in satisfaction of certain claims owing to certain creditors of the Debtors-in-Possession (to the extent provided in the Plan).

2. We also understand that in order to make such cash payments, to pay the fees and expenses incurred in connection with the Transaction (as defined below, but which in any event shall include the consummation of the Plan by the Company), and to provide for the working capital needs and general corporate requirements of the Company and its subsidiaries after giving effect to the Transaction, it is presently contemplated that the Company desires to issue convertible second-lien debt securities (the "Second-Lien Notes") which shall generate up to \$150.0 million of gross cash proceeds (the "Second-Lien Secured Financing", and, together with the First-Lien Credit Facility (as defined below) and the occurrences described in clause (ii) of the immediately preceding paragraph, being herein referred to as the "Transaction").

3. It is understood that the Second-Lien Secured Financing shall consist of up to \$150.0 million aggregate face principal amount of Second-Lien Notes. Any Notes that Tejas commits to purchase hereunder may at the discretion of Tejas be issued pursuant to a purchase agreement and/or an indenture (the "Second-Lien Note Purchase Facility"); it being understood that all of the Second-Lien Notes shall be issued on the closing date of the Transaction (the "Closing Date"). A summary of certain of the terms and conditions of the Second-Lien Note Purchase Facility is set forth in Exhibit A attached hereto (together with the Conditions Precedent set forth in Exhibit B hereto, the "Term Sheet"). Please note that those matters that are not covered or made clear herein or in the Term Sheet are subject to mutual agreement of the parties hereto.

4. Tejas is pleased to confirm that, subject to the terms and conditions set forth herein and in the Term Sheet, it (or its Permitted Assignees, as defined below) hereby commits to purchase up to \$150.0 million aggregate face principal amount of the Second-Lien Notes as follows:

Total Principal Amount of Second-Lien Notes Issued	Principal Amount of Second-Lien Notes Tejas Commits to Purchase	Guaranteed Minimum Commitment Allocation to Tejas
\$100,000,000	\$100,000,000	\$51,000,000
\$125,000,000	\$125,000,000	\$63,750,000
\$150,000,000	\$150,000,000	\$76,500,000

The Company shall have the right to (a) reduce the total principal amount of Second-Lien Notes to be issued and/or (b) designate members of the Company's creditors committee to purchase a portion of the Second-Lien Notes, it being understood that in no event shall Tejas' and/or its Permitted Assignees' commitment hereunder be greater than \$150.0 million or less than 51% of the total principal amount of Second-Lien Notes issued.

It is understood that at least ten business days prior to the expected Closing Date, the Company shall, by irrevocable written notice, notify Tejas of the final principal amount of Second-Lien Notes that Tejas and/or its Permitted Assignees shall be required to purchase. Tejas and any Permitted Assignees that purchase the Second-Lien Notes are referred to herein as "Purchasers" and any purchasers of Second Lien Notes designated by the Company are referred to herein as "Backstop Purchasers".

5. You represent, warrant and covenant that (a) the disclosure statement filed with and approved by the Bankruptcy Court pursuant to the Plan contains "adequate information" (as such term is defined in Section 1125 of the United States Bankruptcy Code) and (b)(i) no information which has been or is hereafter furnished by you or on your behalf to Tejas in connection with the transactions contemplated hereby, and (ii) no other information given at information meetings for the Purchasers and/or potential Purchasers and supplied or approved by you (such other information referred to in this clause (b)(ii) being referred to herein collectively as the "Information") taken as a whole together with the Plan contained (or, in the case of Information furnished after the date hereof, will contain), as of the time it was (or hereafter is) furnished, any material misstatement of fact or omitted (or will omit) as of such time to state any material fact necessary to make the statements therein taken as a whole not misleading, in the light of the circumstances under which they were (or hereafter are) made; provided that, with respect to Information consisting of statements, estimates and projections regarding the future performance of the Company and its subsidiaries (collectively, the "Projections"), no representation, warranty or covenant is made other than that the Projections have been (and, in the case of Projections furnished after the date hereof, will be) prepared in good faith based on assumptions believed to be reasonable at the time of preparation thereof. To the extent you have supplemented the Information and Projections pursuant to any request by Deutsche Bank under the Senior Secured Financing (as defined in Exhibit B hereto) or any other purchaser of Second-Lien Notes, you agree to promptly provide Tejas with any such supplements until the date of the initial purchasing under the Second-Lien Secured Financing, as appropriate, so that the representations and warranties in the preceding sentence remain correct; provided, however, that Tejas can request such supplements if it has a good faith belief that there has been a material adverse change in the Information and Projections; provided further, that you are not obligated to

update the information in the disclosure statement. Nothing in this Commitment Letter shall obligate you to make public any nonpublic information provided to any Purchaser and you may decline to provide such nonpublic information to any party not bound by appropriate confidentiality provisions. You understand that Tejas will use and rely on the Information and the Projections without independent verification thereof. You further agree to provide, or cause to be provided, to Tejas and its affiliates and designees, such information about the business, operation and assets of the Company and its subsidiaries as Tejas and its affiliates and designees may reasonably request, promptly upon the request thereof, provided that any nonpublic information so provided shall be subject to any confidentiality agreements that may be in effect with respect thereto or agreed upon between the Company and Tejas, as applicable.

6. You agree to notify Tejas in writing promptly upon your becoming aware of any event or occurrence that could result in a Material Adverse Effect (as defined in Exhibit B to the Term Sheet).

7. Tejas' commitments and agreements hereunder are subject to the terms and conditions set forth in Exhibit B to the Term Sheet.

8. To induce Tejas to issue this letter (together with the Term Sheet, this "Commitment Letter") and to proceed with the documentation of the proposed Second-Lien Secured Financing, you hereby agree that all reasonable fees and expenses (including the reasonable fees and expenses of Akin Gump Strauss Hauer & Feld LLP) of Tejas and its affiliates and designees arising in connection with this Commitment Letter and in connection with the Transaction and the other transactions described herein (including in connection with our due diligence) incurred on or after August 1, 2004 shall constitute allowed administrative expenses pursuant to section 503(b) of the Bankruptcy Code and shall be for your account and the joint and several account of the other Debtors-in-Possession (and that you shall from time to time upon request from Tejas reimburse it and its affiliates and designees for all such fees and expenses paid or incurred by them within 10 business days of receipt of an invoice for any such fees and expenses, subject to any requirement under the Bankruptcy Code that such reimbursement of fees and expenses be approved by the Bankruptcy Court), whether or not the Transaction is consummated, the Second-Lien Secured Financing is made available or definitive documents for the Second-Lien Note Purchase Facility are executed (the "Expense Reimbursement"). In connection therewith, we acknowledge receipt by our counsel, Akin Gump Strauss Hauer & Feld LLP, of the sum of \$200,000 by wire transfer in immediately available funds, which amount represents a refundable deposit on account of the Expense Reimbursement. If less than \$200,000 in expenses are incurred by or on behalf of Tejas and its designees, the unused portion thereof will be returned to you; provided, however, that you will not be entitled to receive any interest thereon. You further agree to indemnify and hold harmless (and that the other Debtors-in-Possession shall be jointly and severally obligated to indemnify and hold harmless) Tejas, each Purchaser (including, in any event, each Backstop Purchaser) and their respective affiliates and each director, officer, employee, representative and agent thereof (each, an "indemnified person") from and against any and all actions, suits, proceedings (including any investigations or inquiries), claims, losses, damages, liabilities or expenses of any kind or nature

whatsoever, which may be incurred by or asserted against or involve Tejas, any Purchaser or any other such indemnified person as a result of or arising out of or in any way related to or resulting from this Commitment Letter or the Transaction and to pay and reimburse Tejas, each Purchaser and each other indemnified person from time to time promptly following its demand for any reasonable legal or other out-of-pocket expenses incurred in connection with investigating, defending or preparing to defend any such action, suit, proceeding (including any inquiry or investigation) or claim (whether or not Tejas, any Purchaser or any other such indemnified person is a party to any action or proceeding out of which any such expenses arise); provided, however, that you shall not have to indemnify any indemnified person against any loss, claim, damage, expense or liability to the extent same resulted from the gross negligence or willful misconduct of the respective indemnified person (as determined by a court of competent jurisdiction in a final and non-appealable judgment). Any amounts due and payable to an indemnified person pursuant to this paragraph also shall constitute an allowed administrative claim pursuant to section 503(b) of the Bankruptcy Code. This Commitment Letter is issued for your benefit only and no other person or entity may rely hereon. Neither Tejas nor any other indemnified person shall be responsible or liable to you or any other person or entity for (x) any determination made by it pursuant to this Commitment Letter in the absence of gross negligence or willful misconduct on the part of such person (as determined by a court of competent jurisdiction in a final and non-appealable judgment) or (y) any consequential, special, indirect or punitive damages which may be alleged as a result of this Commitment Letter or the financing contemplated hereby.

9. Tejas may at any time and from time to time assign its commitment to purchase the Second-Lien Notes hereunder in whole or in part to any affiliate of Tejas or any other person (which may include other creditors of the Company, as contemplated by the Plan) so long as Tejas reasonably believes that any such affiliate or other person is an "accredited investor" or a "qualified institutional buyer" as such terms are defined under the Securities Act of 1933, as amended (the "Securities Act") (each a "Permitted Assignee"). Prior to the Closing Date, Tejas shall notify the Company of the names of, and aggregate principal amounts of the Second-Lien Notes to be purchased by, any Permitted Assignees. In the event that a Permitted Assignee shall execute a joinder agreement in form and substance reasonably acceptable to you and Tejas, which joinder agreement shall (i) indicate the aggregate principal amount of the Second-Lien Notes committed to be purchased by such Permitted Assignee, (ii) provide for the assumption by such Permitted Assignee of the obligation to purchase such portion of the aggregate principal amount of the Second-Lien Notes so indicated and (iii) confer on such Permitted Assignee the rights of Tejas hereunder to the extent of such commitment, Tejas' commitment to purchase the Second-Lien Notes hereunder shall be reduced by the aggregate principal amount of the Second-Lien Notes committed to be purchased by such Permitted Assignee. Tejas reserves the right to employ the services of its affiliates and designees in providing services contemplated by this Commitment Letter and to allocate, in whole or in part, to its affiliates or designees certain fees payable to Tejas in such manner as Tejas and its affiliates and designees may agree in their sole discretion. You further acknowledge that Tejas may share with any of its affiliates or designees, and such affiliates or designees may share with Tejas, any information related to the Transaction, the Company and its subsidiaries and affiliates,

or any of the matters contemplated hereby, subject to any confidentiality agreements that may be in effect with respect thereto or agreed upon between the Company and Tejas, as applicable.

10. You agree that this Commitment Letter is for your confidential use only and that, unless Tejas has otherwise consented, neither its existence nor the terms hereof will be disclosed by you to any person or entity other than your officers, directors, employees, accountants, attorneys, holders of your senior notes and your existing senior lenders and other advisors, and then only on a "need to know" basis in connection with the transactions contemplated hereby and on a confidential basis. Notwithstanding the foregoing, (x) you shall be permitted to furnish a copy hereof (together with disclosure of the fees payable pursuant to the Term Sheet) to the Bankruptcy Court, any committee appointed in the cases, the U.S. Trustee and other required parties in interest in connection with the Transaction, and (y) following your acceptance of the provisions hereof and your return of an executed counterpart of this Commitment Letter to us as provided below, (i) you may make public disclosure of the existence and amount of the commitments hereunder and of the identity of Tejas as the purchaser, (ii) you may file a copy of this Commitment Letter in any public record in which it is required by law to be filed and (iii) you may make such other public disclosure of the terms and conditions hereof as, and to the extent, you are required by law, in the opinion of your counsel, to make. Tejas shall have the right to review and approve all public announcements and filings relating to the transactions contemplated hereby which refer to Tejas, any of its affiliates or designees and any Purchaser before they are made (such approval not to be unreasonably withheld). If this Commitment Letter is not accepted by you as provided below, please immediately return this Commitment Letter (and any copies hereof and thereof) to the undersigned.

11. The provisions of paragraphs 5-13 of this Commitment Letter shall survive any termination of this Commitment Letter.

12. This Commitment Letter (and your rights and obligations hereunder) shall not be assignable by you to any person or entity without the prior written consent of Tejas (and any purported assignment without such consent shall be null and void). This Commitment Letter may not be amended or waived except by an instrument in writing signed by you and Tejas. This Commitment Letter may be executed in any number of counterparts, each of which shall be an original and all of which, when taken together, shall constitute one agreement. Delivery of an executed signature page of this Commitment Letter by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof or thereof, as the case may be. This Commitment Letter shall be governed by, and construed in accordance with, the laws of the State of New York. This Commitment Letter sets forth the entire agreement between the parties as to the matters set forth herein and supersedes all prior communications, written or oral, with respect to the matters herein.

13. EACH OF THE PARTIES HERETO HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY CLAIM, ACTION, SUIT OR PROCEEDING ARISING OUT OF OR CONTEMPLATED BY THIS COMMITMENT LETTER. YOU HEREBY SUBMIT TO THE NON-EXCLUSIVE JURISDICTION OF THE FEDERAL AND NEW YORK STATE COURTS LOCATED IN THE COUNTY OF NEW YORK IN

CONNECTION WITH ANY DISPUTE RELATED TO THIS COMMITMENT LETTER OR ANY MATTERS CONTEMPLATED HEREBY.

14. Notwithstanding anything to the contrary contained herein, the obligations of the Company under this Commitment Letter are subject to the approval of the Bankruptcy Court and this Commitment Letter shall terminate and expire without further notice if the approval of the Bankruptcy Court is not obtained on or before November 17, 2004. The Company agrees to use its best efforts to seek and obtain the approval of the Bankruptcy Court. Upon approval of the Bankruptcy Court, the Company shall pay any and all fees pursuant to the Term Sheet; it being further understood that all such fees are fully earned when paid and are non-refundable.

15. Tejas' (and its Permitted Assignees') willingness, and commitments, with respect to the Second-Lien Secured Financing as set forth above will automatically terminate on the first to occur of (x) January 31, 2005 or (y) the date on which the Transaction has been consummated and definitive documentation (which shall include, without limitation, a note purchase agreement or indenture, as determined by Tejas, and all related documentation) evidencing each component of the Second-Lien Secured Financing, in form, scope and substance satisfactory to Tejas, shall have been entered into; provided, however, the Company may extend the January 31, 2005 commitment expiration date to February 28, 2005 (the "First Extension Date") if on or before January 15, 2005 the Company pays Tejas a non-refundable fee of \$250,000 (the "First Extension Fee"); provided further, however, that if the Company exercises the First Extension Date and pays Tejas the First Extension Fee, then the Company may extend the First Extension Date to March 31, 2005 by paying Tejas an additional non-refundable fee of \$250,000 on or before February 15, 2005.

16. Notwithstanding anything herein to the contrary, the offer made by Tejas represented by this Commitment Letter (the "Offer") shall terminate unless it has been accepted by the Company executing and delivering this Commitment Letter to Tejas, on or before 5:00 p.m. (EST) on November 16, 2004. Unless this Commitment Letter is accepted in such manner by the time and date provided in the immediately preceding sentence, the Offer shall terminate and may not thereafter be accepted by the Company without the consent of Tejas.

17. For the avoidance of doubt, if *any* of the terms and conditions of this Commitment Letter are not fully satisfied within the deadlines set forth herein for such satisfaction, Tejas and any Permitted Assignee shall be relieved of any and all financing or other obligations under this Commitment Letter; provided, however, that notwithstanding any failure of any terms and conditions set forth herein: (a) Tejas shall under no circumstances be required to refund the Commitment Fee to any party; and (b) Tejas shall remain entitled to the Expense Reimbursement.

* * *

Very truly yours,

TEJAS SECURITIES GROUP, INC.

By: Morris D. Weiss
Name: Morris D. Weiss
Title: Managing Director

Agreed to and Accepted this
__ day of November, 2004:

RCN CORPORATION

By: _____
Name:
Title:

EXHIBIT A

SUMMARY OF CERTAIN TERMS OF CONVERTIBLE SECOND-LIEN NOTES

Unless otherwise defined herein, capitalized terms used herein and defined in the letter agreement to which this Exhibit A is attached (the "Commitment Letter") are used herein as therein defined.

I. Description of Convertible Second-Lien Notes

Issuer:	RCN Corporation (the " <u>Company</u> ").
Issue:	Convertible Second-Lien Notes (the " <u>Second-Lien Notes</u> "). The Second-Lien Notes will be (i) issued on the Closing Date and (ii) used solely to finance, in part, the Transaction and to pay the fees and expenses incurred in connection therewith.
Principal Amount:	\$150 million, subject to reduction to \$125 million in the event Deutsche Bank increases the First-Lien Credit Facility by \$25 million.
Issue Price:	Par.
Maturity:	7 ½ years; <u>provided, however</u> , in no event will the maturity date occur any later than 90 days before the maturity date of the Company's contemplated Evergreen loan (the " <u>Evergreen Indebtedness</u> ").
Interest Rate:	7.25% per annum.
Default Interest:	Overdue principal, interest and other amounts shall bear interest at a rate per annum equal to the rate which is 2.0% in excess of the rate then otherwise borne by the Second-Lien Notes. Such default interest shall be payable upon demand.
Interest Payments:	Semiannually, on July 15 and January 15, commencing on July 15, 2005, accruing on a 30/360 basis.
Ratings:	None.

II. Terms Applicable to the Second-Lien Notes

Purchasers:	Tejas Securities Group, Inc. (" <u>Tejas</u> ") and/or its affiliates and/or designees (determined in the sole discretion of Tejas) that are accredited investors or qualified institutional buyers, which may include certain other creditors of the Company, as contemplated by the Plan (collectively, the " <u>Purchasers</u> "); certain members of the creditors committee to be identified by
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	the Company or other purchasers will agree to purchase Second-Lien Notes not purchased by Tejas or other Purchasers (collectively, the " <u>Backstop Purchasers</u> ").
Guaranties:	Each direct and indirect domestic subsidiary of the Company that guarantees the First-Lien Credit Facilities (each, a " <u>Guarantor</u> " and, collectively, the " <u>Guarantors</u> ") shall be required to provide an unconditional guaranty of all amounts owing under the Second-Lien Notes (the " <u>Guaranties</u> "). Such Guaranties shall be in form and substance mutually agreeable to Tejas and the Company.
Security:	<p>The Company and each Guarantor shall grant valid and perfected second-priority liens and security interests in the collateral that secures the First-Lien Credit Facilities (the "<u>Collateral</u>"), which Collateral shall be satisfactory to the Purchasers. The liens and security interests securing the Second-Lien Notes shall be senior to the third-priority liens and security interests in the collateral that secures the Evergreen Indebtedness.</p> <p>All documentation evidencing the security required shall be in form and substance mutually agreeable to Tejas and the Company.</p>
Intercreditor Matters:	The priority of the security interests in the Collateral and related creditors rights will be set forth in an intercreditor agreement satisfactory to Tejas and the lenders under the First-Lien Credit Facilities (the " <u>Intercreditor Agreement</u> "). The Intercreditor Agreement will provide that the rights of holders of the Second-Lien Notes will be "silent" for so long as borrowings under the First-Lien Credit Facilities remain outstanding; <u>provided, however</u> , the Intercreditor Agreement will permit the holders of the Second-Lien Notes to enforce their liens at any time after acceleration or final maturity of the Second-Lien Notes (and after a further 120 day notice period), subject to the obligation to turnover the net proceeds derived from the enforcement to the lenders under the First-Lien Credit Facilities and the ability of such lenders to take over and pursue in a commercially reasonable manner the enforcement proceeding. In addition, the holders of the Evergreen Indebtedness will be "silent" for so long as the Second-Lien Notes (or any refinancing thereof) remain outstanding.
Ranking:	The Second-Lien Notes will be unsubordinated obligations of the Company and the Guarantors, <i>pari passu</i> in right of payment

	with the First-Lien Credit Facilities.
Optional Prepayment:	At any time after the third anniversary of the Closing Date, the Second-Lien Notes may be prepaid, in whole or in part, upon written notice, at the option of the Company together with accrued interest to the prepayment date and with a premium of 7%, declining by 1% per year beginning on the fourth anniversary of the issuance date of the Second-Lien Notes to 1%, in cash if and only if the common stock of the Company (the " <u>Common Stock</u> ") has a closing price of at least 150% of the conversion price for 30 consecutive trading days.
Offer to Repurchase:	The Company will offer to repurchase the Second-Lien Notes at a price equal to 100% of principal amount plus accrued and unpaid interest thereon, with, subject to certain agreed exceptions, (i) the net proceeds from the issuance of any other indebtedness by the Company or any of its Subsidiaries to the extent not required to be paid to the Lenders under the First-Lien Credit Facilities; or (ii) the net proceeds from asset sales (to be defined) by the Company or any of its Subsidiaries in excess of the sum of (y) the amount thereof required to be paid to the Lenders under the First-Lien Credit Facilities and (z) amounts reinvested in property (including capital expenditures) to be used in the Company's existing lines of business within 365 days of the date of consummation of the asset sale. Any holder of Second-Lien Notes that accepts the offer to repurchase shall be prepaid at an amount equal to principal, together with accrued interest to the prepayment date.
Change of Control:	<p>Each holder of Second-Lien Notes will be entitled to require the Company, and the Company must offer, to repay the Second-Lien Notes held by such holder at a price of 101% of the principal amount thereof, plus accrued interest, upon the occurrence of a Change of Control (to be defined).</p> <p>In addition, if on or prior to the third anniversary of the Closing Date a Change of Control shall occur pursuant to which 75% or more of the consideration for the Company's common stock consists of cash, property or securities that are not listed on a national securities exchange or quoted on a national inter-dealer quotation system, the Purchasers may require the Company, and the Company must offer, to repurchase the Second-Lien Notes held by the Purchasers at a price of 107% of the principal amount thereof, plus accrued and unpaid interest thereon. After the third anniversary of the Closing Date, if a Change of</p>

	Control occurs pursuant to which 75% or more of the consideration for the Company's common stock consists of cash, property or securities that are not listed on a national securities exchange or quoted on a national inter-dealer quotation system, the Company must offer to repay the Second-Lien Notes at a price of 101% of the principal amount thereof, plus accrued interest (as contemplated by the immediately preceding paragraph).
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III. Conversion of Second-Lien Notes

Assumed Primary Shares:	36,020,850 (per Plan of Reorganization).
Assumed Initial Stock Price:	\$20.00 per share (\$20.97 if StarPower Communications LLC (" <u>StarPower</u> ") is acquired no later than one business day following the Closing Date).
Initial Conversion Premium:	Initial Stock Price plus 20% of the Initial Stock Price.
Assumed Initial Conversion Price; Adjustments:	\$24.00 (to be revised to \$25.16 if StarPower Communications LLC (" <u>StarPower</u> ") is acquired no later than one business day following the Closing Date). In the event of a consolidation, merger or other business combination, reclassification, recapitalization or other reorganization involving the Company which alters or affects the Common Stock, appropriate adjustments to the conversion rights of the Second-Lien Notes will be made to take into account the transaction.
Assumed Initial Conversion Ratio:	41.6667 shares of Common Stock per \$1,000 principal amount of Second-Lien Notes (to be revised to 39.7456 if StarPower is acquired no later than one business day following the Closing Date).
Anti-Dilution:	Standard anti-dilution provisions appropriate for transactions of this type which will apply to the Conversion Price.
Convertibility:	The holders of the Second-Lien Notes may, at their option, at any time or from time to time convert all or any portion of the Second-Lien Notes into Common Stock at the then applicable Conversion Rate.
Listing:	The Company will list the Common Stock on NYSE or NASDAQ National Market System within 90 days of emergence from Chapter 11. The failure to list the Common Stock within such 90-day period (a " <u>Listing Default</u> ") will result in an automatic increase in the interest rate on the

	<p>Second-Lien Notes in an amount equal to 25 basis points (“bps”) per annum of the principal amount of the Second-Lien Notes and thereafter the interest rate on the Second-Lien Notes shall automatically increase by an additional amount equal to 25bps per annum each quarter while a Listing Default is continuing until the Listing Default has been cured, subject to a maximum increase of 200bps per annum. In addition, the Company will cause the Common Stock underlying the Second-Lien Notes to be listed on NYSE or NASDAQ National Market System at or prior to the Effective Date (as defined herein). The failure to list the Common Stock at the Effective Time will also be deemed a Listing Default and will result in an automatic increase in the interest rate on the Second-Lien Notes in an amount equal to 25 bps per annum of the principal amount of the Second-Lien Notes and thereafter the interest rate on the Second-Lien Notes shall automatically increase by an additional amount equal to 25bps per annum each quarter while a Listing Default is continuing until the Listing Default has been cured, subject to a maximum increase of 200bps per annum.</p>
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IV. Additional Terms Applicable to the Second-Lien Notes

Representations and Warranties:	The documentation for the Second-Lien Notes will contain representations and warranties usual and appropriate for facilities and transactions of this type and substantially similar to the representations and warranties contained in the First-Lien Credit Facilities with such modifications as shall be mutually determined by the Purchasers and the Company.
Covenants:	
<i>Maximum Total Debt / EBITDA</i>	No covenant
<i>Maximum First Lien Debt under the Intercreditor Agreement</i>	Greater of (a) 4x LTM EBITDA (determined on the basis of the most recently available financial statements at the time of incurrence of the debt) and (b) \$380,000,000 (\$400 million if Starpower is acquired and financed with additional first lien debt); in either case, plus an additional basket for first lien debt in an amount equal to 10% of the aggregate First-Lien Credit Facility commitment as originally in effect. Hedges and swaps with respect to an aggregate notional amount not in excess of \$325 million (the “ <u>Aggregate H/S Amount</u> ”) with the lenders under the First-Lien Credit Facility shall not be subject to this aggregate amount. Hedges and swaps in excess of the

	Aggregate H/S Amount shall be subject to the limit above. At the time the Company enters into hedges and swaps, the lender shall receive a representation from the Company that it is within the limitation above and that such lender shall be entitled to the security/benefits of the Intercreditor Agreement regardless of a subsequent determination to the contrary.
<i>Liens</i>	No other second lien debt permitted. No junior liens other than (a) a lien granted to Evergreen in the initial principal amount of up to \$35,000,000 or as determined by the Bankruptcy Court at the confirmation hearing and (b) junior liens permitted by the First-Lien Credit Facility which shall be mutually agreed upon by the Purchasers, the Company and the lenders under the First-Lien Credit Facility. No liens senior to the Second-Lien Notes (other than (x) senior liens for the First-Lien Credit Facility, including senior liens on the term loan, the L/C facility and, to the extent permitted above, hedges and swaps, provided that the principal amount secured by such senior liens does not exceed, individually or in the aggregate, the amount contemplated by "Maximum First Lien Debt Under the Intercreditor Agreement" above) and (y) liens (other than those securing the First-Lien Credit Facility) permitted by the First-Lien Credit Facility which shall be mutually agreed upon by the Purchasers, the Company and the lenders under the First-Lien Credit Facility.
<i>Minimum Interest Coverage</i>	No covenant.
<i>Restricted Payments</i>	No restricted payments (including dividends, stock purchases, payments on subordinated debt and investments (other than permitted investments to be agreed to by Tejas, the lenders under the First-Lien Credit Facilities and the Company) if (i) a default has occurred and is continuing (or would result therefrom), (ii) the Company is not entitled to incur an additional \$1.00 of indebtedness under its debt incurrence test or (iii) the aggregate amount of such restricted payment together with all other restricted payments since the original issue date of the Second-Lien Notes would be in excess of the sum of (a) 50% of cumulative consolidated net income (or 100% of cumulative consolidated net losses) of the Company from the Closing Date, (b) 100% of net cash proceeds from equity issuances of the reorganized Company from the Closing Date, plus (c) \$10,000,000 basket, subject to change to be

	consistent with the First-Lien Credit Facilities.
<i>Other Covenants</i>	In addition to the foregoing, the documentation for the Second-Lien Notes will contain modified high yield covenants to be mutually agreed upon by the Purchaser, the Company and the lenders under the First-Lien Credit Facility; <u>provided</u> , that the covenants (other than those described above) and defaults and cures shall in no case be more restrictive to the Company than those set forth in the First-Lien Credit Facilities.
Events of Default:	The documentation for the Second-Lien Notes will contain events of default which are usual and customary for Second-Lien Notes and transactions of this type (and comparable in scope to the events of default under the First-Lien Credit Facilities) and which are to be mutually agreed upon by the Company and the Purchasers; <u>provided</u> , such events of default shall include defaults for the following: (a) misrepresentations and breach of warranties in any material respect; (b) nonpayment of principal; (c) nonpayment of interest for ten business days; (d) final judgments against the Company or any Significant Subsidiary (as defined below) in excess of a specified amount; (e) failure of any guarantee to be in effect or any assertion of any Guarantor to such effect; (f) failure of any security interest in excess of a specified amount to be in effect with the priority set forth above; (g) failure to comply with covenants (with a 30 day grace period for covenants); (h) bankruptcy, etc. with respect to the Company or any Significant Subsidiary; and (i) cross acceleration to outstanding debt in excess of \$10 million. As used above, "Significant Subsidiary" shall mean any subsidiary or group of subsidiaries that constitute a "significant subsidiary" under Regulation S-X (but substituting 5% for 10% in the definition).
Board Nomination:	Upon execution of this Commitment Letter, Tejas and/or its affiliates and designees (to the extent such affiliates or designees are directly or indirectly controlling or controlled by or under direct or indirect common control with Tejas) (collectively, the " <u>Tejas Parties</u> ") shall receive the right, but not the obligation, to nominate on or prior to November 19, 2004 one qualified candidate for election as a director of the Company with such director's term to begin on the Closing Date and to be included as a nominee in the proxy statement of

	the Company; <u>provided, however</u> , that this right shall continue through the Closing Date and thereafter for as long as the original Purchasers continue to hold at least 40% of the outstanding Second-Lien Notes; any director serving at the nomination of the Tejas Parties after the original Purchasers no longer hold at least 40% of the outstanding Second-Lien Notes shall be subject to replacement in accordance with the Company's Certificate of Incorporation and bylaws.
Conditions Precedent:	As provided in <u>Exhibit B</u> to the Commitment Letter.
Assignments:	Holders of the Second-Lien Notes shall have the absolute and unconditional right to assign all or a portion of the Second-Lien Notes held by such holders in compliance with applicable law to any third party at any time.
Documentation; Governing Law:	The Purchasers' commitments will be subject to the negotiation, execution and delivery of definitive financing agreements (and related security documentation, intercreditor agreement, guaranties, etc.) consistent with the terms of this Term Sheet and mutually agreeable to Tejas and the Company (including, without limitation, as to the terms, conditions, representations, covenants and events of default contained therein). All documentation shall be governed by the internal laws of the State of New York (except security documentation that Tejas determines should be governed by local law).
Registration:	The Company shall enter into a registration rights agreement with Tejas and each Initial Purchaser on terms satisfactory to Tejas and the Company (the " <u>Registration Rights Agreement</u> "). The Registration Rights Agreement will provide that the Company will have (i) 60 days after the date of the filing with the SEC of its Form 10-K for the fiscal year ended December 31, 2004 (the " <u>Filing Date</u> ") to file a shelf registration statement with the SEC to register the Second-Lien Notes and the shares of Common Stock underlying the Second-Lien Notes (the " <u>Shelf Registration Statement</u> "); and (ii) 90 days after the date of the filing of the Shelf Registration Statement to cause the Shelf Registration Statement to become effective (the date of effectiveness, the " <u>Effective Date</u> "); <u>provided, however</u> , in no event shall the Effective Date of the Shelf Registration Statement be after September 30, 2005 (the " <u>Outside Date</u> "). The Company shall keep the Shelf

	<p>Registration Statement effective for three years following the Effective Date unless prior to the expiration of such three year period all of the securities covered thereby have been sold or all remaining unsold securities can be sold without regard to the volume or manner of sale limitations under Rule 144 (without giving effect to Rule 144(k)). In the event the Company fails to (i) file the Shelf Registration Statement by the Filing Date, (ii) cause the Shelf Registration Statement to be declared effective by the Effective Date, (iii) cause the Shelf Registration Statement to be declared effective by the Outside Date or (iv) keep the Shelf Registration Statement effective for three years following the Effective Date (or such earlier period when it may be terminated as set forth above)(each, a “<u>Registration Default</u>”), then, immediately following the occurrence of a Registration Default, the interest rate on the Second-Lien Notes shall automatically increase in an amount equal to 25bps per annum of the principal amount of the Second-Lien Notes and thereafter the interest rate on the Second-Lien Notes shall automatically increase by an additional amount equal to 25bps per annum each quarter while a Registration Default is continuing until all Registration Defaults have been cured, subject to a maximum increase of 200bps per annum.</p>
Commitment Fee:	<p>In addition to any fees the Purchasers may be entitled to pursuant to “Commitment Termination” below, the Purchasers will receive a 100bps commitment fee (the “<u>Commitment Fee</u>”) upon execution of the Commitment Letter. The Commitment Fee shall be paid to the Purchasers pro rata based on the percentage of the maximum aggregate principal amount of the Second-Lien Notes each Purchaser initially commits to purchase in writing (regardless of whether such initial amount is subsequently reduced) (it being understood that Tejas’ commitment fee shall be \$1,000,000). Tejas shall have the right, but not the obligation, to (i) defer payment of some or all of the Commitment Fee and, to the extent applicable, Commitment Extension Fees (as defined below), owed to it to a later date and (ii) require the Company to pay some or all of the Commitment Fee and, to the extent applicable, Commitment Extension Fees, owed to it to Tejas’ affiliates and designees.</p>

Commitment Termination:	<p>The commitments hereunder shall terminate on January 31, 2005 (the "<u>Expiration Date</u>"), unless definitive documentation with respect to the Second-Lien Notes has been executed and delivered, the Transaction has been consummated and the Second-Lien Notes have been issued. The Company is entitled to extend the Expiration Date (i) on or before January 15, 2005 through February 28, 2005 by paying the Purchasers a fee of 25bps (the "<u>First Extension Fee</u>") and (ii) on or before February 15, 2005 through March 31, 2005 by paying the Purchasers an additional fee of 25bps (the "<u>Second Extension Fee</u>" and together with the First Extension Fee, the "<u>Commitment Extension Fees</u>"). The Commitment Extension Fees shall be paid to the Purchasers pro rata based on the percentage of the maximum aggregate principal amount of the Second-Lien Notes each Purchaser initially commits to purchase in writing (regardless of whether such initial amount is subsequently reduced). It being understood that the First Extension Fee paid to Tejas would be \$250,000 and the Second Extension Fee paid to Tejas would be \$250,000.</p>
Placement Fee	<p>Tejas will be entitled to a fee equal to 100bps of the aggregate principal amount of Second-Lien Notes actually purchased by the Purchasers on the Closing Date, payable on the Closing Date.</p>
Indemnification:	<p>The documentation for the Second-Lien Notes will contain customary indemnities for the Purchasers (other than as a result of the respective Purchaser's gross negligence or willful misconduct as determined by a court of competent jurisdiction in a final and non-appealable decision). The Registration Rights Agreement will also contain customary indemnities.</p>

EXHIBIT B

CONDITIONS PRECEDENT TO THE SECOND-LIEN NOTE PURCHASE FACILITY

Those conditions precedent that are usual and customary for these types of facilities, and such additional conditions precedent as are appropriate under the circumstances. Without limiting the foregoing, the following conditions shall apply:

1. The structure and all terms of, and the documentation for (including an intercreditor agreement and security documents), each component of the Transaction shall be reasonably satisfactory in form and substance to Tejas, and such documentation shall be (or, substantially simultaneously with the consummation of the Transaction shall be) in full force and effect. Any indenture governing the Second-Lien Notes shall conform in all material respects to the requirements of the Trust Indenture Act of 1939, as amended. All conditions precedent to the consummation of the Transaction, as set forth in the documentation relating thereto, shall have been satisfied to the reasonable satisfaction of Tejas, and not waived in any manner that is materially adverse to Tejas except with the consent of Tejas. Each component of the Transaction shall have been consummated substantially in accordance with the documentation therefor and all applicable laws.
2. After giving effect to the consummation of the Transaction, the Company and its subsidiaries shall have no outstanding preferred equity, indebtedness or contingent liabilities, except for (i) indebtedness incurred pursuant to the Second-Lien Secured Financing, (ii) indebtedness incurred with respect to the Senior Secured Financing (the "First-Lien Credit Facilities") as contemplated by the commitment letter dated May 24, 2004 (the "Senior Commitment Letter") between the Company, Deutsche Bank AG Cayman Islands Branch and Deutsche Bank Securities Inc. (but excluding any indebtedness contemplated in the Senior Commitment Letter with respect to any Second-Lien Credit Facility, as defined therein), and (iii) certain other debt, consisting of the Evergreen Indebtedness and capital leases (in an aggregate amount not to exceed \$50.0 million) and other liabilities that will be assumed pursuant to the Plan (as so assumed, the "Assumed Liabilities"). All terms and conditions (and the amount) of all Assumed Liabilities after giving effect to the Confirmation Order (as defined below) shall be required to be satisfactory to Tejas and the Purchasers.
3. The Chapter 11 plan of the Debtors-in-Possession (the "Plan") shall have been approved by the Bankruptcy Court. The Plan shall have been confirmed

pursuant to a confirmation order (the "Confirmation Order") in accordance with Sections 1128 and 1129 of the Bankruptcy Code, and such Confirmation Order shall be in form and substance reasonably satisfactory to Tejas. The Confirmation Order shall have been entered and shall have become final and non-appealable, and all conditions precedent to the effective date of the Plan shall have been satisfied (and not waived without the consent of Tejas) to the reasonable satisfaction of Tejas, the Effective Date of the Plan shall have occurred and \$310.0 million (\$330.0 million if StarPower is acquired prior to the Closing Date) under the Senior Secured Financing shall have been fully funded.

4. The Company shall have received commitments and funding from the Backstop Purchasers with respect to the remaining amount of the Second Lien Notes not purchased by Tejas and the other Purchasers.
5. Since December 31, 2003 (other than the commencement of the bankruptcy cases with respect to the Debtors-In-Possession), nothing shall have occurred (and Tejas shall not have become aware of any facts or conditions not previously known) which Tejas shall determine has had, or could reasonably be expected to have, a Material Adverse Effect (as defined below), except as disclosed in (a) the disclosure statement which is on file with the Bankruptcy Court on the date hereof or (b) the public reports filed by the Company with the Securities and Exchange Commission on or prior to the date hereof. For purposes of this Commitment Letter, "Material Adverse Effect" means a material adverse effect on (x) the Transaction, (y) the property, assets, nature of assets, business, operations, liabilities, condition (financial or otherwise) or prospects of the Company and its subsidiaries taken as a whole, or (z) the rights or remedies of the Purchasers (including Tejas) or the ability of the Company and its subsidiaries to perform their obligations to the Purchasers (including Tejas) under the Second-Lien Note Purchase Facility.
6. No litigation by any entity (private or governmental) shall be pending or threatened with respect to the Second-Lien Note Purchase Facility or any documentation executed in connection therewith, or with respect to the Transaction, or which Tejas shall determine has had, or could reasonably be expected to have, a Material Adverse Effect.
7. All costs, fees, expenses (including, without limitation, legal fees and expenses (including those legal fees and expenses incurred prior to the date of the Commitment Letter)) and other compensation contemplated hereby, payable to Tejas in respect of the Transaction shall have been paid to the extent due.

8. The guaranties, and security and intercreditor agreements required under the Second-Lien Note Purchase Facility shall have been executed and delivered in form, scope and substance mutually agreeable to Tejas and the Company, and Tejas, upon consummation of the transactions contemplated thereby, shall have a perfected security interest in such assets of the Company and its subsidiaries as and to the extent contemplated by and with the priority set forth in the Term Sheet.
9. Tejas shall have received all usual and customary corporate documents, certificates and legal opinions from counsel (including, without limitation, New York counsel) covering matters acceptable to Tejas (including, without limitation, (x) a no-conflicts opinion as to any material contracts of the Company or any of its subsidiaries and (y) compliance with the Margin Regulations).