

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 13D
(Rule 13d-101)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO RULE 13d-1(a) AND AMENDMENTS THERETO FIELD PURSUANT TO RULE 13d-2(a)

(Amendment No. 1)1

NEON Communications, Inc.

(Name of Issuer)

Common Stock, \$.01 par value per share

(Title of Class of Securities)

640 506 10 1

(CUSIP Number)

Paul Baskowsky, Esq., Dilworth Paxson LLP, 1735 Market Street,
3200 Mellon Bank Center, Phila. Pa 19103 215-575-7012

(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

August 10, 2001

(Date of Event Which Requires Filing of This Statement)

If the filing person has previously filed a statement on
Schedule 13G to report the acquisition that is the subject of this
Schedule 13D, and is filing this schedule because of Rule 13-d1(e),
13d-1(f) or 13d-1(g), check the following box [].

Note. Schedules filed in paper format shall include a signed
original and five copies of the schedule, including all exhibits. See
Rule 13d-7 for other parties to whom copies are to be sent.

(Continued on following pages)

1 The remainder of this cover page shall be filled out for a reporting
person's initial filing on this form with respect to the subject class of
securities, and for any subsequent amendment containing information which
would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not
be deemed to be "filed" for the purpose of Section 18 of the Securities
Exchange Act of 1934 or otherwise subject to the liabilities of that section
of the Act but shall be subject to all other provisions of the Act (however,
see the Notes).

[CUSIP Number 640 506 10 1]

Schedule 13D

Forms

1 | NAMES OF REPORTING PERSONS
| I.R.S. IDENTIFICATIN NO. OF ABOVE PERSONS (ENTITIES ONLY)
Exelon Capital Partners, Inc. EIN: 0394261
2
(b) []

3 | SEC USE ONLY

4 | SOURCE OF FUNDS*
WC, AF
5
TO ITEM 2(d) or 2(e) []

6 | CITIZENSHIP OR PLACE OF ORGANIZATION
| Pennsylvania

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 0
	8	SHARED VOTING POWER 13,820,316
	9	SOLE DISPOSITIVE POWER 4,535,793
	10	SHARED DISPOSITIVE POWER None

11 | AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
| 13,820,316 (1)

12 | CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES
| CERTAIN SHARES*

13 | PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
| 52.3 %

14 | TYPE OF REPORTING PERSON*
| CO

*SEE INSTRUCTIONS BEFORE FILLING OUT!

(1) Includes 9,284,523 shares beneficially held by others who together with Exelon Capital Partners, Inc., may be deemed to constitute a group with regard to a total of 13,820,316 shares. Also includes 2,300,000 shares issuable upon conversion of the entire principle of a convertible note described below and 104,650 shares issuable upon conversion of interest for sixty days from the date of this filing. This Amendment No. 1 is filed by Exelon Capital Partners, Inc. and Exelon Corporation to report an increase in beneficial ownership of the common stock of NEON Communication, Inc. as a result of a purchase of a subordinated convertible note by Exelon Enterprises Management, Inc. Exelon Enterprises Management, Inc., formerly known as Exelon Ventures Corp., was a reporting person in a Schedule 13D dated September 25, 2000. Subsequent to the purchase of the subordinated convertible note, Exelon Enterprises Management, Inc. transferred its interest in the note and all other securities of NEON Communication, Inc. owned by it to ECP Telecommunications Holding, Inc. which is directly owned by Exelon Capital Partners, Inc. This Amendment is also being filed to report a change in a stockholders agreement that deletes the right of first offer with respect to any transfers of shares of common stock of NEON Communication, Inc. to each of the other stockholders who are party to the agreement.

1	NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATIN NO. OF ABOVE PERSONS (ENTITIES ONLY) Exelon Corporation EIN: 23-2990190
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) [x] (b) []
3	SEC USE ONLY
4	SOURCE OF FUNDS* None
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDING IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e) []
6	CITIZENSHIP OR PLACE OF ORGANIZATION Pennsylvania
	NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH
7	SOLE VOTING POWER None (Item 5)
8	SHARED VOTING POWER None
9	SOLE DISPOSITIVE POWER None (Item 5)
10	SHARED DISPOSITIVE POWER None
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 13,820,3161
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES*
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 52.3 %
14	TYPE OF REPORTING PERSON* CO, HC

*SEE INSTRUCTIONS BEFORE FILLING OUT!

(1) Includes 9,284,523 shares beneficially held by others who may be held to constitute a group of which subsidiary is a member with regard to a total of 13,820,316 shares.

Item 1. Security and Issuer.

- (a) Class:
Common Stock, par value \$.01 per share (b) Name of Issuer:
NEON Communications, Inc
- (c) Address of Issuer's Principal Executive Office:
2200 West Park Drive, Westborough, Massachusetts 01851

Item 2. Identity and Background.

Exelon Corporation, a Pennsylvania corporation, indirectly owns all of the issued and outstanding stock of Exelon Capital Partners, Inc.

- (a) Name of Filing Person:
Exelon Corporation
- (b) Residence or Business Address:
10 S. Dearborn St., 37th Fl., Chicago, IL 60690
- (c) Present Principal Occupation:
Provider of power generation and other services.

Directors of Exelon Corporation:

- (a) Name:
Corbin A. McNeill, Jr.
- (b) Residence or Business Address:
10 S. Dearborn St., 37th Fl., Chicago, IL 60690
- (c) Present Principal Occupation:
Chairman and Co-Chief Executive Officer of Exelon Corporation

- (a) Name:
John W. Rowe
- (b) Residence or Business Address:
10 S. Dearborn St., 37th Fl., Chicago, IL 60690
- (c) Present Principal Occupation:
President and Co-Chief Executive Officer of Exelon Corporation

- (a) Name:
Daniel L. Cooper
- (b) Residence or Business Address:
10 S. Dearborn St., 37th Fl., Chicago, IL 60690
- (c) Present Principal Occupation:
Former Vice-President and General Manager, Nuclear Services Division
Gilbert/Commonwealth, Inc.

- (a) Name:
M. Walter D'Alessio
- (b) Residence or Business Address:
10 S. Dearborn St., 37th Fl., Chicago, IL 60690
- (c) Present Principal Occupation:
President and Chief Executive Officer Legg Mason Real Estate Services.

- (a) Name:
G. Fred DiBona, Jr.
- (b) Residence or Business Address:
10 S. Dearborn St., 37th Fl., Chicago, IL 60690
- (c) Present Principal Occupation:
President and Chief Executive Officer, Independence Blue Cross.

- (a) Name:
Bruce DeMars
- (b) Residence or Business Address:
10 S. Dearborn St., 37th Fl., Chicago, IL 60690
- (c) Present Principal Occupation:
Chief Executive Officer, Nonproliferation Trust

- (a) Name:
Richard H. Glanton, Esq.
- (b) Residence or Business Address:
10 S. Dearborn St., 37th Fl., Chicago, IL 60690
- (c) Present Principal Occupation:
Partner of the law firm Reed Smith Shaw & McClay, LLP.

- (a) Name:
Rosemarie B. Greco
- (b) Residence or Business Address:
10 S. Dearborn St., 37th Fl., Chicago, IL 60690
- (c) Present Principal Occupation:
Principal, GRECO Ventures.

- (a) Name:
John M. Palms, Ph.D.
- (b) Residence or Business Address:
10 S. Dearborn St., 37th Fl., Chicago, IL 60690
- (c) Present Principal Occupation:
President of the University of South Carolina.

- (a) Name:
Sue L. Gin
- (b) Residence or Business Address:
10 S. Dearborn St., 37th Fl., Chicago, IL 60690
- (c) Present Principal Occupation:
Founder, Owner, Chairman and Chief Executive Officer of Flying
Foods Group, Inc.

- (a) Name:
Ronald Rubin
- (b) Residence or Business Address:
10 S. Dearborn St., 37th Fl., Chicago, IL 60690
- (c) Present Principal Occupation:
Chief Executive Officer, The Pennsylvania Real Estate Investment Trust.

- (a) Name:
Edgar D. Jannotta
- (b) Residence or Business Address:
10 S. Dearborn St., 37th Fl., Chicago, IL 60690
- (c) Present Principal Occupation:
Chairman, William Blair & Company, L.L.C.

- (a) Name:
Edward A. Brennan
- (b) Residence or Business Address:
10 S. Dearborn St., 37th Fl., Chicago, IL 60690
- (c) Present Principal Occupation:
Retired Chairman and Chief Executive Officer, Sears, Roebuck and Co.

- (a) Name:
Carlos H. Cantu
- (b) Residence or Business Address:
10 S. Dearborn St., 37th Fl., Chicago, IL 60690
- (c) Present Principal Occupation:
Retired President and Chief Executive Officer, The ServiceMaster Company

- (a) Name:
John W. Rogers, Jr.
- (b) Residence or Business Address:
10 S. Dearborn St., 37th Fl., Chicago, IL 60690
- (c) Present Principal Occupation:
Founder, Chairman and Chief Executive Officer, Ariel
Capital Management, Inc.

- (a) Name:
Richard L. Thomas
- (b) Residence or Business Address:
10 S. Dearborn St., 37th Fl., Chicago, IL 60690
- (c) Present Principal Occupation:
Retired Chairman, First Chicago NBD Corporation

Officers of Exelon Corporation:

- (a) Name:
Corbin A. McNeill, Jr.
- (b) Residence or Business Address:
10 S. Dearborn St., 37th Fl., Chicago, IL 60690
- (c) Present Principal Occupation:
Chairman and Co-Chief Executive Officer.

- (a) Name:
John W. Rowe
- (b) Residence or Business Address:
10 S. Dearborn St., 37th Fl., Chicago, IL 60690
- (c) Present Principal Occupation:
President and Co-Chief Executive Officer

(d) , (e) Neither Exelon Corporation nor, to the best knowledge of Exelon Corporation, any director or officer of Exelon Corporation, has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors), or been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction as a result of which he or she is subject to a judgment, decree or final order enjoining future violations of or prohibiting or mandating activities subject to, federal or state securities laws or finding any violations with respect to such laws.

- (f) Citizenship:
Exelon Corporation is organized under the laws of the Commonwealth of Pennsylvania. All of Exelon Corporation's directors and officers are citizens of the United States of America.

- (a) Name of Person Filing:
Exelon Capital Partners, Inc., a Delaware corporation, is an indirectly wholly owned subsidiary of Exelon Corporation.
- (b) Residence or Business Address:
2751 Centerville Road, Suite 3170, Wilmington, DE 19808
- (c) Present Principal Occupation:
Owns and manages capital investments.

Directors of Exelon Capital Partners, Inc.:

- (a) Name:
Robert A. Shinn
- (b) Residence or Business Address:
2751 Centerville Road, Suite 3170, Wilmington, DE 19808
- (c) Present Principal Occupation:
President, Exelon Capital Partners, Inc.

- (a) Name:
Glenn Newman
- (b) Residence or Business Address:
10 S. Dearborn Street, 37th Floor, Chicago, IL 60690
- (c) Present Principal Occupation:
Vice President Human Resources, Exelon Energy Development Company LLC
Chief Labor Counsel, Exelon Business Services, Co.

- (a) Name:
Gregory A. Cucchi
- (b) Residence or Business Address:
401 City Line Avenue, Bala Cynwyd, PA 19004
- (c) Present Principal Occupation:
President, Exelon Enterprises Co., LLC

Officers of Exelon Capital Partners, Inc.:

- (a) Name:
Robert A. Shinn
- (b) Residence or Business Address:
2751 Centerville Road, Suite 3170, Wilmington, DE 19808
- (c) Present Principal Occupation:
President

(d), (e) Neither Exelon Capital Partners, Inc. nor, to the best knowledge of Exelon Capital Partners, Inc., has any director or officer of Exelon Capital Partners, Inc., been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors), or been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction as a result of which he or she is subject to a judgment, decree or final order enjoining future violations of or prohibiting or mandating activities subject to, federal or state securities laws or finding any violations with respect to such laws.

(f) Citizenship:
Exelon Capital Partners, Inc. is organized under the laws of the State of Delaware. All of Exelon Capital Partners, Inc.'s directors and officers are citizens of the United States of America.

Item 3. Source and Amount of Funds or Other Consideration.
Pursuant to the terms of a Subordinated Convertible Note Purchase Agreement between NEON Communications, Inc. ("NEON") and Exelon Enterprises Management, Inc. dated as of August 10, 2001 (the "Convertible Note Purchase Agreement") more fully described in Item 4 below, NEON issued its \$11,500,000 principal amount, 18% Subordinated Convertible Note due 2008, (the "Note") in consideration of payment of \$11,500,000. The source of the funds was working capital of Exelon Corporation, an affiliated entity of Exelon Enterprises, Management, Inc. On August 11, 2001 Exelon Enterprises Management, Inc. transferred all of its interest in the Note and all other securities of NEON held by it to ECP Telecommunications Holdings, LLC ("ECP"). ECP is wholly-owned by Exelon Capital Partners, Inc. Exelon Capital Partners, Inc. is wholly-owned by Exelon Enterprises Management, Inc., however the beneficial owners of the securities of NEON are deemed to be Exelon Capital Partners, Inc. and Exelon Corporation.

Item 4. Purpose of Transaction.

On August 10, 2001, NEON and Exelon Enterprises Management, Inc. completed the transaction whereby NEON issued the Note which provides, in part, that Exelon Enterprises Management, Inc. may at its option convert all or any portion (in increments of \$1,000,000) of the principal amount of the Note together with all accrued and unpaid interest thereon, at any time and from time to time up to and including the maturity date into shares of NEON's common stock at an initial conversion price of \$5.00 per share. The conversion price is subject to adjustment in certain circumstances. At the option of NEON, subject to certain conditions, NEON may deliver a notice requiring that the Note automatically be converted into the common stock of NEON. The Note also provides that NEON may not issue shares of its common stock upon conversion that would equal or exceed 19.99% of the total issued and outstanding common stock unless it obtains shareholder approval or is granted an exemption from the NASDAQ Stock Market.

Although neither Exelon Corporation nor Exelon Capital Partners, Inc. (the "Reporting Persons") have any current intention to do so, the Reporting Persons may, from time to time, purchase additional shares of NEON common stock on the open market, in negotiated transactions, pursuant to the rights described in Item 6, below, or otherwise. The Reporting Persons intend to sell all or a part of the shares of NEON they own. Such sales may be made in the open market or otherwise.

Except as described herein, the Reporting Persons have no plans or proposals of the type described in paragraphs (a) through (j) of Item 4 of this Schedule 13D.

Item 5. Interest in Securities of the Issuer.

(a) and (b). The following table sets forth the aggregate number of shares and percentages of the outstanding shares of Common Stock of NEON beneficially owned by each of the Reporting Persons and by each executive officer, director and controlling person, if any, of the Reporting Persons, and, to the knowledge of the Reporting Persons, each other party who may be deemed, together with Exelon Capital Partners, Inc., to constitute a group. Any of such persons whose names do not appear in the table below do not beneficially own any shares of common stock of NEON. Except as otherwise noted, each person listed has sole voting and dispositive power over all shares listed opposite its name.

Name of Person -----	Number of shares beneficially owned -----	Percentage of outstanding shares -----
Exelon Corporation	13,820,316(a)	52.3%
Exelon Capital Partners, Inc.	13,820,316(a)	52.3%
Consolidated Edison Communications, Inc. ("CEC")	13,820,316(a)	52.3%
Mode 1 Communications, Inc. ("Mode 1")	13,820,316(a) (b)	52.3%

(a) Shared voting power as to all shares for the limited purpose described in the Schedule 13D dated September 25, 2000, and sole dispositive power over 4,535,793 shares, as to Exelon Capital Partners, Inc., 2,476,735 shares, as to CEC, and 6,807,788 shares, as to Mode 1.

(b) Excludes any additional shares of common stock of NEON which Mode 1 may be deemed to own.

Exelon Corporation indirectly owns all of the issued and outstanding shares of Exelon Capital Partners, Inc., and is, therefore, the indirect beneficial owner of all of the shares of NEON beneficiary owned by Exelon Capital Partners, Inc. Pursuant to Section 13(d)(3) under the Securities Exchange Act, Exelon Capital Partners, Inc., CEC and Mode 1 may each be deemed to beneficially own the shares of common stock of NEON owned by the others as a result of the limited agreement as to voting described in the Initial Schedule 13D.

No person named in response to Item 2 has effected any transaction in the common stock reported on during the past 60 days.

Item 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer.

Subordinated Convertible Note Purchase Agreement

As noted in Item 3, Exelon Capital Partners, Inc. and NEON are parties to a Subordinated Convertible Note Purchase Agreement pursuant to which the Reporting Persons have the right to acquire certain shares of common stock of NEON.

Registration Rights Agreement

Under the terms of a Registration Rights Agreement (the "Registration Agreement") dated as of August 10, 2001, NEON agreed as soon as practicable after the closing of the transaction, but no longer than forty-five days after closing, to use its best efforts to effect the registration of the shares of common stock issuable upon conversion of the principal amount of the Note plus the number of shares which represent interest payments that would become due on the Note through August 15, 2004 and to register 2,131,143 shares of the common stock of NEON already beneficially owned by the Reporting Persons. NEON also agreed to file an additional registration statement no later than January 15, 2005 to the extent necessary to register additional shares of common stock which represent interest payments that would become due under the Note through its maturity date. In connection with any such registration, the parties have agreed to mutually indemnify each other against certain liabilities, including liabilities under the federal securities laws.

Stockholders Agreement

Mode 1, Exelon Enterprises Management, Inc., CEC (each referred to herein as a "Stockholder" and in the aggregate as "Stockholders") and NEON are parties to a Stockholders' Agreement dated as of September 14, 2000 (the "September Stockholders' Agreement") under which the Stockholders agreed to vote all of the shares of common stock of NEON owned by them or over which any of them have voting control, so as to fix the number of directors of NEON at nine, to elect two directors designated by Mode 1, initially John H. Forsgren and Gary D. Simon, one director designated by Exelon, initially Robert A. Shinn, and one member designated by CEC, initially Peter A. Rust. Each of the Stockholders also agreed not to vote to remove any director designated by any of the other Stockholders, except for bad faith or willful misconduct. Mode 1's right to designate two directors shall be reduced to one in the event its stock ownership is reduced below certain specified levels.

On August 10, 2001, the Stockholders amended the September Stockholders' Agreement to delete a provision under which each Stockholder had granted the other Stockholders on a pro rata basis certain rights of first offer with respect to any transfers of shares of common stock of NEON owned by it.

On August 30, 2001, Exelon Capital Partners, Inc. designated Gregory A. Cucchi to serve as its designee on the NEON board of directors in place of Robert A. Shinn.

Item 7. Material to be Filed as Exhibits.

Exhibit A: Subordinated Convertible Note Purchase Agreement dated as of August 10, 2001.

Exhibit B: 18% Subordinated Convertible Note due 2008.

Exhibit C: Registration Rights Agreement dated as of August 10, 2001.

Exhibit D: Stockholders Agreement dated September 14, 2000.*

Exhibit E: Amendment No. 1 to Stockholders Agreement dated August 10, 2001.

*Previously filed

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: October 23, 2001

EXELON CORPORATION

By: /s/ Scott N. Peters

Name: Scott N. Peters

Title: Assistant Secretary

EXELON CAPITAL PARTNERS, INC.

By: /s/ Robert A. Shinn

Name: Robert A. Shinn

Title: President

The original statement shall be signed by each person on whose behalf the statement is filed or his authorized representative. If the statement is signed on behalf of a person by his authorized representative (other than an executive officer or general partner of the filing person), evidence of the representative's authority to sign on behalf of such person shall be filed with the statement, provided, however, that a power of attorney for this purpose which is already on file with the Commission may be incorporated by reference. The name of any title of each person who signs the statement shall be typed or printed beneath his signature.

Attention: Intentional misstatements or omissions of fact constitute federal criminal violations (see 18 U.S.C. 1001).

JOINT FILING STATEMENT

In accordance with Rule 13d-1(f) promulgated pursuant to the Securities Exchange Act of 1934, the undersigned hereby agree to the joint filing on behalf of each of them of a Statement on Schedule 13D, including amendments thereto, with respect to the Common Stock, par value \$.01 per share, of NEON Communications, Inc. and that this Joint Filing Statement be included as an Exhibit to such joint filing.

Date: October 23, 2001

EXELON CORPORATION

By: /s/ Scott N. Peters

Name: Scott N. Peters

Title: Assistant Secretary

EXELON CAPITAL PARTNERS, INC.

By: /s/ Robert A. Shinn

Name: Robert A. Shinn

Title: President

ECP TELECOMMUNICATIONS HOLDINGS, LLP

By: /s/ Robert A. Shinn

Name: Robert A. Shinn

Title: Manager

NEON COMMUNICATIONS, Inc.

SUBORDINATED CONVERTIBLE NOTE PURCHASE AGREEMENT

This SUBORDINATED CONVERTIBLE NOTE Purchase Agreement (the "Agreement") is entered into as of August 10, 2001, between NEON COMMUNICATIONS, INC., a Delaware corporation (the "Company"), and EXELON ENTERPRISES MANAGEMENT, INC., a Pennsylvania corporation (the "Purchaser").

RECITALS

WHEREAS, the Company has authorized the sale and issuance of up to a maximum of \$11,500,000 in aggregate principal amount of an 18 % Subordinated Convertible Note due 2008 (the "Note"), which Note is convertible into shares (the "Conversion Shares") of the Company's common stock, par value \$.01 per share (the "Common Stock") in accordance with the terms of the Note;

WHEREAS, Purchaser desires to purchase the Note on the terms and conditions set forth herein and subject to the terms and conditions of the Note; and

WHEREAS, the Company desires to issue and sell the Note to Purchaser on the terms and conditions set forth herein and as set forth in the Note.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS. As used in this Agreement, the following terms have the following meanings:

1.1 "Affiliate" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

1.2 "Agreement" shall have the meaning set forth in the Preamble.

1.3 "Amended and Restated Registration Rights Agreement" means that certain Amended and Restated Registration Rights Agreement dated as of August 10, 2001 by and among the Company, Purchaser and CEC, amending and restating the Registration Rights Agreement dated as of September 14, 2000 by and among the Company, Purchaser and CEC, substantially in the form attached hereto as Exhibit B.

1.4 "Amendment No. 1 to Stockholders Agreement" means that certain Amendment No. 1 to Stockholders Agreement dated as of August 10, 2001 by and among Mode 1, CEC, Purchaser and the Company, amending the Stockholders Agreement dated as of September 14, 2000 by and among Mode 1, CEC, Purchaser and Company, substantially in the form attached hereto as Exhibit C.

1.5 "Amendment No. 3 to Subscription Agreement" means that certain Amendment No. 3 to Subscription Agreement dated as of August 10, 2001 by and among Purchaser, the Company and Northeast Optic Network, Inc. ("Northeast

Optic"), amending the Subscription Agreement dated as of November 23, 1999 by and among Purchaser, the Company and Northeast Optic, as amended on May 1, 2000 and September 6, 2000, respectively, substantially in the form attached hereto as Exhibit D.

1.6 "By-laws" means the by-laws of the Company as in effect on the Closing Date.

1.7 "CEC" means Consolidated Edison Communications, Inc., a New York corporation.

1.8 "Certificate of Incorporation" means the amended and restated certificate of incorporation of the Company as in effect on the Closing Date.

1.9 "Closing" shall have the meaning set forth in Section 2.3.

1.10 "Closing Date" shall have the meaning set forth in Section 2.3.

1.11 "Common Stock" shall have the meaning set forth in the Recitals.

1.12 "Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC thereunder.

1.13 "GAAP" means generally accepted accounting principles as in effect from time to time in the United States of America, applied on a consistent basis both as to classification of items and amounts.

1.14 "Governmental Authority" means any court, administrative or regulatory agency or commission or other governmental entity or instrumentality, domestic, foreign or supranational or any department thereof.

1.15 "Indebtedness" with respect to any Person means, without duplication: (i) all indebtedness (including principal, interest, fees and charges) of such Person for borrowed money or for the deferred purchase price of property or services other than trade payables included in current liabilities in accordance with GAAP and incurred in respect of Property or services purchased in the ordinary course of business and which obligation is payable on terms no longer than 180 days past the invoice date, (ii) the maximum amount available to be drawn under all letters of credit issued for the account of such Person and all unpaid drawings in respect of such letters of credit, and (iii) all Indebtedness of the types described in clause (i) or (ii) of this definition secured by any lien on any property owned by such Person, whether or not such Indebtedness has been assumed by such Person.

1.16 "Indenture" means the Indenture dated as of August 5, 1998, between the Company and U.S. Bank Trust National Association.

1.17 "Material Adverse Effect" means any materially adverse effect upon the business operation, assets, liabilities, financial condition, results of operations or business prospects of the Company or any of its Subsidiaries, or upon the ability of the Company to operate its current business or to perform the Transaction Documents, resulting from any act, omission, situation, status, event or undertaking, either singly or taken together.

1.18 "Mode 1" means Mode 1 Communications, Inc., a Connecticut corporation.

1.19 "Nasdaq" means the National Association of Securities Dealers, Inc. Automated Quotation System.

1.20 "NEON Opinion of Counsel" shall mean the opinion of Paul, Hastings, Janofsky & Walker LLP, counsel to NEON, dated as of the Closing Date, substantially in the form set forth in Exhibit G.

1.21 "NEON SEC Documents" means the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 as amended by the form 10-K/A filed on April 30, 2001; the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2001; and the Company's Proxy Statement filed on July 5, 2001.

1.22 "Note" shall have the meaning set forth in the Recitals.

1.23 "Person" means any individual, partnership, limited liability company, joint venture, corporation, trust, unincorporated organization, any other entity or Governmental Authority.

1.24 "Proprietary Information" shall mean any and all confidential information or technical or business information furnished, in whatever form or medium, or disclosed by the Company to Purchaser including, but not limited to, Capital Expenditure proposals, annual Budget and Capital Expenditure plans, marketing plans and other financial or business data.

1.25 "Purchase Price" shall have the meaning set forth in Section 2.2.

1.26 "Purchaser" shall have the meaning set forth in the Preamble and shall include any assignee of Purchaser which is an Affiliate of Purchaser or any assignee permitted under Section 7.5 hereof.

1.27 "Registration Rights Agreement" means the Registration Rights Agreement between Purchaser and the Company dated August 10, 2001 substantially in the form attached hereto as Exhibit E.

1.28 "SEC" means the Securities and Exchange Commission.

1.29 "Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the SEC thereunder.

1.30 "Subsidiary" shall mean (i) any corporation of which fifty percent (50%) or more of the voting stock, or any partnership of which fifty percent (50%) or more of the outstanding partnership interests, is at any time owned by the Company, or by one or more Subsidiaries of the Company, or by the Company and one or more Subsidiaries of the Company, and (ii) any other entity which is controlled or capable of being controlled by the Company or by one or more Subsidiaries of the Company or by the Company and one or more Subsidiaries of the Company.

1.31 "Termination Agreement" means that certain Termination Agreement between the Company, NEON Optica, Inc., PECO Energy Company and Purchaser dated as of August 10, 2001, which terminates the System Agreement between the Company, NEON Optica, Inc., PECO Energy Company and Purchaser dated as of September 14, 2000, substantially in the form attached hereto as Exhibit F.

1.32 "Transaction Documents" means this Agreement, the Note, Amended and Restated Registration Rights Agreement, Amendment No. 1 to Stockholders Agreement, Amendment No. 3 to Subscription Agreement, Termination Agreement and the Registration Rights Agreement.

2. AGREEMENT TO SELL AND PURCHASE; CLOSING.

2.1 Authorization of Note. On or prior to the Closing Date, the Company shall have authorized the (i) sale and issuance to Purchaser of the Note, and (ii) issuance of the Conversion Shares. The Note shall be substantially in the form attached hereto as Exhibit A. As used in this Agreement, "Note" shall include the Note issued pursuant to this Agreement, together with any Note issued in exchange therefor or replacement thereof and any Note which may be issued in payment of interest in accordance with the terms thereof.

2.2 Purchase and Sale of Note. Subject to the terms and conditions hereof, in reliance upon the representations of Purchaser set forth in Section 4, at the Closing, the Company hereby agrees to execute, sell and deliver to Purchaser and, in reliance upon the representations of the Company set forth in Section 3, Purchaser agrees to purchase from the Company, a Note in the aggregate principal amount of \$11,500,000 (the "Purchase Price"), against receipt of funds by wire transfer to an account or accounts designated by the Company prior to the Closing as payment in full of the Purchase Price of the Note.

2.3 Closing. The closing of the purchase and sale of the Note under this Agreement (the "Closing") shall take place on August 10, 2001, at the offices of Paul, Hastings, Janofsky & Walker LLP, at 399 Park Avenue, New York, NY 10022 or at such other time or place as the Company and Purchaser may mutually agree upon (which time and place are designated as the "Closing Date").

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

Except as set forth on a Schedule of Exceptions delivered by the Company to Purchaser at the Closing (as attached as Schedule 1 hereto), the Company hereby represents and warrants to Purchaser as of the date of the Closing Date as follows:

3.1 Organization and Qualification. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as is now being conducted. The Company is duly qualified or licensed and in good standing to do business in each jurisdiction where the conduct of its business or the ownership, leasing or operation of its respective properties require such qualification or licensing, except where the failure to be so qualified or licensed and in good standing, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

3.2 Authority. The Company has all necessary corporate power and authority to execute and deliver the Transaction Documents and to consummate the transactions contemplated by the Transaction Documents. The execution and delivery by the Company of the Transaction Documents and the consummation by the Company of the transactions contemplated by the Transaction Documents have been duly and validly authorized by the Board of Directors of the Company or by a committee thereof to whom such authority has been delegated and no other corporate proceedings on the part of the Company are necessary to authorize the Transaction Documents or the consummation of the transactions contemplated by the Transaction Documents. The Transaction Documents have been duly and validly executed and delivered by the Company and, assuming the Transaction Documents constitute valid and binding agreements of each other party hereto and thereto, constitute valid and binding agreements of the Company, enforceable against the

Company in accordance with their respective terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors' rights and (ii) general principles of equity that restrict the availability of equitable remedies.

3.3 Consents and Approvals; No Violation.

(a) No material declaration, filing or registration with, or notice to, or authorization, consent or approval of any Governmental Authority or any consent from a third party, including any bank, alliance partner, lender, investor or other Person, is necessary for the consummation by the Company of the transactions contemplated by the Transaction Documents other than those filings or consents which have already been made or received.

(b) Neither the execution and delivery of the Transaction Documents by the Company nor the sale by the Company of the Note or the issuance of the Conversion Shares upon conversion of the Note pursuant to the terms of this Agreement and the Note will (i) conflict with or result in any breach of any provision of the Certificate of Incorporation or By-laws of the Company, (ii) result in a default (or give rise to any right of termination, cancellation or acceleration) or constitute an event which, with or without the giving of notice, lapse of time, or both, would constitute a default under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, agreement, lease or other instrument or obligation to which the Company is a party or by which the Company or any of its respective properties is or may be bound or (iii) except for the filing with Nasdaq of the Listing Application for Additional Shares, violate any order, writ, injunction, decree, statute, rule or regulation applicable to the Company or any of its respective properties, except in the case of (ii) and (iii), any such conflict, event of default or violation which would not be reasonably likely to have a Material Adverse Effect.

(c) Neither the issuance of the Note, any payment of interest or principal on the Note, nor any conversion of all or a portion of the Note into Conversion Shares nor any setoff of the obligations of the Company due under the Note against any liability owed by Purchaser to the Company under the Termination Agreement will result in a default under the Indenture.

(d) Neither the issuance of the Note nor the conversion of the Note into Conversion Shares will trigger any anti-dilution provision contained in any existing securities or contracts or any other instrument of the Company.

3.4 NEON SEC Documents.

(a) The capitalization of the Company, as well as its annual balance sheets, statements of income and statements of cash flows, are disclosed in all material respects in the NEON SEC Documents. The filed NEON SEC Documents, at the time filed with the SEC, conformed in all material respects to the then applicable requirements of the Exchange Act. The NEON SEC Documents do not contain any untrue statements of a material fact or omit to state a material fact required to be stated therein necessary in order to make the statements therein not misleading in light of the circumstances in which they were made.

(b) There has been no change to the business, assets or finances of the Company since December 31, 2000, which has not been disclosed in the NEON SEC Documents which would be reasonably expected to have a Material Adverse Effect.

3.5 Legal Proceedings. Except as set forth on Schedule 1 hereto, there are no claims, actions, proceedings or investigations pending or, to the knowledge of the Company, threatened against or relating to the Company which would, individually or in the aggregate, be reasonably expected to have a Material Adverse Effect.

3.6 Conversion Shares. Upon conversion of the Note, the Conversion Shares, when issued and delivered to Purchaser in accordance with the terms of the Note, will be duly and validly issued, fully paid and nonassessable, and free and clear of any preemptive rights, liens and encumbrances.

3.7 Offering Valid. Assuming the accuracy of the representations and warranties of Purchaser contained in Section 4 hereof, the offer, sale and issuance of the Note and the Conversion Shares will be exempt from the registration requirements of the Securities Act and will have been registered or qualified (or are exempt from registration and qualification) under the registration, permit or qualification requirements of all applicable state securities laws. Neither the Company nor any agent on its behalf has solicited or will solicit any offers to sell or has offered to sell or will offer to sell all or any part of the Note to any person or persons so as to bring the sale of such Note by the Company within the registration provisions of the Securities Act or any state securities laws.

4. REPRESENTATIONS AND WARRANTIES OF PURCHASER.

Purchaser hereby represents and warrants to the Company as follows (such representations and warranties do not lessen or obviate the representations and warranties of the Company set forth in this Agreement):

4.1 Requisite Power and Authority. Purchaser has all necessary power and authority under all applicable provisions of law to execute and deliver the Transaction Documents and to consummate the transactions contemplated by the Transaction Documents. All actions on Purchaser's part required for the lawful execution and delivery of the Transaction Documents have been or will be effectively taken prior to the Closing. No consent or approval is needed from the SEC under the Public Utility Holding Company Act of 1935 in order for Purchaser to purchase and hold the Note or the Conversion Shares. Upon their execution and delivery, the Transaction Documents will be valid and binding obligations of Purchaser, enforceable against Purchaser in accordance with their terms, except (a) as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors' rights and (b) general principles of equity that restrict the availability of equitable remedies.

4.2 Investment Representations. Purchaser understands that neither the Note nor the Conversion Shares have been registered under the Securities Act. Purchaser also understands that the Note and the Conversion Shares are being offered and sold pursuant to an exemption from registration contained in the Securities Act based in part upon Purchaser's representations contained in the Agreement. Purchaser hereby represents and warrants as follows:

(a) Purchaser Bears Economic Risk. Purchaser has substantial experience in evaluating and investing in private placement transactions of securities in companies similar to the Company so that it is capable of evaluating the merits and risks of its investment in the Company and has the capacity to protect its own interests. Purchaser must bear the economic risk of this investment indefinitely unless the Note (or the Conversion Shares) is registered pursuant to the Securities Act, or an exemption from registration is available. Purchaser understands that, except for complying with its obligations under the Registration Rights Agreement, the Company has no present intention of registering the Note or the Conversion Shares. Purchaser also understands that there is no assurance that any exemption from registration under the Securities Act will be available and that, even if available, such exemption may not allow

Purchaser to transfer all or any portion of the Note or the Conversion Shares under the circumstances, in the amounts or at the times Purchaser might propose.

(b) Acquisition Solely for Investment. Purchaser is acquiring the Note and the Conversion Shares for Purchaser's own account for investment only, and not with a view to, or for sale in connection with, any distribution of such shares in violation of the Securities Act or any rule or regulation under the Securities Act.

(c) Purchaser Can Protect Its Interest. Purchaser represents that by reason of its, or of its management's, business or financial experience, Purchaser has the capacity to protect its own interests in connection with the transactions contemplated by the Transaction Documents. Purchaser is aware of no publication of any advertisement in connection with the transactions contemplated by the Transaction Documents.

(d) Accredited Investor. Purchaser represents that it is an accredited investor within the meaning of Regulation D under the Securities Act.

(e) Company Information. Purchaser has received and read the financial statements of the Company in the NEON SEC Documents and has had an opportunity to discuss the Company's business, management and financial affairs with directors, officers and management of the Company and has had access to, and the opportunity to review, the Company's operations and facilities. Purchaser has also had the opportunity to ask questions of and receive answers from, the Company and its management regarding the terms and conditions of this investment.

(f) Rule 144. Purchaser acknowledges and agrees that the Note, and, if issued, the Conversion Shares must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. Purchaser has been advised or is aware of the provisions of Rule 144 promulgated under the Securities Act as in effect from time to time, which permits limited resale of shares purchased in a private placement subject to the satisfaction of certain conditions, including, among other things, the availability of certain current public information about the Company, the resale occurring following the required holding period under Rule 144 and the number of shares being sold during any three-month period not exceeding specified limitations.

(g) Residence. The office or offices of Purchaser in which its investment decision was made is located at the address or addresses of Purchaser set forth in Section 7.9 hereof.

5. CONDITIONS TO CLOSING.

5.1 Conditions to Purchaser's Obligations at the Closing. Purchaser's obligations to purchase the Note at the Closing are subject to the satisfaction, at or prior to the Closing Date, of the following conditions:

(a) Representations and Warranties True; Performance of Obligations. The representations and warranties made by the Company in Section 3 hereof shall be true and correct in all material respects as of the Closing Date with the same force and effect as if they had been made as of the Closing Date, and the Company shall have performed all obligations and conditions herein required to be performed or observed by it on or prior to the Closing.

(b) Officer's Certificate. The Company shall have delivered to Purchaser a Certificate, executed by the President of the Company, dated the Closing Date, to the effect that the conditions specified in subsection (a) of this Section 5.1 have been satisfied.

(c) Registration Rights Agreement. Each of Purchaser and the Company shall have executed and delivered the Registration Rights Agreement.

(d) Note. The Note shall have been executed and delivered by the Company to Purchaser.

(e) Waiver. The Company shall have obtained from CEC a waiver of its right of first refusal under Section 5.05 of the Subscription Agreement between the Company and CEC dated as of November 23, 1999, and as amended on May 1, 2000 and September 6, 2000.

(f) Amended and Restated Registration Rights Agreement. Each of CEC, the Company and Purchaser shall have executed and delivered the Amended and Restated Registration Rights Agreement.

(g) Amendment No. 1 to Stockholders' Agreement. Each of Mode 1, CEC, Purchaser and the Company shall have executed and delivered Amendment No. 1 to Stockholders' Agreement.

(h) Amendment No. 3 to Subscription Agreement. Each of Northeast Optic Network, Inc., the Company and Purchaser shall have executed and delivered Amendment No. 3 to Subscription Agreement.

(i) Termination Agreement. Each of Purchaser, the Company, PECO Energy Company and NEON Optica, Inc. shall have executed and delivered the Termination Agreement.

(j) NEON Opinion of Counsel. Purchaser shall have received the NEON Opinion of Counsel.

(k) Stockholder Approval. If required by law, Nasdaq rules or otherwise, the Company shall have obtained approval of the issuance of the Notes and the Conversion Shares by the Company's stockholders holding a majority of the outstanding shares of Common Stock entitled to vote in person or by proxy.

5.2 Conditions to Obligations of the Company. The Company's obligation to issue and sell the Note at Closing is subject to the satisfaction, on or prior to Closing, of the following conditions:

(a) Representations and Warranties True. The representations and warranties made by Purchaser in Section 4 hereof shall be true and correct in all material respects at the Closing Date.

(b) Performance of Obligations. Purchaser shall have performed and complied with all agreements and conditions herein required to be performed or complied with by Purchaser on or before the Closing.

(c) Purchase Price. Purchaser shall have delivered to the Company an amount equal to the Purchase Price.

(d) Registration Rights Agreement. Each of Purchaser and the Company shall have executed and delivered the Registration Rights Agreement.

(e) Amended and Restated Registration Rights Agreement. Each of Purchaser, the Company and CEC shall have executed and delivered the Amended and Restated Registration Rights Agreement.

(f) Termination Agreement. Each of Purchaser, the Company, PECO Energy Company and NEON Optica, Inc. shall have executed and delivered the Termination Agreement.

(g) Fairness Opinion. The Company shall have received an opinion from a nationally recognized investment banking firm that the transactions contemplated by the Transaction Documents are fair, from a financial standpoint, to the Company and its Subsidiaries.

(h) Stockholder Approval. If required by law, Nasdaq rules or otherwise, the Company shall have obtained approval of the issuance of the Notes and the Conversion Shares by the Company's stockholders holding a majority of the outstanding shares of Common Stock entitled to vote in person or by proxy.

6. COVENANTS OF THE COMPANY.

So long as the aggregate principal amount of the Note outstanding is greater than or equal to one million dollars (\$1,000,000), the Company shall observe and perform the following covenant:

6.1 Incurrence of Indebtedness. The Company shall not incur, directly or indirectly, any Indebtedness which is equal or senior in ranking to the Note without the written consent of Purchaser.

7. MISCELLANEOUS.

7.1 Stockholder Approval. At any meeting of the stockholders of the Company at which approval of the issuance of the Note has been submitted for stockholder action, Purchaser hereby agrees to vote all of the shares of Common Stock it is entitled to vote in person or by proxy at such meeting authorizing the issuance of the Note.

7.2 Termination. This Agreement may be terminated by written notice by one party to the other if the Closing Date has not occurred (other than through the failure of the party seeking to terminate this Agreement to comply fully with its obligations under this Agreement) on or before September 1, 2001, or such later date as the parties hereto may agree in writing. If this Agreement is terminated pursuant to this Section 7.2, all further obligations of the parties under this Agreement will terminate, except that the obligations in Section 7.3 hereof will survive.

7.3 Proprietary Information.

(a) Protection of Proprietary Information. The Company and Purchaser hereby agree that if the Company provides (or prior to the execution of this Agreement, has provided) any Proprietary Information to Purchaser, such Proprietary Information shall be held in confidence, and Purchaser shall afford such Proprietary Information the same care and protection as it affords generally to its own confidential and proprietary information (which in any case shall be not less than reasonable care) in order to avoid disclosure to or unauthorized use by any third party.

(b) Ownership of Proprietary Information. All Proprietary Information, unless otherwise specified in writing, shall remain the property of the Company, shall be used by Purchaser only for the intended purpose, and such

written Proprietary Information, including all copies thereof, shall be returned to the Company or destroyed after Purchaser's need for it has expired or upon the request of the Company. Proprietary Information shall not be reproduced except to the extent necessary to accomplish the purpose and intent of this Agreement, or as otherwise may be permitted in writing by the Company.

(c) Exceptions. The foregoing provisions of this Section 7.3 shall not apply to any Proprietary Information which (i) becomes publicly available other than through Purchaser; (ii) is required to be disclosed by a governmental or judicial law, order, rule or regulation; (iii) is developed independently by Purchaser; (iv) becomes available to Purchaser without restriction from a third party; or (v) becomes relevant to the settlement of any dispute or enforcement of either party's rights under this Agreement in accordance with the provisions of this Agreement, in which case appropriate protective measures shall be taken to preserve the confidentiality of such Proprietary Information as fully as possible within the confines of such settlement or enforcement process. If any Proprietary Information is required to be disclosed pursuant to the foregoing clause (ii), Purchaser shall promptly inform the Company in writing of the requirements of such disclosure.

(d) Permitted Disclosures. Notwithstanding the foregoing, Purchaser may disclose Proprietary Information to its employees, agents, and legal, financial, and accounting advisors and providers (including its lenders and other financiers) to the extent necessary or appropriate in connection with the negotiation and/or performance of this Agreement or its obtaining of financing, provided; that each such party is notified of the confidential and proprietary nature of such Proprietary Information and is subject to or agrees to be bound by similar restrictions on its use and disclosure of Proprietary Information.

7.4 Governing Law. This Agreement shall be governed in all respects by the laws of the Commonwealth of Pennsylvania, regardless of conflicts of laws principles.

7.5 Successors and Assigns. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the parties hereto and shall inure to the benefit of and be enforceable by each Person who shall be a holder of the Note from time to time. The Note and the rights of the holder of the Note under this Agreement are fully assignable: (a) to Affiliates of the holder without the prior approval of the Company; and (b) to third parties without the prior approval of the Company.

7.6 Entire Agreement. This Agreement, the Exhibits and Schedules hereto and the other documents delivered pursuant hereto constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and no party shall be liable or bound to any other in any manner by any representations, warranties, covenants and agreements except as specifically set forth herein and therein.

7.7 Severability. In case any provision of the Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

7.8 Amendment and Waiver. This Agreement may be amended or modified only upon the written consent of the Company and the holder of the Note. The obligations of the Company and the rights of the holder of the Note under the Agreement may be waived only with the written consent of the holder of the Note.

7.9 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given (as of the time of delivery or, in the case of a telecopied communication, of confirmation and accompanied by another manner of giving notice provided in this Section 7.9) if delivered personally, telecopied (which is confirmed) or sent by overnight courier (providing proof of delivery) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

if to the Company, to:

NEON Communications, Inc.
2200 West Park Drive
Westborough, MA 01581
Attention: Stephen A. Bogiages, General Counsel
Facsimile Number: (508) 616-7895
with a copy to:

Paul, Hastings, Janofsky & Walker LLP
1055 Washington Boulevard
Stamford, CT 06901
Attention: Esteban A. Ferrer, Esq.
Facsimile Number: (203) 359-3031

if to Purchaser, to:

Exelon Enterprises Management, Inc.
2301 Market Street
Philadelphia, PA 19101
Attention: President
Facsimile: (215) 841-6374

with a copy to:

Exelon Business Services Legal
2301 Market Street, 23rd Floor
Philadelphia, PA 19103
Attention: John Halderman, Esq.
Facsimile: (215) 841-4474

7.10 Expenses. Each party shall pay the costs and expenses that it incurs with respect to the negotiation, execution, delivery and performance of the Agreement.

7.11 Titles and Subtitles. The titles of the sections and subsections of the Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

7.12 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

7.13 Pronouns. All pronouns contained herein, and any variations thereof, shall be deemed to refer to the masculine, feminine or neutral, singular or plural, as to the identity of the parties hereto may require.

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In Witness Whereof, the parties hereto have executed this Agreement as of the date set forth in the first paragraph hereof.

COMPANY:
NEON COMMUNICATIONS, INC.

PURCHASER:
EXELON ENTERPRISES MANAGEMENT, INC.

By: /s/ Stephen E. Courter

Name: Stephen E. Courter

Title: Chief Executive Officer

By: /s/ Robert A. Shinn

Name: Robert A. Shinn

Title: President

Address: 2200 West Park Drive
Westborough, MA 01581

Address: 2301 Market Street
Philadelphia, PA 19103

SUBORDINATED CONVERTIBLE NOTE PURCHASE AGREEMENT
SIGNATURE PAGE

SCHEDULE 1

SCHEDULE OF EXCEPTIONS

Section 3.3

Listing Application for Additional Shares to be filed with the NASD, Inc.

Waiver of Right of First Refusal by CEC under Section 5.05 of the Subscription Agreement between the Company and CEC dated as of November 23, 1999, and as amended on May 1, 2000 and September 5, 2000.

Section 3.5

On May 7, 2001, Neon Optica, Inc. was named as defendant in a case entitled Fiber Optek Interconnect Corp. v. Neon Optica, Inc. f/k/a Northeast Optic Network, Inc. The Complaint, which was filed in New York State Supreme Court in Westchester County on May 7, 2001, sought damages of \$24 million related to its construction contracts with the defendants. During settlement discussions between Fiber Optek and the Company, Fiber Optek agreed to the dismissal of the lawsuit without prejudice. On May 16, 2001, Fiber Optek filed a "Voluntary Discontinuance Without Prejudice" and on June 8, 2001, the Company filed a Notice of Removal of the case to the U.S. District Court for the Southern District of New York. On July 30, 2001, the Company moved to dismiss the action based on Fiber Optek's May 16, 2001 "Voluntary Discontinuance Without Prejudice". To date, Fiber Optek has filed mechanics' liens in White Plains, Rye, New Rochelle, and Harrison, New York upon real property of the Company in such locations, including optical cable networks and license agreements. While it is not possible to predict the ultimate outcome of the Company's negotiations with Fiber Optek, the Company believes that this matter will not have a Material Adverse Effect.

On July 18, 2001, the Company's agent was served by a complaint filed by Stephen F. and Joan Pach of East Haddam, Connecticut, in the Middlesex District of the Connecticut Superior Court, alleging trespass and damage to their property in the Company's installation and use of a fiber optic cable on an easement owned by Northeast Utilities traversing the Pach property. The Company is required to answer the complaint on August 14, 2001 and expects to contest the claim. While it is not possible to predict the ultimate outcome of this claim, the Company believes that this matter will not have a Material Adverse Effect.

EXHIBIT A

SUBORDINATED CONVERTIBLE NOTE

EXHIBIT B

AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

EXHIBIT C

AMENDMENT NO. 1 TO STOCKHOLDERS AGREEMENT
EXHIBIT D

AMENDMENT NO. 3 TO SUBSCRIPTION AGREEMENT

EXHIBIT E

REGISTRATION RIGHTS AGREEMENT

EXHIBIT F
TERMINATION AGREEMENT

EXHIBIT G

NEON OPINION OF COUNSEL

THIS NOTE AND THE SHARES OF COMMON STOCK OF NEON COMMUNICATIONS, INC. (THE "COMMON STOCK") ISSUABLE UPON CONVERSION OF THIS NOTE HAVE BEEN ACQUIRED FOR INVESTMENT PURPOSES ONLY AND MAY NOT BE TRANSFERRED UNTIL (i) A REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") SHALL HAVE BECOME EFFECTIVE WITH RESPECT THERETO OR (ii) RECEIPT BY THE COMPANY OF AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY TO THE EFFECT THAT REGISTRATION UNDER THE SECURITIES ACT IS NOT REQUIRED IN CONNECTION WITH SUCH PROPOSED TRANSFER NOR IS SUCH TRANSFER IN VIOLATION OF ANY APPLICABLE STATE SECURITIES LAWS. THIS LEGEND SHALL BE ENDORSED UPON ANY NOTE ISSUED IN EXCHANGE FOR THIS NOTE OR ANY SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE.

THIS NOTE AND THE RIGHTS AND OBLIGATIONS OF THE COMPANY AND HOLDER HEREUNDER ARE SUBJECT TO THE SUBORDINATION PROVISIONS SET FORTH IN SECTION 3 HEREOF. IN THE EVENT OF A CONFLICT BETWEEN ANY TERMS OF THIS NOTE AND THE TERMS OF SUCH SECTION 3, THE TERMS OF SECTION 3 SHALL GOVERN.

NEON COMMUNICATIONS, INC.

18% Subordinated Convertible Note Due 2008

\$11,500,000.00

Westborough, Massachusetts
August 10, 2001

NEON COMMUNICATIONS, INC., a Delaware corporation (the "Company"), for value received, hereby promises to pay to the order of EXELON ENTERPRISES MANAGEMENT, INC., a Pennsylvania corporation, or its designee or assignee (the "Holder"), on August 15, 2008 (the "Maturity Date"), at the offices of the Company, the principal sum of Eleven Million Five Hundred Thousand Dollars (\$11,500,000.00) or such lesser principal amount as shall at such time be outstanding hereunder (the "Principal Amount"). Each payment by the Company pursuant to this Note shall be made in lawful currency of the United States of America and in immediately available funds. Interest on this Note shall accrue weekly and compound annually on the Principal Amount outstanding from time to time at a rate per annum computed in accordance with Section 4 hereof.

Accrued and unpaid interest on the Principal Amount of this Note outstanding shall commence on the date hereof and be payable: (i) semiannually on February 15 and August 15 of each year beginning on August 15, 2001, and (ii) upon maturity (whether at the Maturity Date, by acceleration or otherwise). Each of the dates referred to above is sometimes hereinafter referred to as an "Interest Payment Date." All computations of interest hereunder shall be made based on the actual number of days elapsed in a year of 360 days (including the first day but excluding the last day during which any such Principal Amount is outstanding). The Principal Amount of this Note together with interest accrued and unpaid thereon shall be payable on the Maturity Date (or such earlier date on which such amount may become due and payable under Section 7.2 hereof) unless this Note is converted in accordance with Section 6 hereof.

All payments by the Company hereunder shall be applied first to pay any interest which is due, but unpaid, and then to reduce the Principal Amount.

The Company waives presentment, demand, protest or notice of any kind in connection with this Note.

This Note is issued pursuant to a Convertible Note Purchase Agreement dated the date of this Note between the Company and the Holder (the "Purchase Agreement"). Notwithstanding any provision to the contrary contained herein, this Note is subject and entitled to those terms, conditions, covenants and agreements contained in the Purchase Agreement which are expressly applicable to the Note.

1. Definitions. For purposes of this Note, the following terms shall have the meanings described below:

1.1 "Affiliate" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through

the ownership of voting securities, by contract or otherwise and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

1.2 "Bankruptcy Law" means 11 U.S.C.ss.101 et seq. as from time to time hereafter amended, and any successor or similar Federal or state law for the relief of debtors.

1.3 "Board of Directors" means the Company's Board of Directors.

1.4 "Capital Stock" of any Person means any and all shares, interests, rights to purchase, warrants, options, participation or other equivalents of or interests in (however designated) equity of such Person, including any preferred stock, but excluding any debt securities convertible into such equity.

1.5 "Change of Control" means the occurrence of any of the following events:

(i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than one or more Permitted Holders, is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that for purposes of this clause (i) such person shall be deemed to have "beneficial ownership" of all shares that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 35% of the total voting power of the Voting Stock of the Company; provided, however, that the Permitted Holders beneficially own (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, in the aggregate a lesser percentage of the total voting power of the voting Stock of the Company than such other person and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Board of Directors (for the purposes of this clause (i), such other person shall be deemed to beneficially own any Voting Stock of a specified corporation held by another person ("a parent corporation"), if such other person is the beneficial owner (as described in this clause (i)), directly or indirectly, of more than 35% of the voting power of the Voting Stock of such parent corporation and the

Permitted Holders beneficially own (as described in this clause (i)), directly or indirectly, in the aggregate a lesser percentage of the voting power of the Voting Stock of such parent corporation and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the board of directors of such parent corporation);

(ii) individuals who on the date of this Note constituted the Board of Directors (together with any new directors whose election by such Board of Directors or whose nomination for election by the shareholders of the Company was approved by a vote of 66-2/3% of the directors of the Company then still in office who were either directors on the date of this Note or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors then in office;

(iii) the adoption of a plan relating to the liquidation or dissolution of the Company; or

(iv) the merger or consolidation of the Company with or into another Person or the merger of another Person with or into the Company, or the sale of all or substantially all the assets of the Company to another Person (other than a Person that is controlled by the Permitted Holders), and, in the case of any such merger or consolidation, the securities of the Company that are outstanding immediately prior to such transaction and which represent 100% of the aggregate voting power of the Voting Stock of the Company are changed into or exchanged for cash, securities or property, unless pursuant to such transaction such securities are changed into or exchanged for, in addition to any other consideration, securities of the surviving Person or transferee that represent immediately after such transaction, at least a majority of the aggregate voting power of the Voting Stock of the surviving Person or transferee.

1.6 "Common Stock Equivalent" means any Convertible Security or warrant, option or other right to subscribe for or purchase any additional shares of Common Stock or any Convertible Security, other than options granted to officers, directors or employees of, or consultants to, the Company, or any of its subsidiaries and approved by the Board of Directors.

1.7 "Convertible Security" means any evidence of indebtedness, shares of capital stock or other securities which may be at any time convertible into or exchanged for additional shares of Common Stock.

1.8 "Custodian" means any receiver, trustee, assignee, liquidator, custodian or similar official under any Bankruptcy Law.

1.9 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

1.10 "Excluded Securities" means any Common Stock Equivalent issued by the Company (i) pursuant to a private placement of public equity with Ramius Securities, LLC, or in connection with an equity line of credit up to an aggregate amount of \$25,000,000, in either case approved by the Board of Directors of the Company; and (ii) in the case of clause (i) hereof, any Common Stock issuable upon the conversion or exercise of any such Common Stock Equivalent.

1.11 "Exelon" means Exelon Enterprises Management, Inc., a Pennsylvania corporation.

1.12 "Indenture" means the Indenture dated as of August 5, 1998, between the Company and U.S. Bank Trust National Association.

1.13 "Market Price" as of any valuation date, (i) means the last reported sale price for the shares of Common Stock, as reported on the National Association of Securities Dealers Automated Quotation System ("Nasdaq") , or, if the Common Stock is listed on a stock exchange, the principal stock exchange on which the Common Stock is listed, on the last trading day prior to the applicable valuation date for which a closing price is available; or (ii) if the Common Stock on any such valuation date is not reported on Nasdaq or listed on any stock exchange, the Market Price shall be the fair market value as reasonably determined in good faith by the Board of Directors of the Company. The manner of determining the Market Price of the Common Stock set forth in the foregoing definition shall apply with respect to any other security in respect of which a determination as to market value must be made hereunder.

1.14 "Mode 1" means Mode 1 Communications, Inc., a Connecticut corporation.

1.15 "Permissible Securities" means equity securities or subordinated securities of the Company or any successor obligor of the Senior Debt or Subordinated Debt provided for by a plan of reorganization or readjustment that are subordinated in right of payment to all Senior Debt that may at the time be outstanding to the same extent as, or to a greater extent than, the Subordinated Debt is subordinate to the Senior Debt as provided in Section 3 hereof.

1.16 "Permitted Holders" means (i) Central Maine Power Company, a Maine corporation, and its Affiliates and (ii) Northeast Utilities, a Massachusetts business trust, and its Affiliates.

1.17 "Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

1.18 "Prepayment Amount" means such amount being prepaid by the Company prior to the second anniversary of the date of this Note in accordance with the terms of Section 2 hereof.

1.19 "Prepayment Penalty" means an amount equal to the interest that would have accrued on the Prepayment Amount for the next four (4) months after the date of any prepayment had such Prepayment Amount remained outstanding.

1.20 "Registration Rights Agreement" means the Registration Rights Agreement between the Company and Exelon dated the date hereof.

1.21 "Senior Debt" means, collectively, (i) the 12 3/4% Senior Notes Due 2008 in the aggregate principal amount of One Hundred Eighty Million Dollars (\$180,000,000.00) issued by the Company pursuant to the Indenture; (ii) all other indebtedness incurred after the issuance of the Note which by its terms is

superior in right of payment to the Note; and (iii) all payment obligations of the Company pursuant to any indebtedness incurred in order to finance the acquisition of fixed or capital assets, unless by the terms of the instrument creating or evidencing any such indebtedness it is expressly provided that such indebtedness is not superior in right of payment to the Note, provided, however, that in the case of each of (ii) and (iii), such indebtedness and payment obligations shall constitute Senior Debt only to the extent that such indebtedness and payment obligations shall have been approved in writing by the Holder as required by Section 6.1 of the Purchase Agreement.

1.22 "Significant Subsidiary" shall have the meaning ascribed to it in the Indenture.

1.23 "Subordinated Debt" means the principal amount of the indebtedness evidenced by this Note, together with any interest or premium due thereon or payable with respect thereto; and the principal amount of indebtedness evidenced by the Subordinated Convertible Note due 2008 issued by the Company to Mode 1 on June 15, 2001.

1.24 "Voting Stock" of a Person means all classes of Capital Stock or other interests (including partnership interests) of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustee thereof.

2. Prepayment. The Principal Amount of this Note may not be prepaid in whole or in part prior to the second anniversary of the date of this Note without the prior written consent of the Holder. Notwithstanding the foregoing, the Company may prepay this Note prior to such date without the consent of the Holder in connection with a merger of the Company or a sale of all or substantially all of its assets, provided the Company pays to Holder the Prepayment Penalty. The Principal Amount of this Note may be prepaid in whole or in part on or after the second anniversary of the date of this Note without the consent of the Holder and without any Prepayment Penalty.

3. Subordination. The Company, for itself, its successors and assigns, covenants and agrees, and the Holder and each successive holder of this Note, by its acceptance of this Note, likewise covenants and agrees (expressly for the benefit of the present and future holders of the Senior Debt), that the payment of principal of, and interest on, this Note is hereby expressly subordinated in right of payment, to the extent and in the manner set forth in this Section 3, to the prior payment in full of the principal of, premium (if any) and interest on, all Senior Debt of the Company, whether outstanding on the date hereof or hereafter incurred or created.

3.1 Default on Senior Debt. The Company shall not purchase, repurchase, redeem, defease or otherwise acquire or retire any of the Subordinated Debt prior to its scheduled maturity or scheduled payment (a "Restricted Payment") if an event of default in respect of the Senior Debt or an event which after notice or the passage of time or both would be such an event of default (a "Senior Debt Default") shall have occurred and be continuing or if such a Senior Debt Default would result from such a Restricted Payment.

3.2 Dissolution, Liquidation, Reorganization, etc. Upon any payment or distribution of the assets of the Company of any kind or character, whether in cash, property or securities, to creditors upon any dissolution, winding-up, total or partial liquidation, reorganization, composition, arrangement, adjustment or readjustment of the Company or its securities (whether voluntary or involuntary, or in bankruptcy, insolvency, reorganization, liquidation or receivership proceedings, or upon a general assignment for the benefit of creditors, or any other marshalling of the assets and liabilities of the Company, or otherwise), then and in any such event:

(i) the holders of the Senior Debt shall be entitled to receive payment in full in cash or cash equivalents (or to have such payment duly provided for in a manner reasonably satisfactory to the holders of Senior Debt) of all amounts due or to become due on or in respect of all Senior Debt, before any payment or distribution, whether in cash, property or securities (other than Permissible Securities), is made on account of the Subordinated Debt;

(ii) the Subordinated Debt shall forthwith become due and payable, and any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities (other than Permissible Securities), to which the Holder would be entitled except for the provisions of this Section 3, shall be paid or delivered by any debtor, custodian, liquidating trustee, agent or other Person making such payment or distribution, directly to the holders of the Senior Debt, or their representative or representatives, ratably according to the aggregate amounts remaining unpaid on account of such Senior Debt, for application to the payment thereof, to the extent necessary to pay all such Senior Debt in full in cash or cash equivalents after giving effect to any concurrent payment or distribution, or provision therefor, to the holders of such Senior Debt;

(iii) Each holder of the Subordinated Debt at the time outstanding hereby irrevocably authorizes and empowers each holder of the Senior Debt or such holder's representative to collect and receive such holder's ratable share of all such payments and distributions and to receipt therefor, and, if any holder of Subordinated Debt fails to file a claim at least seven (7) calendar days prior to the date established by rule of law or order of court for such filing, to file and prove (but not to vote) such claims therefor.

Upon any payment or distribution of assets of the Company referred to in this Section 3, the holders of the Subordinated Debt shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such bankruptcy, insolvency, reorganization, liquidation, receivership or other proceeding is pending, or a certificate of the debtor, custodian, liquidating trustee, agent or other Person making any such payment or distribution to such holders, for the purpose of ascertaining the Persons entitled to participate therein, the holders of the Senior Debt, the then outstanding principal amount of the Senior Debt and any and all amounts payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Section 3.

4. Interest.

4.1 Interest Rate. The outstanding Principal Amount shall bear interest at the rate of eighteen percent (18%) per annum, which shall accrue weekly and be compounded annually.

4.2 Payment of Interest. At the election of the Holder, given in writing by the Holder to the Company, accrued interest may be paid on the applicable Interest Payment Date in any of the following forms: (i) cash, (ii) additional 18% subordinated convertible notes due 2008, in substantially the form of this Note; or (iii) such number of fully paid and non-assessable shares of Common Stock determined by dividing the applicable interest payment by \$5.00. If no such election is made by the Holder with respect to an Interest Payment Date, the interest payment due on such Interest Payment Date shall be made in cash.

5. Redemption.

5.1 Optional Redemption. Subject to the Holder's right of conversion set forth in Section 6 hereof, at any time after the second anniversary of the date of this Note, the Company shall have the right, at its sole option and election made in accordance with Section 5.2 below, to redeem this Note, in whole or in part, at a redemption price equal to the then outstanding Principal Amount relating to that portion of the Note being redeemed, together with the related accrued and unpaid interest (the "Redemption Price").

5.2 Redemption Procedures. Notice of any redemption of this Note pursuant to Section 5.1 shall be mailed to the Holder at least 10 days but not more than 60 days prior to the date fixed for redemption (the "Redemption Date"). On or before the Redemption Date, the Holder shall surrender this Note or the portion thereof being redeemed, duly endorsed, at the principal office of the Company. On the Redemption Date, the Company shall wire transfer to the Holder the Redemption Price in immediately available funds for the Notes being so redeemed.

6. Conversion.

6.1 Optional Conversion. At the option of the Holder, any portion (in increments of \$1,000,000) or all of the outstanding Principal Amount of this Note together with all accrued and unpaid interest thereon, shall be convertible at any time and from time to time up to and including the Maturity Date, into such number of fully paid and non-assessable shares of Common Stock as shall be determined by Section 6.3 below.

6.2 Mandatory Conversion. At the option of the Company, at any time during the thirty (30) day period after the Common Stock has a Market Price equal to or greater than twenty dollars (\$20.00) for forty-five (45) or more consecutive trading days, the Company may deliver a notice (the "Mandatory Conversion Notice") to the Holder, providing that the Note shall automatically be converted into such number of fully paid and non-assessable shares of Common Stock as shall be determined by Section 6.3 below. Notwithstanding the foregoing, the Company shall not be entitled to effect a mandatory conversion pursuant to this Section 6.2 unless the Company has filed a registration statement registering the Conversion Shares (as defined below) with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended, and such registration statement has been declared effective by the Commission.

6.3 Conversion Price. The number of shares of Common Stock to be received by the Holder upon conversion of this Note in accordance with Section 6.1 or 6.2 (the "Conversion Shares") shall be determined by dividing the then

outstanding Principal Amount of the Note together with all accrued and unpaid interest being converted by the Holder by the Conversion Price in effect at the time of conversion (the "Conversion Price"). The Conversion Price at which the Conversion Shares shall be deliverable upon conversion of this Note without the payment of additional consideration by the Holder shall initially be \$5.00 per share of Common Stock. Such Conversion Price shall be subject to adjustment as provided in Section 6.4 below. Notwithstanding the foregoing, the Company shall not issue on conversions of this Note an aggregate number of Conversion Shares that, when added to (a) shares of Common Stock issuable upon conversion of additional 18% subordinated notes due 2008 or (b) additional shares of Common Stock, in each case, issued in payment of accrued interest pursuant to Section 4.2 hereof, would equal or exceed nineteen and ninety-nine hundredths percent (19.99%) of the number of shares of Common Stock issued and outstanding on the date hereof, unless the Company shall have theretofore (i) obtained the vote of shareholders ("Shareholder Approval"), if any, as may be required by the rules and regulations of the Nasdaq Stock Market (or successor thereto) applicable to approve the issuance of Common Stock deemed to have been issued at a price that is less than the greater of book or fair market value of the Common Stock, or (ii) obtained an exemption from the requirement for Shareholder Approval from the Nasdaq Stock Market (a "Nasdaq Exemption").

6.4 Adjustment of Conversion Price. The Conversion Price in effect at any time and the number and kind of securities issuable upon conversion of the Notes shall be subject to adjustment from time to time upon the happening of certain events as follows:

(i) Adjustment for Stock Splits and Combinations. If the Company at any time or from time to time after the date of this Note effects a subdivision of shares of its Common Stock, the number of Conversion Shares issuable to the Holder immediately before that subdivision shall be proportionately increased (as at the effective date of such subdivision, or if the Company shall take a record of holders of its Common Stock for the purpose of so subdividing, as at the applicable record date, whichever is earlier) to reflect the increase in the total number of shares of Common Stock outstanding as a result of such subdivision, and conversely, if the Company at any time or from time to time after the date of this Note combines shares of the Common Stock into a smaller number of shares, the number of shares of Conversion Stock issuable to the Holder immediately before the combination shall be proportionately decreased (as at the effective date of such combination, or if the Company shall take a record of holders of its Common Stock for the purpose of so combining, as at the applicable record date, whichever is earlier) to reflect the reduction in the total number of shares of Common Stock outstanding as a result of such combination. Any adjustment under this clause (i) shall become effective at the close of business on the date the subdivision or combination becomes effective.

(ii) Adjustment for Certain Dividends and Distributions. If the Company at any time or from time to time after the date of this Note makes, or fixes a record date for the determination of holders of shares of the Common Stock entitled to receive a dividend or other distribution payable in additional shares of the Common Stock, then and in each such event, the number of Conversion Shares issuable to the Holder shall be increased as of the time of such issuance, or, in the event such record date is fixed, as of the close of business on such record date, by multiplying the number of Conversion Shares issuable to the Holder by a fraction (A) the numerator of which shall be the

total number of shares of the Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of the Common Stock issuable in payment of such dividend or distribution and (B) the denominator of which is the total number of shares of the Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date.

(iii) Adjustments for Other Dividends and Distributions. In the event the Company at any time or from time to time after the date of this Note makes, or fixes a record date for the determination of holders of shares of the Common Stock entitled to receive a dividend or other distribution payable in securities of the Company other than the shares of the Common Stock, including but not limited to indebtedness, or in securities of any wholly-owned subsidiary of the Company then and in each such event, provision shall be made so that the Holder, upon conversion of this Note, shall receive upon conversion thereof, in addition to the number of Conversion Shares receivable thereupon, the amount of securities of the Company or of the applicable subsidiary which the Holder would have received had Holder been a holder of Common Stock on the date of such event and had thereafter, during the period from the date of such event to and including the date of conversion, retained such securities receivable as aforesaid during such period, subject to all other adjustments called for during such period under this Section 6.4 with respect to the rights of the Holder.

(iv) Adjustment for Reorganization, Consolidation, Merger. In the event of any reorganization of the Company (or any other corporation, the stock or other securities of which are at the time receivable upon the conversion of this Note) after the date hereof, or if, after such date, the Company (or any such other corporation) shall consolidate with or merge into another corporation or convey all or substantially all its assets to another corporation, then and in each such case the Holder, upon the conversion hereof as provided in Section 6.1 or 6.2, at any time after the consummation of such reorganization, consolidation, merger or conveyance, shall be entitled to receive, in lieu of the stock receivable upon the conversion of this Note prior to such consummation, the stock or other securities or property to which such Holder would have been entitled upon such consummation if such Holder had converted this Note immediately prior thereto.

(v) Adjustment for Reclassification, Exchange and Substitution. In the event that at any time or from time to time after the date of this Note, the shares of the Common Stock are changed into the same or a different number of shares of any class of stock, whether by recapitalization, reclassification or otherwise (other than a subdivision or combination of shares or stock dividend or a reorganization, merger, consolidation or sale of assets, provided for elsewhere in this Section 6.4), then and in any such event the kind and amount of stock and other securities and property receivable upon such recapitalization, reclassification or other change shall be used for calculation of the number of Conversion Shares issuable to the Holder, all subject to further adjustment as provided in this Note.

(vi) Adjustment for Issuance of Rights or Warrants. In the event that at any time or from time to time after the date of this Note, the Company issues warrants or other rights to purchase Common Stock to all holders of its Common Stock entitling them to purchase shares of Common Stock at a price below the then-current Market Price, and such purchase price is below the Conversion

Price, the Conversion Price shall thereafter be decreased to such purchase price.

(vii) Adjustment for Issuance of Common Stock Equivalents. In the event that the Company at any time prior to February 10, 2002 issues any Common Stock Equivalent, other than Excluded Securities, and the price per share for which additional shares of Common Stock may be issuable thereafter pursuant to such Common Stock Equivalent shall be less than the Conversion Price then in effect, then the Conversion Price shall thereafter be decreased to such purchase price. Upon the expiration or termination of the right to convert, exchange or exercise any Common Stock Equivalent the issuance of which affected an adjustment pursuant to this paragraph (vii), to the extent such Common Stock Equivalent shall not have been converted, exercised or exchanged in its entirety, then the Conversion Price shall forthwith be readjusted and thereafter be the price which it would have been (but reflecting any other adjustments in the Conversion Price made pursuant to the provisions of this Section 6.4 after the issuance of such Common Stock Equivalent) prior to the issuance of such Common Stock Equivalent.

(viii) Certificate of Chief Financial Officer as to Adjustment. In each case of an adjustment of the Common Stock, upon the request of the Holder, the Company shall compute such adjustment in accordance with the provisions of this Note and prepare a certificate setting forth such adjustment, and showing in detail the facts upon which such adjustment is based.

6.5 Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of this Note. The determination of fractional shares shall be made on the basis of the converted amount of Principal Amount of this Note plus accrued and unpaid interest at the time of conversion divided by the Conversion Price. In lieu of any fractional shares to which the Holder would otherwise be entitled, the Company shall pay cash equal to such fraction multiplied by the Conversion Price, immediately in effect prior to the event which would result in the issuance of a fractional share of Common Stock.

6.6 Mechanics of Conversion. Upon election of the Holder to convert this Note into Conversion Shares pursuant to Section 6.1, or upon mandatory conversion at the option of the Company pursuant to Section 6.2, the Holder shall surrender this Note or portion thereof, duly endorsed, at the office of the Company, and shall give written notice to the Company at its principal corporate office, of the election to convert the same (if applicable) and shall state therein the name or names in which the certificate or certificates for the Conversion Shares are to be issued. The Company shall, as soon as practicable thereafter, issue and deliver to the Holder, or to the nominee or nominees of the Holder, a certificate or certificates for the number of Conversion Shares to which such holder shall be entitled as aforesaid. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of this Note to be converted, and the person or persons entitled to receive the Conversion Shares issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock as of such date. In the event that only a portion of this Note is converted into Conversion Shares, the Company shall issue a new Note to the Holder evidencing the reduced Principal Amount after the partial conversion.

7. Events of Default.

7.1 Events Constituting An Event of Default. Each of the following described events shall constitute an "Event of Default" under this Note:

(i) Interest Payment Default. The Company defaults in any payment of interest on this Note when the same becomes due and payable and such default continues for a period of thirty (30) days;

(ii) Principal Payment Default. The Company defaults in the payment of the Principal Amount when the same becomes due and payable on the Maturity Date, upon required repurchase or otherwise.

(iii) Covenant Default. The Company fails to perform or observe any of the provisions contained in this Note, the Purchase Agreement or in the Registration Rights Agreement and such failure shall continue for more than sixty (60) days after the Holder has given written notice to the Company; or

(iv) Default on Other Indebtedness. The Company or any Significant Subsidiary shall fail to pay any indebtedness of the Company or such Subsidiary (including without limitation the Senior Debt within any applicable grace period after final maturity or such indebtedness is accelerated by the holders thereof because of a default and the total amount of such indebtedness unpaid or accelerated exceeds \$5,000,000 or its foreign currency equivalent at the time;

(v) Judgments. Any judgment or decree for the payment of money in excess of \$5,000,000 or its foreign currency equivalent at the time it is entered against the Company or any Significant Subsidiary, remains outstanding for a period of 60 days following the entry of such judgment or decree and is not discharged, waived or the execution thereof stayed within 10 days after the Holder has given written notice to the Company.

(vi) Consent to Bankruptcy. The Company or any Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case;

(B) consents to the entry of an order for relief against it in an involuntary case;

(C) consents to the appointment of a Custodian of it or for any substantial part of its property; or

(D) makes a general assignment for the benefit of its creditors; or

(E) takes any comparable action under any foreign laws relating to insolvency; and

(vii) Bankruptcy Order. A court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief of the Company or any Significant Subsidiary in an involuntary case;

(B) appoints a Custodian of the Company or any Significant Subsidiary or for any substantial part of its property;

(C) orders the winding up or liquidation of the Company or any Significant Subsidiary; or

(D) any similar relief is granted under any foreign laws and in each of (A), (B), and (C) above, the order or decree remains unstayed and in effect for sixty (60) days.

The foregoing will constitute Events of Default whatever the reason for any such Event of Default and whether it is voluntary or involuntary or is effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body.

7.2 Consequences of an Event of Default. If an Event of Default (other than an Event of Default specified in Section 7.1(vi) or Section 7.1(vii) hereof with respect to the Company) occurs and is continuing, the Holder by notice to the Company, may declare the Principal Amount and accrued but unpaid interest on this Note to be due and payable. If an Event of Default specified in Section 7.1(vi) or Section 7.1(vii) hereof with respect to the Company occurs, the Principal Amount and accrued but unpaid interest on the Note shall ipso facto become and be immediately due and payable without any declaration or other act on part of the Holder. The Holder may rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default have been cured or waived except nonpayment of Principal Amount or interest that has become due solely because of acceleration. No such rescission shall affect any subsequent Event of Default or impair any right consequent thereto.

8. Change of Control. (a) Upon the occurrence of a Change of Control, the Holder shall have the right to require that the Company repurchase this Note at a purchase price in cash equal to 101% of the Principal Amount outstanding on the date of purchase plus accrued and unpaid interest, if any, to the date of purchase, in accordance with the terms contemplated in section 8(b). For the avoidance of doubt, the additional 1% included in the purchase price of the Note upon a Change of Control shall not be considered a premium when determining the Principal Amount of the Note for use in the computation of such purchase price.

(b) Within 30 days following any Change of Control, the Company shall mail a notice to the Holder stating:

(1) that a Change of Control has occurred and that the Holder has the right to require the Company to purchase the Note

at a purchase price in cash equal to 101% of the Principal Amount on the date of purchase plus accrued and unpaid interest, if any, to the date of purchase;

(2) the circumstances and relevant facts regarding such Change of Control (including information with respect to pro forma historical income, cash flow and capitalization, each after giving effect to such Change of Control);

(3) the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed); and

(4) the instructions determined by the Company, consistent with this Section 8, that the Holder must follow in order to have the Note purchased.

(c) If the Holder elects to have the Note purchased, it will be required to surrender the Note, with an appropriate form duly completed, to the Company at the address specified in the notice at least three business days prior to the purchase date. The Holder will be entitled to withdraw its election if the Company receives not later than one business day prior to the purchase date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the Principal Amount which was delivered for purchase by the Holder and a statement that such Holder is withdrawing his election to have the Note purchased.

(d) On the purchase date, the Company shall pay the purchase price plus accrued and unpaid interest, if any, to the Holder.

9. Restrictions on Transfer.

9.1 Generally. The Holder acknowledges that this Note and the Conversion Shares issuable upon its conversion have not been registered or qualified under federal or state securities laws. This Note shall not be transferable by the Holder except in accordance with the terms and conditions set forth in the Purchase Agreement, this Note and the Securities Act of 1933, as amended. This Note is otherwise freely assignable by the Holder.

9.2 No Rights or Liabilities as Stockholder. This Note does not by itself entitle the Holder to any voting rights or other rights as a stockholder of the Company. In the absence of conversion of this Note, no provision of this Note, and no enumeration in this Note of the rights or privileges of the Holder shall cause such Holder to be a stockholder of the Company for any purpose.

10. Amendment, Waiver and Right of Set-Off.

10.1 Amendment. The provisions of this Note may not be amended, modified, waived, changed or terminated other than by an agreement in writing signed by the Company and the Holder.

10.2 Waiver. No failure or delay on the part of any party hereto in exercising any power or right under this Note shall operate as a waiver thereof, nor shall any single or partial exercise of any such power or right preclude any other or further exercise thereof or the exercise of any other power or right. No notice to or demand on the Company in any case shall entitle it to any notice

or demand in similar or other circumstances. No waiver or approval by the Holder shall, except as may be otherwise stated in such waiver or approval, be applicable to subsequent transactions. No waiver or approval by the Holder shall require any similar or dissimilar waiver or approval thereafter to be granted hereunder.

10.3 Right of Set Off. Notwithstanding anything to the contrary in this Note, (including without limitation the subordination provisions of Section 3 of this Note), the Purchase Agreement or any other agreement or document, if the Holder is Exelon, then Exelon shall have the absolute and unconditional right at any time and from time to time to set off against the Company's indebtedness under this Note any obligation or liability that Exelon may have to the Company and NEON Optica, Inc. (collectively, "NEON") under the Termination Agreement of even date herewith between NEON and Exelon.

11. Miscellaneous.

11.1 Registered Holder. The Company may consider and treat the person in whose name this Note shall be registered as the absolute owner thereof for all purposes whatsoever (whether or not this Note shall be overdue) and the Company shall not be affected by any notice to the contrary. In case of transfer of this Note by operation of law, the transferee agrees to notify the Company of such transfer and of its address, and to submit appropriate evidence regarding such transfer so that this Note may be registered in the name of the transferee. This Note is transferable only on the books of the Company by the holder hereof, in person or by attorney, on the surrender hereof, duly endorsed. Communications sent to any registered owner shall be effective as against all holders or transferees of the Note not registered at the time of sending the communication.

11.2 Costs of enforcement. The Company shall reimburse the Holder for all reasonable documented costs and expenses, including reasonable attorneys' fees, incurred by the Holder to enforce the provisions hereof and collect the Company's obligations hereunder.

11.3 Governing Law. This Note shall be governed by, and construed in accordance with, the laws of the Commonwealth of Pennsylvania, without regard to conflict of laws principles applied in the Commonwealth of Pennsylvania.

11.4 Notices. The notice provisions under Section 7.9 of the Purchase Agreement are applicable to this Note.

11.5 Usury Limitation. In no event shall the amount paid or agreed to be paid to the Holder for the use or forbearance of money to be advanced hereunder exceed the highest lawful rate permissible under the then applicable usury laws. If it is hereafter determined by a court of competent jurisdiction that the interest payable hereunder is in excess of the amount which the Holder may legally collect under the then applicable usury laws, such amount which would be excessive interest shall be applied to the payment of the unpaid principal balance due hereunder and not to the payment of interest or, if all principal shall previously have been paid, promptly repaid by the Holder to the Company.

11.6 Severability. Every provision of this Note is intended to be severable. If any term or provision hereof is declared by a court of competent jurisdiction to be illegal or invalid, such illegal or invalid term or provision

shall not affect the balance of the terms and provisions hereof, which terms and provisions shall remain binding and enforceable.

11.7 Terms Binding. By acceptance of this Note, the Holder of this Note (and each subsequent Holder of this Note) accepts and agrees to be bound by all the terms and conditions of this Note and the Purchase Agreement.

11.8 Waiver of Jury Trial. THE HOLDER AND THE COMPANY HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS NOTE OR ANY OTHER DOCUMENT OR INSTRUMENT EXECUTED AND DELIVERED IN CONNECTION HERewith, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN), OR ACTIONS OF THE HOLDER OR THE COMPANY. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE HOLDER'S PURCHASING THIS NOTE.

11.9 Consent of Jurisdiction. THE COMPANY IRREVOCABLY CONSENTS THAT ANY LEGAL ACTION OR PROCEEDING AGAINST IT UNDER, ARISING OUT OF OR IN ANY MANNER RELATING TO, THIS NOTE MAY BE BROUGHT IN ANY COURT OF THE COMMONWEALTH OF PENNSYLVANIA LOCATED WITHIN THE EASTERN DISTRICT OF PENNSYLVANIA OR IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA. THE COMPANY, BY EXECUTION AND DELIVERY OF THIS NOTE, EXPRESSLY AND IRREVOCABLY CONSENTS AND SUBMITS TO THE PERSONAL JURISDICTION OF ANY OF SUCH COURTS IN ANY SUCH ACTION OR PROCEEDING. THE COMPANY FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF ANY COMPLAINT, SUMMONS, NOTICE OR OTHER PROCESS RELATING TO ANY SUCH ACTION OR PROCEEDING BY DELIVERY THEREOF TO IT BY HAND OR BY ANY OTHER MANNER PROVIDED FOR IN SECTION 7.9 OF THE PURCHASE AGREEMENT. THE COMPANY HEREBY EXPRESSLY AND IRREVOCABLY WAIVES ANY CLAIM OR DEFENSE IN ANY SUCH ACTION OR PROCEEDING BASED ON ANY ALLEGED LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS OR ANY SIMILAR BASIS. NOTHING IN THIS SECTION SHALL AFFECT OR IMPAIR IN ANY MANNER OR TO ANY EXTENT THE RIGHT OF THE HOLDER TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST THE COMPANY IN ANY JURISDICTION OR TO SERVE PROCESS IN ANY MANNER PERMITTED BY LAW.

THE COMPANY ACKNOWLEDGES AND AGREES THAT SECTIONS 11.8 AND 11.9 ARE A SPECIFIC AND MATERIAL ASPECT OF THIS NOTE AND THAT EXELON WOULD NOT EXTEND CREDIT TO THE COMPANY IF THE WAIVERS, CONSENTS AND AUTHORIZATIONS SET FORTH THEREIN WERE NOT A PART OF THIS NOTE.

IN WITNESS WHEREOF, the Company has caused this Note to be signed in its name by its duly authorized officer.

NEON COMMUNICATIONS, INC.

By: /s/ Stephen E. Courter

Name: Stephen E. Courter

Title: Chief Executive Officer

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (the "Agreement") is made as of August 10, 2001, by and between NEON COMMUNICATIONS, INC., a Delaware corporation ("Neon") and EXELON ENTERPRISES MANAGEMENT, INC., a Pennsylvania corporation ("Exelon").

B A C K G R O U N D:

Pursuant to a certain Subordinated Convertible Note Purchase Agreement dated as of the date hereof by and between Neon and Exelon (the "Exelon Purchase Agreement"), Exelon is purchasing and Neon is selling an 18% Subordinated Convertible Note (the "Exelon Note"), all as more fully described in the Exelon Purchase Agreement.

NOW THEREFORE, in consideration of the foregoing and of the mutual promises and covenants set forth herein, the parties hereto, intending to be legally bound, agree as follows:

1. Certain Definitions. As used in this Agreement, the following terms shall have the meanings set forth below:

(a) "Applicable Period" shall mean the time between the date on which a Registration Statement covering the Registrable Securities has been declared effective by the Commission and the earlier of (i) the date on which each Seller has completed the distribution of the Registrable Securities described in the Registration Statement or (ii) the date on which all of the Registrable Securities held by the Sellers shall be eligible to be sold pursuant to Rule 144(k) (or any similar successor provision).

(b) "Business Day" shall mean a day that is not a Saturday, a Sunday, or a day on which banking institutions in New York, New York are required to be closed.

(c) "Closing" shall mean the closing of the transactions contemplated by the Exelon Purchase Agreement.

(d) "Closing Documents" shall mean this Agreement, the Exelon Purchase Agreement, and each of the other agreements and documents delivered by Neon at Closing.

(e) "Commission" shall mean the United States Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

(f) "Common Stock" shall mean the common stock, par value \$.01 per share, of Neon.

(g) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, all as the same shall be in effect from time to time.

(h) "Exelon Conversion Shares" shall mean the shares of Common Stock issuable upon conversion of the Exelon Note.

(i) "Exelon Initial Shares" shall mean the 2,131,144 shares of Common Stock issued to Exelon pursuant to that certain Subscription Agreement between Neon and Exelon dated November 23, 1999 and amended as of the date hereof.

(j) "Exelon Shares" shall mean the Exelon Conversion Shares and the Exelon Initial Shares.

(k) [reserved]

(l) "Nasdaq" shall mean The Nasdaq Stock Market or any market successor thereto.

(m) "Permitted Transfer" shall mean (i) a sale, assignment, pledge or transfer of the interest of Exelon, in all or any part of the Registrable Securities to any third party, (ii) a Transfer by Exelon, to a subsidiary, limited partnership or limited liability company, which subsidiary, limited partnership or limited liability company is controlled by Exelon provided, however, that each Transferee shall, prior to the Transfer of Registrable

Securities to such Transferee, execute and deliver to Neon a valid and binding agreement in the form attached hereto as Exhibit A.

(n) "Permitted Transferee" shall mean a transferee in a transaction constituting a Permitted Transfer.

(o) "Person" means an individual, partnership, limited liability company, corporation, trust or unincorporated organization or government or agency or political subdivision thereof.

(p) "Prospectus" shall mean: (i) each preliminary prospectus included in the Registration Statement filed prior to the time it becomes effective; (ii) the form of prospectus first filed with the Commission pursuant to Rule 424(b); (iii) all supplements thereto and (iv) amendments thereto which shall have been declared effective by the Commission.

(q) "Registrable Securities" shall mean (i) the Exelon Shares; (ii) any Common Stock and any other security issued as an interest payment or other distribution with respect to or in exchange for or in replacement of the Exelon Shares, provided, however, that Registrable Securities shall not include any shares of Common Stock which have been sold to the public either pursuant to the Registration Statement or pursuant to Rule 144, which are eligible for resale pursuant to Rule 144(k) under the Securities Act, or which have been sold in any other transaction in which the transferor's rights under this Agreement are not assigned.

(r) The terms "register," "registered" and "registration" shall refer to a registration effected by preparing and filing with the Commission a registration statement in compliance with the Securities Act and applicable rules and regulations thereunder, and the declaration or ordering of the effectiveness of such registration statement by the Commission.

(s) "Registration Expenses" shall mean all expenses incurred by Neon in effecting any registration pursuant to this Agreement, including all registration, qualification and filing fees, reproduction and printing expenses, expenses incurred by Neon in the preparation of any registration statement, fees and disbursements of counsel for Neon and those of Neon's other independent professional advisors and experts, listing fees and other costs incurred in listing Registrable Securities for trading on Nasdaq or on any stock exchange, blue sky fees and expenses (if any), expenses of any regular or special accounting services provided to Neon or required by any such registration, and the reasonable fees and disbursements of one counsel selected by Exelon, but shall not include Selling Expenses.

(t) "Registration Statement" shall mean any registration statement to be filed or filed by Neon with the Commission pursuant to Section 2, below (including (a) all amendments and supplements thereto, (b) each Prospectus contained therein, and (c) all exhibits thereto or incorporated by reference therein).

(u) "Rule 144" shall mean Rule 144 as promulgated by the Commission under the Securities Act, as such rule may be amended from time to time, or any similar successor rule that may be promulgated by the commission.

(v) "Securities Act" shall mean the Securities Act of 1933, as amended, and regulations thereunder, all as the same shall be in effect from time to time.

(w) "Seller" shall mean Exelon, each Permitted Transferee, and any other holder of Registrable Securities to whom the registration rights conferred by this Agreement have been transferred in compliance with Section 11(a) hereof, in each case who are offering for resale Registrable Securities on a Registration Statement.

(x) "Selling Expenses" shall mean all brokerage fees, selling commissions and underwriting discounts (if any), and stock transfer taxes applicable to the sale of Registrable Securities and fees and disbursements of counsel for any Seller (other than the fees and disbursements of such counsel included in Registration Expenses).

(y) "Transfer" shall mean any sale, transfer, encumbrance, gift, donation, assignment, pledge, hypothecation or other disposition of any Common Stock or any interest therein, whether voluntary or involuntary, including, but not limited to, any disposition by operation of law, by court order, by judicial process or by foreclosure, levy or attachment.

2. Registration.

(a) Initial Registration. As soon as practicable after the Closing, Neon shall use its best efforts to effect the registration for offer and sale under the Securities Act of all of the Exelon Shares. In furtherance thereof, Neon shall file with the Commission within forty-five (45) days of Closing a registration statement on an appropriate form (which form shall comply as to form in all material respects with the requirements of the applicable form) under the Securities Act covering the Exelon Shares and that number of additional shares of Common Stock which represent interest payments that would become due on the Exelon Note through August 15, 2004 if such interest payments were to be paid in the form of additional shares of Common Stock or additional convertible notes in accordance with the terms of the Exelon Note.

(b) Additional Registration. Neon shall file an additional registration statement no later than January 15, 2005, to the extent necessary to register the offer and sale under the Securities Act of that number of additional shares of Common Stock which represent interest payments that would become due under the Exelon Note through its maturity date if such interest payments were to be paid in the form of additional shares of Common Stock or additional convertible notes in accordance with the terms of the Exelon Note.

3. Registration Expenses. All Registration Expenses shall be borne by Neon.

4. Registration Procedures. If and whenever Neon is required by the provisions of this Agreement to use its best efforts to effect the registration of any Registrable Securities under the Securities Act, Neon shall, at Neon's expense:

(a) notify each Seller as to: (i) the initial filing of the Registration Statement; (ii) the receipt of any comments thereon from the Commission; (iii) any request from the Commission or any state regulatory authority for amendment of the Registration Statement or for supplement to any Prospectus or for any additional information in connection therewith; (iv) the filing of each amendment thereto, including any post-effective amendment; (v) the effectiveness of the Registration Statement or any post-effective amendment thereto; and (vi) the issuance by the Commission or any state regulatory authority of any stop order suspending the effectiveness of the Registration Statement or the use of any Prospectus or the institution of any proceedings for that purpose;

(b) use its best efforts to prevent the issuance of any stop order preventing or suspending the use of any Prospectus and to obtain as soon as possible the lifting or withdrawal thereof, if issued;

(c) keep the Registration Statement effective from the effective date thereof to and including the first to occur: (i) ninety-six (96) months from the Closing Date; (ii) the date on which all Sellers have completed the distribution of Registrable Securities described in the Registration Statement; or (iii) the date on which all of the Registrable Securities held by the Sellers shall be eligible to be sold pursuant to Rule 144(k) (or any similar successor provision);

(d) promptly prepare and file with the Commission such amendments and supplements to the Registration Statement and the prospectus used in connection with the Registration Statement as shall be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by the Registration Statement and thereafter use its reasonable best efforts to cause any such post-effective amendment to be declared effective by the Commission as promptly as permitted by the Commission;

(e) furnish to each Seller: (i) such number of Prospectuses and other documents incident thereto, including any amendment of or supplement to the Prospectus, as such Seller may reasonably request (for dissemination or otherwise) from time to time; (ii) two signed copies of the Registration Statement and all amendments thereto, including all exhibits filed therewith; and (iii) such number of conformed copies of the Registration Statement (including such number of copies of the exhibits filed therewith as may reasonably be requested), including documents incorporated by reference therein, as such Seller may reasonably request from time to time;

(f) notify each Seller of Registrable Securities covered by the Registration Statement at any time:

(i) when a Prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event or the failure of any event to occur or the discovery of any facts as a result of which the Prospectus included in the Registration Statement, as then in effect, includes any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading or incomplete in the light of the circumstances then existing, and at the request of a Seller, prepare and furnish to such Seller, a reasonable number of copies of a supplement to or an amendment of such Prospectus as may be necessary so that, as thereafter delivered to the purchaser(s) of such shares, such Prospectus shall not include any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or incomplete in the light of the circumstances then existing;

(ii) if, during the Applicable Period, the representations and warranties of Neon contained in this Agreement or in the Exelon Purchase Agreement, as the case may be, cease to be true and correct in any material respect;

(iii) if Neon receives any notification of the issuance of a stop order or the suspension of the registration or qualification of the Registrable Securities in any jurisdiction or the initiation of any proceeding for such purpose; and

(iv) that, in Neon's reasonable determination, a post-effective amendment to the Registration Statement would be appropriate;

(g) use its best efforts to register or qualify the Registrable Securities covered by the Registration Statement under the securities or Blue Sky laws of such states as the Seller shall reasonably request, and do any and all other acts and things that may be necessary or desirable to enable the Seller to consummate the public sale or other disposition in such states of the Registrable Securities owned by such Seller; provided, however, that Neon shall not be required in connection with this paragraph (g) to qualify as a foreign corporation or execute a general consent to service of process in any jurisdiction;

(h) use its best efforts to list the Registrable Securities registered pursuant to this Agreement on Nasdaq and any securities exchange on which shares of the Common Stock are then listed;

(i) make generally available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve (12) months, but not more than eighteen (18) months, beginning with the first month after the effective date of the Registration Statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder (or any similar rule promulgated under the Securities Act); and

(j) Neon shall provide one copy of each notice or document given or furnished to each Seller pursuant to Section 4(a) (e) and (f) above, concurrently with the provision thereof to each Seller and/or as promptly

thereafter as possible, to legal counsel designated by each Seller in a written notice given to Neon.

5. Information by Each Seller.

(a) Each Seller shall furnish to Neon such information regarding such Seller, the Registrable Securities held by such Seller and the sale or other Transfer thereof proposed by such Seller as Neon may request in writing and as shall be reasonably required in connection with the Registration.

(b) Each Seller shall furnish to Neon such certificates and documents confirming as of the effective date of the Registration Statement the representations and warranties and performance of the covenants made herein by such Seller.

6. Representation and Warranties of Neon. Neon represents and warrants to each Seller as of the date hereof follows:

(a) Neon complies with the conditions for the use of Form S-3 under the Securities Act in connection with the resale of securities on behalf of a selling stockholder.

(b) The Registration Statement will contain, and the Prospectus and any amendments or supplements thereto will contain, all statements which are required to be stated therein by, and will conform to, the requirements of the Securities Act. The documents incorporated by reference in the Prospectus, at the time filed with the Commission, conformed in all material respects to the then applicable requirements of the Exchange Act or the Securities Act. The Registration Statement will not contain any untrue statement of a material fact and will not omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading. The prospectus and any amendments and supplements thereto will not contain as of the date of such Prospectus, any untrue statement of material fact; and will not omit as of the date of such Prospectus, to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that Neon makes no representations or warranties as to information contained in or omitted from the Registration Statement or the Prospectus, in reliance upon, and in conformity with, written information furnished to Neon by or on behalf of Exelon, any predecessor of Exelon or any other Seller, specifically for use in the preparation thereof or in any report or other document incorporated therein by reference, including, without limitation, any Current Report on Form 8-K under the Exchange Act which Neon may file in connection with the transactions contemplated by the Exelon Purchase Agreement.

(c) The consolidated financial statements of Neon and its subsidiaries, together with related notes and schedules as set forth or incorporated by reference in the Registration Statement, present fairly the financial position and the results of operations and cash flows of Neon and the consolidated subsidiaries, at the indicated dates and for the indicated periods. Such financial statements and related schedules have been prepared in accordance with generally accepted principles of accounting, consistently applied throughout the periods involved, and all adjustments necessary for a fair presentation of results for such periods have been made.

(d) No approval, consent, order, authorization, designation, or filing by or with any regulatory, administrative or other governmental body is necessary to be made by or on behalf of Neon in connection with the execution and delivery by Neon of this Agreement and the consummation of the transactions herein contemplated except (i) as required under the Securities Act or the Exchange Act; (ii) in connection with the listing of the Registrable Securities on Nasdaq; or (iii) as may be necessary to qualify the Registrable Securities for public offering under state securities or Blue Sky laws.

7. Representation and Warranties of Each Seller. Each Seller, severally and not jointly, represents and warrants the following:

(a) Each Seller, has, and each Seller will, upon the effectiveness of the Registration Statement and at the time of any sale or other Transfer thereunder, have good and marketable title to the Registrable Securities held by it which it seeks to sell pursuant to the Registration Statement, free and clear of any liens, encumbrances and claims, at law or in equity, and full right, power and authority to effect the sale and delivery of such Registrable Securities.

(b) No Seller has taken, directly or indirectly, any action designed to, or which has constituted, or which might reasonably be expected to cause or result in the manipulation or stabilization of the price of the Common Stock and, other than as permitted by the Securities Act, no Seller will distribute any Prospectus (as defined in the Securities Act) or other offering material in connection with the offering of the Registrable Securities.

8. Covenants of Each Seller. Each Seller, severally and not jointly covenants and agrees as follows:

(a) No Seller shall make or effect any Transfer, directly or, indirectly, of any Registrable Securities, owned of record or beneficially by it, (i) prior to the effectiveness of the Registration Statement, or (ii) thereafter, except as permitted by and in accordance with the respective terms and conditions of this Agreement (including Section 6 (b), below) and the other Closing Documents.

(b) Subsequent to the effectiveness of the Registration Statement, no Seller shall make or effect any Transfer of Registrable Securities except: (i) Permitted Transfers; (ii) Transfers pursuant to the Prospectus and as provided under the caption "Plan of Distribution" therein; and (iii) Transfers in accordance with Rule 144(k); provided, however, that if, for any reason, the Registration Statement shall not have become effective prior to the first anniversary of Closing, Transfers of Registrable Securities may be effected in accordance with Rule 144; and provided, further, however, that if the Registration Statement shall become effective but the Prospectus shall thereafter become unusable to effect sales of Registrable Securities during the Applicable Period due to the entry of a stop order, the filing of a post-effective amendment which has not been declared effective or for any other reason, then Transfers of Registrable Securities may be effected pursuant to the provisions of Rule 144.

(c) Each Seller shall promptly notify Neon of each Transfer (other than Transfers effected pursuant to the Prospectus or Rule 144) of Registrable Securities made or effected by it, but in no event later than five (5) Business Days after such Transfer. Each such Seller shall specify the name, address and

tax identification number of each transferee, together with the amount of Registrable Securities transferred to such transferee.

(d) Each such Seller shall promptly notify Neon if it shall have become an "affiliate" of Neon within the meaning of Rule 144(a).

(e) No Seller will take, directly or indirectly, any action designed to cause or result in, or which might reasonably be expected to constitute, the manipulation or stabilization of the price of Common Stock or of any other securities of Neon. Each Seller will endeavor in good faith to maintain an orderly market when distributing the Registrable Securities.

(f) The information pertaining to each Seller provided or which will be provided to Neon by or on behalf of each Seller for inclusion under the caption "Selling Stockholders" in each Prospectus will be complete and accurate in all material respects as of the date of such Prospectus.

9. Indemnification With Respect to Securities Matters.

(a) Neon will indemnify each Seller, each of their respective officers, directors and partners, agents, representatives, legal counsel, and accountants and each Person controlling each such Seller within the meaning of Section 15 of the Securities Act with respect to which Registration has been effected pursuant to this Section 9 against all expenses, claims, losses, damages, and liabilities (or actions, proceedings, or settlements in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any Prospectus, offering circular, or other document (including any related Registration Statement) incident to any such Registration, or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statement therein not misleading, or any violation by Neon of the Securities Act or any rule or regulation thereunder applicable to Neon and relating to action or inaction required of Neon in connection with any such Registration, and will reimburse any such Seller, its respective officers, directors, partners, agents, representatives, legal counsel, and accountants and each person controlling such Seller for any legal and any other expenses reasonably incurred in connection with investigating and defending or settling any such claim, loss, damage, liability, or action; provided, however, that Neon will not be liable in any such case to the extent that any such claim, loss, damage, liability, or expense arises out of or is based on any untrue statement or omission based upon written information furnished to Neon by any Seller and stated to be specifically for use therein; provided, further, that Neon will not be liable in any case to the extent such claim, loss, damage, liability or action arises out of the Indemnified Party's (as defined below) failure to send or give a copy of the final Prospectus, as the same may be then supplemented or amended, to the Person asserting an untrue statement or alleged untrue statement or omission or alleged omission at or prior to the written confirmation of the sale of Registrable Securities to such Person if such statement or omission was corrected in such final Prospectus so long as such final Prospectus, and any amendments or supplements thereto, have been furnished to such Indemnified Party. It is agreed that the indemnity agreement contained in this Section 9 shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, or action if such settlement is effected without the consent of Neon (which consent shall not be unreasonably withheld).

(b) Each Seller will indemnify Neon, each of its directors, officers, partners, agents, representatives, legal counsel, and accountants and each Person who controls Neon within the meaning of Section 15 of the Securities Act, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in the Registration Statement, Prospectus, offering circular, or other document, or any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse Neon, directors, officers, partners, agents, representatives, legal counsel, and accountants and control persons for any legal or any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability, or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such Registration Statement, Prospectus, offering circular, or the document in reliance upon and in conformity with written information furnished to Neon by such Seller or authorized by such Seller to be furnished to Neon on behalf of such Seller, and stated to be specifically for use therein; provided, however, that the obligations of each Seller hereunder shall not apply to amounts paid in settlement of any such claims, losses, damages, or liabilities (or actions in respect thereof) if such settlement is effected without the consent of such Seller (which consent shall not be unreasonably withheld). The maximum liability of any Seller for indemnity pursuant to this Section 9(b) shall not exceed the net proceeds that such Seller realized from the sale of its Registrable Securities pursuant to the Prospectus or, if such Seller has not yet sold any Registrable Securities pursuant to the Prospectus at the time that indemnification is required pursuant to this Agreement then such Seller's maximum liability hereunder shall be the value of the Common Stock beneficially held by such Seller covered by the Prospectus measured by the closing price of such Common Stock on Nasdaq or other market or exchange on which the Common Stock are traded, or, if not so traded, by a fair market value standard reasonably approved by Neon's then current Board of Directors.

(c) Each Person entitled to indemnification under this Section 9 (the "Indemnified Party") shall give notice to the Person required to provide indemnification (the "Indemnifying Party") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of such claim or any litigation resulting therefrom, provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or any litigation resulting therefrom, shall be approved by the Indemnified Party (whose approval shall not unreasonably be withheld), and the Indemnified Party may participate in such defense at such Indemnified Party's expense, and provided further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Agreement to the extent such failure is not prejudicial. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of each Indemnified Party, consent to entry of any, judgment or enter into any settlement that does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation. Each Indemnified Party shall furnish such information regarding itself or the claim in question as an Indemnifying Party may reasonably request in writing and as shall be reasonably required in connection with defense of such claim and litigation resulting therefrom.

(d) If the indemnification provided for in this Section 9 is unavailable to or insufficient to hold harmless an Indemnified Party with respect to any loss, liability, claim, damage, or expense, (or actions or proceedings in respect thereof) referred to therein, then the Indemnifying Party, in lieu of indemnifying such Indemnified Party hereunder, shall contribute to the amount paid or payable by such Indemnified Party as a result of such loss, liability, claim, damage, or expense (or actions or proceedings in respect thereof) in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party, on the one hand, and of the Indemnified Party on the other, in connection with the statement or omissions that resulted in such loss, liability, claim, damage, or expense (or actions or proceedings in respect thereof), as well as any other relevant equitable considerations; provided, however, that no Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contributions from any Person that was not guilty of such fraudulent misrepresentation. The relative fault of the Indemnifying Party and of the Indemnified Party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Indemnifying Party or by the Indemnified Party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission.

The parties hereto agree that it would not be just and equitable if contributions pursuant to this Section 9(d) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 9 (d). The amount paid or payable by an Indemnified Party as a result of any loss, liability, claim, damage, or expense (or actions or proceedings in respect thereof) referred to above in this Section 9(d) shall be deemed to include any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim.

(e) The obligations of each Seller to indemnify and hold harmless Neon and each other person entitled to indemnity as an Indemnified Party under Section 9(b), above, is independent of any provision of the Exelon Purchase Agreement and the right of Neon and each such other Person to be indemnified under Section 9(b) shall not be limited by or otherwise subject to any provision of the Exelon Purchase Agreement. Specifically, by way of example, and not by way of limitation, such claims shall not be subject to any minimum amount and such claims may not be asserted against or offset by any portion of the Exelon Note.

10. Reporting Requirements. Neon agrees that:

(a) during the Applicable Period, for so long as Neon is subject to the reporting requirements of Section 13 or 15 of the Exchange Act, Neon will file the reports required to be filed by it under the Securities Act and Section 13(a) or 15(d) of the Exchange Act and the rules and regulations adopted by the Commission thereunder;

(b) if Neon shall cease to be so required to file such reports, it will, upon the request of any Seller with Registrable Securities covered under a Registration Statement, take such further action that is reasonable in the circumstances, including, without limitation, the provision of current public information as required by Rule 144(c) (or any similar successor provision), to enable such Seller to sell its Registrable Securities pursuant to Rule 144; and

(c) periodically furnish to each Seller with Registrable Securities covered under a Registration Statement forthwith upon written request a written statement by Neon as to its compliance with the reporting requirements of the Securities Act, the Exchange Act and/or Rule 144, as appropriate.

11. Miscellaneous.

(a) Benefits Non-transferable. Notwithstanding anything to the contrary contained elsewhere in this Agreement or in any other Closing Document, the obligation of Neon to effect the Registration and, thereafter, to maintain the effectiveness of the Registration Statement is solely for the benefit of Exelon and, subject to Section 1(m), its Permitted Transferees.

(b) Governing Law. This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the State of Delaware as applied to contracts made and fully performed therein.

(c) Section Headings. All section headings are for convenience only and shall in no way modify or restrict any of the terms or provisions hereof.

(d) Interpretation. The masculine (or neuter) pronoun and the singular number shall include the masculine, feminine and neuter genders and the singular and plural numbers. All references in the singular or plural shall be deemed to have been made, respectively, in the plural or singular number as well, as the context may require.

(e) Counterparts. This Agreement may be executed in two or more counterparts, including, without limitation, execution by facsimile, each of which shall be deemed an original, and all of which when taken together shall be deemed to be one and the same instrument. It shall not be necessary in making proof of this Agreement or any counterpart hereof to produce or account for any of the other counterparts.

(f) Amendments and Waivers. The provisions of this Agreement, including provisions of this Section 11(f), may not be amended, modified or supplemented, otherwise than with the prior written consent of Neon and Exelon.

(g) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand delivery, registered first class mail, telex, telecopier, or any courier guaranteeing overnight delivery: (i) if to Exelon addressed as follows: Robert Shinn, Vice President Exelon Enterprises Management, Inc., 2301 Market Street, Philadelphia, Pennsylvania 19101, and (ii) if to Neon, addressed to Neon's address as set forth in the Exelon Purchase Agreement and thereafter at such other address, notice of which is given in accordance with the provisions of this Section 11(g).

All such notices and communications shall be deemed to have been duly given at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt is acknowledged, if telecopied; and on the next Business Day, if timely delivered to an air courier guaranteeing overnight delivery.

(h) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of the parties hereto, subject to Section 11(a), above, provided, however, that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Registrable Securities in violation of the terms of this Agreement, the Exelon Purchase Agreement or applicable law. If any transferee of any Seller shall acquire Registrable Securities, in any manner, whether by operation of law or otherwise, such Registrable Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Registrable Securities, such Person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement and such Person shall be entitled to receive the benefits hereof.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have duly executed this Registration Rights Agreement on the date first above written.

Attest:

NEON COMMUNICATIONS, INC.

/s/ Barbara Johnson

/s/ Stephen E. Courter

Title: Assistant Secretary

Name: Stephen E. Courter
Title: Chief Executive Officer

Attest:

EXELON ENTERPRISES
MANAGEMENT, INC.

/s/ John D. Halderman

BY: /s/ Robert A. Shinn

Title: Secretary

Name: Robert A. Shinn
Title: President

ADOPTION AGREEMENT

This Adoption Agreement ("Adoption Agreement") is executed by the undersigned (the "Transferee") pursuant to the terms of that certain Registration Rights Agreement dated as of August 10, 2001 (the "Agreement") by and between Neon Communications, Inc. and Exelon Enterprises Management, Inc. Capitalized terms used but not defined herein shall have the respective meanings ascribed to such terms in the Agreement. By the execution of this Adoption Agreement, the Transferee agrees as follows:

1. Acknowledgment. Transferee acknowledges that Transferee is acquiring certain securities of the Company (the "Securities"), subject to the terms and conditions of the Agreement.

2. Agreement. Transferee (i) agrees that the Securities acquired by Transferee shall be bound by and subject to the terms of the Agreement, and (ii) hereby adopts the Agreement with the same force and effect as if Transferee were originally a party thereto, with the effect that Transferee shall hereafter be deemed a "Seller" for the purposes of the Agreement.

3. Notice. Any notice required or permitted by the Agreement shall be given to Transferee at the address listed beside Transferee's signature below.

EXECUTED AND DATED as of this ____ day of _____.

[NAME OF TRANSFEREE]

By: _____

Name: _____

Title: _____

Social Security Number or Tax ID Number: _____

Address: _____

Fax: _____

AMENDMENT NO. 1 TO STOCKHOLDERS' AGREEMENT

This AMENDMENT NO. 1 TO STOCKHOLDERS' AGREEMENT, dated August 10, 2001 (the "Amendment No. 1"), is entered into by and among Mode 1 Communications, Inc. ("M1"), Exelon Enterprises Management, Inc., formerly known as Exelon Ventures Corp. ("Exelon"), Consolidated Edison Communications, Inc. ("CEC") and NEON Communications, Inc. (the "Company"). M1, Exelon, and CEC are referred to in this Amendment No. 1 collectively as the "Stockholders."

WHEREAS, the Stockholders and the Company entered into a Stockholders' Agreement dated as of September 14, 2000 (the "Stockholders' Agreement") pursuant to which the Stockholders agreed, among other things, to establish reciprocal rights of first offer; and

WHEREAS, the parties mutually desire to amend the Stockholders' Agreement to release M1, CEC and Exelon from the mutual rights and obligations provided for in Section 8 of the Stockholders' Agreement;

NOW, THEREFORE, in consideration of the foregoing, the Stockholders and the Company agree as follows:

1. Deletion of Section 8 of the Stockholders' Agreement. Section 8 of the Stockholders' Agreement is hereby deleted in its entirety.

2. Full Force and Effect. Except for the amendment described herein, the Stockholders' Agreement shall remain in full force and effect.

3. Successors and Assigns. This Amendment No. 1 shall inure to the benefit of and be binding upon the successors and permitted assigns of each of the parties hereto.

4. Counterparts. This Amendment No. 1 may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

5. GOVERNING LAW. THIS AMENDMENT NO. 1 SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAW OF ANY JURISDICTION.

IN WITNESS WHEREOF, the undersigned have executed, or have caused to be executed, this Amendment No. 1 on the date first written above.

MODE 1 COMMUNICATIONS, INC.

By: /s/ John H. Forsgren

 Name: John H. Forsgren
 Title: Executive Vice President and
 Chief Financial Officer of
 Northeast Utilities Service
 Company as Agent for Mode 1
 Communications, Inc.

EXELON ENTERPRISES MANAGEMENT, INC.

By: /s/ Robert A. Shinn

 Name: Robert A. Shinn
 Title: President

CONSOLIDATED EDISON COMMUNICATIONS, INC.

By: /s/ Peter Rust

 Name: Peter Rust
 Title: President and Chief Executive
 Officer

NEON COMMUNICATIONS, INC.

By: /s/ Stephen E. Courter

Name: Stephen E. Courter
Title: Chief Executive Officer

SIGNATURE PAGE TO AMENDMENT NO. 1
TO STOCKHOLDERS' AGREEMENT