

The Peoples Gas Light and Coke Company's and North Shore Gas Company's  
Comments on the Draft NAESB Credit Support Addendum

The Peoples Gas Light and Coke Company and North Shore Gas Company ("Peoples") submit the following comments on the February 5, 2003 draft NAESB Credit Support Addendum. Peoples appreciates the opportunity to comment on the draft. In the attached Word version of the Cover Sheet and Addendum, Peoples has marked its proposed revisions as well as some minor editorial proposals.

1. Cover Sheet: In the title and sentence immediately over the specific elections, the phrase "Credit Support Addendum Cover Sheet" should be "Credit Elections Cover Sheet" for consistency with the definitions.
2. Cover Sheet, Section 7 (Section 8 of Peoples' draft): Peoples proposes that the default Notification Time be tied to clock time, rather than standard time. In the context in which the term is used in the Addendum, recognition of daylight savings time would be appropriate.
3. Addendum, Section I, Credit Support Provider: Peoples believes that the definition of Credit Support Provider would be clearer if it were revised to distinguish more clearly the entity from the function that the entity performs. Peoples proposes: "Credit Support Provider shall be the entity, if any, identified on the Credit Elections Cover Sheet. A party's Credit Support Provider shall, if specified on the Credit Elections Cover Sheet, provide a guaranty to the other party, with such guaranty to be in form and substance reasonably acceptable to such other party."
4. Addendum, Section I, Eligible Credit Support: This definition refers to the Cover Sheet, but the Cover Sheet does not include a section to describe what constitutes Eligible Credit Support. Peoples proposes revising the Cover Sheet.
5. Addendum, Section I, Letter of Credit: Peoples supports making the letter of credit a non-transferable instrument. Matters pertaining to credit are unique to the entities involved in the transaction. In addition, in Peoples' experience, making a letter of credit transferable is the exception to the norm and usually involves a higher cost than a letter of credit that is non-transferable. For these reasons, Peoples believes it is more appropriate that the Addendum provide for letters of credit to be non-transferable, and parties can vary this provision by agreement if, and as, required.
6. Addendum, Section I, Letter of Credit: Subsection (b) of the definition refers to an entity designated on the Cover Sheet as a "Specified Letter of Credit Issuer." First, the Cover Sheet does not include a provision to make such a

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designation. Second, the term is defined in Section I by reference to the Cover Sheet, but there is no definition on the Cover Sheet. Peoples proposes revising the Cover Sheet.

7. Addendum, Section I, Letter of Credit Default: Subsection (iv) refers to the letter of credit ceasing to be in effect “at any time during the term of the Contract.” Peoples believes that default should be tied to the period during which the letter of credit is required to be in effect and to the transaction to which the letter of credit applies; it is possible that there will be several active transactions pursuant to the Base Contract, each of which has its own credit requirements. Peoples proposes that subsection (iv) state: “such Letter of Credit shall expire or terminate, or shall fail or cease to be in full force and effect at any time during the term of the Transaction(s) to which it applies.” Peoples also proposes that “which is required to be in effect hereunder” be added at the end of the first sentence of the definition.

8. Addendum, Section I, Potential Event of Default: This definition states that such an event “shall only be applicable with respect to any provision of this agreement if so specified on the Credit Elections Cover Sheet.” First, the Credit Elections Cover Sheet does not include a provision to address this requirement. Second, it is unclear what this clause is intended to allow the parties to do. Would this allow parties to elect whether and in what circumstances a potential event of default would trigger rights and obligations under the Addendum? If so, then the Cover Sheet should allow the parties either to agree that the references in the Addendum that potential events of default are accepted by the parties or no such references are accepted. Third, for consistency with the way this term is used in Sections III and IV, the defined term should be “Potential Credit Support Default.” Peoples proposes revising the Cover Sheet.

9. Addendum, Section I: The term “Potential NAESB Event of Default” is used in the Addendum but is defined in neither the Addendum nor the Base Contract. Peoples does not support adding this concept to the Base Contract. Peoples does not believe that a “potential” event of default should be a basis for a party, for example, to declare an early termination date or take other actions that are properly triggered by an actual event of default. If a party wishes to take action under the theory of anticipatory breach, it can do so under that theory, as it is construed under the laws applicable to the Base Contract, but it should not be added to the Base Contract as the concept of Potential Event of Default. Notwithstanding Peoples’ opposition to the use of this term, Peoples notes that in other forms of agreement (such as the Edison Electric Institute’s Master Power Purchase and Sale Agreement), this term is often defined overbroadly. If the decision is made to use this term, Peoples proposes the following definition: “Potential NAESB Event of Default shall mean any breach of the Contract or the Base Contract by a party that, with the notice or passage of time or both, would constitute an Event of Default.”

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10. Addendum, Section I, Reference Market Maker: Peoples proposes that the words “of the highest credit standard” be deleted. It is sufficient that the dealer satisfy the criteria that the party would otherwise apply. Also, it could be construed to exclude creditworthy dealers with strong (but not “the highest”) credit standard.

11. Addendum, Section I, Substitute Posted Collateral: The reference should be Section X(b), rather than IX(b).

12. Addendum, Section I: Peoples proposes that a definition of “Valuation Percentage” be added. Peoples proposes: “Valuation Percentage shall mean the percentage set forth on the Credit Elections Cover Sheet for each form of Eligible Collateral.”

13. Addendum, Section III(a), line 1: This subsection begins with the phrase “[o]n the Calculation Date.” The term “Calculation Date” is not defined and Peoples does not think it is used elsewhere in the document. Peoples proposes that “Calculation Date” be replaced with “Business Day.”

14. Addendum, Section III(a), Subsection (A): This subsection requires additional Credit Support to be provided by 5:00 p.m. on the business day after a demand by the Notification Time for additional Credit Support. If the additional Credit Support is in the form of a letter of credit or guaranty, it should be clear that a Pledging Party can provide the letter of credit or guaranty by facsimile by the deadline with an original to follow by overnight courier. Peoples is generally concerned about the tight deadlines in the Addendum. However, if it is not clear that a facsimile can be provided, it would be almost impossible to meet the requirement for a Secured Party that cannot be served by messenger. The same comment applies to the deadline established in Subsection (B) for notice after the Notification Time and to the deadlines in Section IV.

15. The numbering of the subsections in Section III(a) needs to be corrected.

16. Addendum, Section IV(a), line 1: Peoples proposes adding “guaranty” to the parenthetical language limiting the frequency with which a party can demand a reduction or substitution of Credit Support. Like a letter of credit, a guaranty would be limited to no more frequently than weekly.

17. Addendum, Section IV(a): Peoples proposes deleting the sentence addressing responsibility for costs. Responsibility for costs can be handled in Section X(c). Peoples supports each party bearing all costs it incurs in complying with its obligations under the Addendum.

18. Addendum, Section IV(b), last line: The reference to Section IX(a) should be to Section X(a).

19. Addendum, Section IV(c), third line: The reference to Section IX(a) should be to Section X(a).

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20. Addendum, Sections V(a) and V(b): The term “current mark to market value” is used but not defined. In subsection (a) the term is in lower case, but it is capitalized in subsection (b). Peoples proposes adding the following definition to Section I: “Current Mark-to-Market Value shall mean for each outstanding Transaction, on any Business Day, the amount, calculated in good faith and in a commercially reasonable manner, that a party would pay to (a negative Current Mark-to-Market Value) or receive from (a positive Current Mark-to-Market Value) the other party as the early termination damages determined pursuant to Section 10.3.1 of the Base Contract.”

21. Addendum, Section VI(a), third to last line: Add the words “by a” between “issued” and “bank acceptable to the Secured Party.”

22. Addendum, Section VI(b): Peoples proposes inserting the words “up to” before the words “the entire” in the second line. It may not be necessary for the Secured Party to draw on the entire undrawn amount in order to cure an Event of Default.

23. Addendum, Section VI(f): Peoples proposes deleting this subsection addressing responsibility for costs. Responsibility for costs can be handled in Section X(c). Peoples supports each party bearing all costs it incurs in complying with its obligations under the Addendum.

24. Addendum, Section VII(a)(i): The reference at the end should be to Section VII(a)(i), not to Section VI(a)(i).

25. Addendum, Section VIII: The heading of this Section should be “Representations and Warranties.”

26. Addendum, Sections VIII(a) and (c): Guaranties should be included in the parenthetical because, as with a Letter of Credit, the Pledging Party cannot grant a security interest in a guaranty. The same comment applies to Section X(a)

27. Addendum, Section VIII(e): Peoples does not believe it is appropriate or possible for a Pledging Party to warrant and represent that a Letter of Credit is a “legal, valid and binding obligation of the issuer thereof, enforceable in accordance with its terms.” At best, the issuer could make such representations and warranties. Even an issuer would probably be unwilling to offer such unqualified warranties and representations. Peoples proposes that subsection (e) be deleted.

28. Section IX(a): At the end of this Section, the following should be added to the last sentence: “subject to the Secured Party’s obligation to return the proceeds after such obligations are satisfied in full.”

29. Section IX(b): Peoples believes this subsection is inconsistent with Section III(b). Section III(b) provides that, if an Event or Potential Event of Default occurs, then the affected party must immediately return all Posted Collateral. Section IX(b) provides that, if an Early Termination Date is designated due to an

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Event of Default, then the Secured Party must return all Posted Collateral except Letters of Credit. Peoples believes the designation of an Early Termination Date and the associated winding up activity should be the triggers for a defaulting party to return collateral, and Peoples therefore proposes deletion of Section III(b) and the retention of Section IX(b). Peoples is unclear why Letters of Credit are excluded from Section IX(b) and would remove that exclusion.

Respectfully submitted,  
The Peoples Gas Light and Coke Company  
North Shore Gas Company

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## NAESB Credit ~~Support Addendum~~ Elections Cover Sheet

This NAESB Credit Support Addendum ("Credit Support Addendum") is entered into as of the following date: \_\_\_\_\_.  
The parties to this Credit Support Addendum are the following:

Party A

Party B

\_\_\_\_\_ and \_\_\_\_\_  
\_\_\_\_\_  
Duns Number: \_\_\_\_\_  
Contract Number: \_\_\_\_\_  
U.S. Federal Tax ID Number: \_\_\_\_\_

\_\_\_\_\_  
Duns Number: \_\_\_\_\_  
Contract Number: \_\_\_\_\_  
U.S. Federal Tax ID Number: \_\_\_\_\_

Notices:

Attn: \_\_\_\_\_  
Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

Attn: \_\_\_\_\_  
Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

Invoices and Payments:

Attn: \_\_\_\_\_  
Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

Attn: \_\_\_\_\_  
Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

Wire Transfer or ACH Numbers (if applicable):

BANK: \_\_\_\_\_  
ABA: \_\_\_\_\_  
ACCT: \_\_\_\_\_  
Other Details: \_\_\_\_\_

BANK: \_\_\_\_\_  
ABA: \_\_\_\_\_  
ACCT: \_\_\_\_\_  
Other Details: \_\_\_\_\_

This Credit ~~Support Addendum~~ Elections Cover Sheet incorporates by reference for all purposes the Credit Support Addendum by the North American Energy Standards Board. The parties hereby agree to the following provisions offered in said Credit Support Addendum.

<b>Section 1</b> Credit Support Provider	Party A Guarantor: _____ Amount: _____  Party B Guarantor: _____ Amount: _____	<b>Section 56</b> Interest Rate	Federal Funds Effective Rate—the rate for that day opposite the caption “Federal Funds (Effective)” as set forth in the weekly statistical release designated as H.15 (519), or any successor publication, published by the Board of Governors of the Federal Reserve System. Other _____																											
<b>Section 2</b> Eligible Collateral  <u>Eligible Credit Support</u>	<table border="0"> <tr> <td></td> <td style="text-align: center;">Valuation Percentage</td> <td></td> </tr> <tr> <td>Party A:</td> <td>Cash</td> <td style="text-align: right;">100%</td> </tr> <tr> <td></td> <td>Letters of Credit</td> <td style="text-align: right;">100%*</td> </tr> <tr> <td></td> <td><u>Guaranty</u></td> <td style="text-align: right;"><u>100%</u></td> </tr> <tr> <td></td> <td>Other _____</td> <td style="text-align: right;">____%</td> </tr> <tr> <td>Party B:</td> <td>Cash</td> <td style="text-align: right;">100%</td> </tr> <tr> <td></td> <td>Letters of Credit</td> <td style="text-align: right;">100%*</td> </tr> <tr> <td></td> <td><u>Guaranty</u></td> <td style="text-align: right;"><u>100%</u></td> </tr> <tr> <td></td> <td>Other _____</td> <td style="text-align: right;">____%</td> </tr> </table> <p>*unless either (i) a Letter of Credit Default shall have occurred and be continuing with respect to such Letter of Credit, or (ii) twenty (20) or fewer Business Days remain prior to the expiration of such Letter of Credit, in which cases the Valuation Percentage shall be zero (0).</p>		Valuation Percentage		Party A:	Cash	100%		Letters of Credit	100%*		<u>Guaranty</u>	<u>100%</u>		Other _____	____%	Party B:	Cash	100%		Letters of Credit	100%*		<u>Guaranty</u>	<u>100%</u>		Other _____	____%	<b>Section 67</b> Minimum Transfer Amount	Party A: _____ Party B: _____
	Valuation Percentage																													
Party A:	Cash	100%																												
	Letters of Credit	100%*																												
	<u>Guaranty</u>	<u>100%</u>																												
	Other _____	____%																												
Party B:	Cash	100%																												
	Letters of Credit	100%*																												
	<u>Guaranty</u>	<u>100%</u>																												
	Other _____	____%																												
<b>Section 3</b> <u>Specified Letter of Credit Issuer</u>	Party A: _____  Party B: _____	<b>Section 9</b> <u>Potential Event of Default</u>	____ <u>Applicable</u>  ____ <u>Not Applicable</u>																											
<b>Section 34</b> Collateral Threshold	Party A: _____ Party B: _____	<b>Section 108</b> Rounding Amount	Party A: _____ Party B: _____																											
<b>Section 45</b> Independent Amount	Party A: _____ Party B: _____	<b>Section 119</b> Custodian	Party A: _____ Party B: _____																											
<b>Special Provisions</b> Number of sheets attached: _____																														

IN WITNESS WHEREOF, the parties hereto have executed this Credit Support Addendum in duplicate.

\_\_\_\_\_  
**Party A Name**

\_\_\_\_\_  
**Party B Name**

By \_\_\_\_\_  
Name:  
Title:

By \_\_\_\_\_  
Name:  
Title:

1 **NAESB CREDIT SUPPORT ADDENDUM**

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4  
5  
6 This NAESB Credit Support Addendum ("Credit Support Addendum") is entered into as of the following date:

7 \_\_\_\_\_.

8  
9 The parties to this Credit Support Addendum are the following:

10 \_\_\_\_\_ and \_\_\_\_\_  
11 \_\_\_\_\_  
12 Duns Number \_\_\_\_\_ Duns Number \_\_\_\_\_  
13 Base Contract Number \_\_\_\_\_ Base Contract Number \_\_\_\_\_  
14 Base Contract Date \_\_\_\_\_ Base Contract Date \_\_\_\_\_  
15 U.S. Federal Tax ID Number \_\_\_\_\_ U.S. Federal Tax ID Number \_\_\_\_\_  
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17  
18 **Addendum:** This Credit Support Addendum constitutes an Addendum to that certain Base Contract for Sale and Purchase of  
19 Natural Gas, as identified above, between the parties ("Base Contract"), and supplements and amends the Base Contract  
20 affecting transactions thereunder. Unless amended herein, the Base Contract continues to apply. Capitalized terms used in this  
21 Credit Support Addendum which are not herein defined will have the meanings ascribed to them in the Base Contract. In the  
22 event of a conflict between the terms of this Credit Support Addendum and the Base Contract, the terms of this Credit Support  
23 Addendum shall apply.  
24

25  
26 This Credit Support Addendum sets forth the conditions under which a party, in connection with the Base Contract, will  
27 be required to transfer Credit Support as well as the conditions under which a party will release such Credit Support.

28 The terms set forth below shall have the meaning ascribed to them below. Other terms are also defined elsewhere in the Base  
29 Contract and shall have the meanings ascribed to them therein.  
30

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32 **¶. Definitions.** As used in this Credit Support Addendum:

33  
34 "Collateral Requirement" shall have the meaning attributed to it in Section II.

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36 "Collateral Threshold" shall mean, with respect to a party, the collateral threshold, if any, set forth for such party on the  
37 Credit Elections Cover Sheet; provided, however, that the Collateral Threshold for a party shall be zero upon the occurrence and  
38 during the continuance of an Event of Default or a Potential Event of Default with respect to that affected party.  
39

40 "Credit Elections Cover Sheet" shall mean the Credit Elections Cover Sheet attached hereto and incorporated herein  
41 setting forth certain elections governing this Credit Support Addendum.  
42

43 "Credit Rating" shall mean, with respect to a party or entity, on any date of determination, the respective rating then  
44 assigned to such entity's unsecured, senior long-term debt or deposit obligations (not supported by third-party credit  
45 enhancement) by S&P, Moody's, or any other specified rating agency or agencies. If no rating is assigned to such entity's  
46 unsecured, senior long-term debt or deposit obligations by such agency, then "Credit Rating" shall mean the general corporate  
47 credit rating or long-term issuer rating, as applicable, assigned by such rating agency to such entity.  
48

49 "Credit Support" shall mean Eligible Collateral and/or Eligible Credit Support.

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51 "Credit Support Default" shall mean that an Event of Default will exist with respect to a party (such party shall be the  
52 "Defaulting Party") if:

53  
54 (a) a party fails (or fails to cause its Custodian, as herein defined) to make, when due, any transfer of Eligible  
55 Collateral or the Interest Amount, as applicable, required to be made by it;

56  
57 (b) a party fails to comply with or perform any material agreement or obligation provided for in this Credit  
58 Support Addendum; or

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60 (c) a Letter of Credit Default shall apply with respect to such Defaulting Party.  
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"Credit Support Provider" shall be the entity, if any, identified on the Credit Elections Cover Sheet. A party's Credit Support Provider shall, if and to the extent specified on the Credit Elections Cover Sheet, provide a guaranty to the other party, with such guaranty to be in form and substance reasonably acceptable to the other party have the meaning set forth on the Credit Elections Cover Sheet and shall be pursuant to a guaranty provided by each party's Credit Support Provider, if specified as applicable, in form and substance reasonably acceptable to the other party.

"Current Mark-to-Market Value" shall mean for each outstanding Transaction, on any Business Day, the amount, calculated in good faith and in a commercially reasonable manner, that a party would pay to (a negative Current Mark-to-Market Value) or receive from (a positive Current Mark-to-Market Value) the other party as the early termination damages determined pursuant to Section 10.3.1 of the Base Contract.

"Defaulting Party" shall have the meaning set forth in the definition of "Credit Support Default".

"Eligible Collateral" shall have the meaning as set forth on the Credit Elections Cover Sheet.

"Eligible Credit Support" shall have the meaning as set forth on the Credit Elections Cover Sheet.

"Event of Default" shall mean a Credit Support Default and/or a NAESB Event of Default.

"Exposure" shall mean the amount as calculated in good faith and in a commercially reasonable manner as if an Early Termination Date has been set as provided for in Section 10.3 of the Base Contract.

"Independent Amount" shall have the meaning \_\_\_\_\_ [ISDA concept to be discussed further.]

"Interest Amount" shall mean with respect to an "Interest Period" (as defined herein), the aggregate sum of the amounts of interest calculated for each day in that Interest Period on the principal amount of Cash held by the Secured Party on that day, determined by the Secured Party for each such day as follows: (x) the amount of Cash on that day; multiplied by (y) the Interest Rate (as defined herein) for that day; divided by (z) 360.

"Interest Period" shall mean the period from (and including) the last Business Day on which an Interest Amount was Transferred (or if no Interest Amount has yet been Transferred, the Business Day on which Cash was Transferred to the Secured Party) to (but excluding) the Business Day on which the current Interest Amount is to be Transferred.

"Interest Rate" shall have the meaning at set forth on the Credit Elections Cover Sheet.

"Letter of Credit" means an irrevocable, [non-transferable] transferable, standby letter of credit, issued by (a) a major U.S. commercial bank or the U.S. branch office of a major foreign bank assigned, in either case, a Credit Rating of at least (i) "A-" by S&P and "A3" by Moody's, if such entity is rated by both S&P and Moody's or (ii) "A-" by S&P or "A3" by Moody's, if such entity is rated by either S&P or Moody's but not both, or (b) any other entity designated on the Credit Elections Cover Sheet as a Specified Letter of Credit Issuer, which letter of credit is reasonably acceptable to the beneficiary.

"Letter of Credit Default" shall mean with respect to an outstanding Letter of Credit, which is required to be in effect hereunder, the occurrence of any of the following events: (i) the issuer of such Letter of Credit shall fail to maintain a Credit Rating of at least "A-" by S&P and "A3" by Moody's, if such entity is rated by both S&P and Moody's or "A-" by S&P or "A3" by Moody's, if such entity is rated by either S&P or Moody's but not both, and is not designated on the Credit Elections Cover Sheet as a Specified Letter of Credit Issuer; (ii) the issuer of the Letter of Credit shall fail to comply with or perform its obligations under such Letter of Credit if such failure shall be continuing after the lapse of any applicable grace period; (iii) the issuer of such Letter of Credit shall disaffirm, disclaim, repudiate or reject, in whole or in part, or challenge the validity of, such Letter of Credit; (iv) such Letter of Credit shall expire or terminate, or shall fail or cease to be in full force and effect at any time during the term of the Transaction(s) to which it applies Contract; or (v) any event analogous to an event specified in Section 10.2 of the Base Contract shall occur with respect to the issuer of such Letter of Credit; provided, however, that no Letter of Credit Default shall occur in any event with respect to a Letter of Credit after the time such Letter of Credit is required to be canceled or returned to the Pledging Party in accordance with the terms of this Credit Support Addendum.

"Minimum Transfer Amount" shall mean the amount, if any, set forth in the Credit Elections Cover Sheet for such Party.

"Moody's" shall mean Moody's Investors Services, Inc. or its successor.

"NAESB Event of Default" shall mean any event of default in Section 10.2 of the Base Contract.

"Notification Time" shall be as set forth on the Credit Elections Cover Sheet.

24 "Pledging Party" shall have the meaning attributed to it in Section II.  
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26 "Posted Collateral" shall mean all Credit Support, other property, and all proceeds thereof that have been Transferred  
27 to or received by the Secured Party hereunder and not Transferred to the Pledging Party pursuant to Section III or released by  
28 the Secured Party. Any Interest Amount or portion thereof not Transferred pursuant to Section VII(c) and any Cash received  
29 and held by the Secured Party after drawing on any Letter of Credit will constitute Posted Collateral in the form of Cash.  
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31 "~~Potential Event of Credit Support Default~~" shall (x) mean an event that would constitute an Event of Default under this  
32 Credit Support Addendum with the lapse of time or giving of Notice or both which Event of Default the potential Defaulting Party  
33 cannot avoid absent the consent of the Non-Defaulting Party and (y) shall only be applicable with respect to any provision of this  
34 agreement~~Credit Support Addendum~~ if so specified on the Credit Elections Cover Sheet.  
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36 if the concept of Potential NAESB Event of Default is added: "Potential NAESB Event of Default" shall mean any  
37 breach of the Contract or the Base Contract by a party which, with the notice or passage of time or both, would constitute an  
38 Event of Default.  
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40 "Qualified Institution" shall mean a commercial bank or trust company organized under the laws of the United States or  
41 a political subdivision thereof, (i) that has a Credit Rating of at least (a) "A-" by S&P and "A3" by Moody's, if such entity is rated  
42 by both S&P and Moody's or (b) "A-" by S&P or "A3" by Moody's, if such entity is rated by either S&P or Moody's but not both,  
43 (ii) having a capital and surplus of at least \$1,000,000,000, and (iii) is not affiliated with the Pledging Party.

44 "Reference Market Maker" shall mean a leading dealer in the relevant market that is not an Affiliate of either party  
45 selected by a party determining any Disputed Calculation in a commercially reasonable manner from among dealers ~~of the~~  
46 ~~highest credit standing~~ which satisfy all the criteria that such party applies generally at the time in deciding whether to offer or to  
47 make an extension of credit.

48 "Rounding Amount" shall have the meaning set forth on the Credit Elections Cover Sheet.  
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50 "S&P" shall mean the Standard & Poor's Rating Group (a division of McGraw-Hill, Inc.) or its successor.  
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52 "Secured Party" shall have the meaning attributed to it in Section II(2).  
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54 "Specified Letter of Credit Issuer" shall have the meaning set forth on the Credit Elections Cover Sheet.  
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56 "Substitute Posted Collateral" shall have the meaning attributed to it in Section ~~I~~X(b).  
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58 "Transfer" shall mean, with respect to any Credit Support, Posted Collateral, or Interest Amount, and in accordance  
59 with the instructions of the appropriate party:  
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61 (i) in the case of Cash, payment or delivery by wire transfer in immediately available federal funds into  
62 one or more bank accounts specified by the recipient;  
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64 (ii) in the case of Letters of Credit, delivery of the Letter of Credit or an amendment thereto to the  
65 recipient, and  
66

67 (iii) as otherwise specified by the parties on the Credit Elections Cover Sheet.  
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69 "Valuation Percentage" shall mean the percentage set forth on the Credit Elections Cover Sheet for each form of  
70 Eligible Collateral.  
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72 "Value" shall mean (a) with respect to Cash, the face amount thereof; and (b) with respect to all other Posted Collateral,  
73 the Valuation Percentage multiplied by the stated amount thereof.  
74

75 III. Calculation of Collateral Requirement.  
76

77 On any Business Day, the "Collateral Requirement" for a party (the "Pledging Party") means the Exposure minus the  
78 sum of:

79 (1) the Pledging Party's Collateral Threshold; plus

80 (2) the Value of all Posted Collateral held by the party other than the Pledging Party (the "Secured  
81 Party"), and any accrued Interest Amount that has not yet been Transferred to the Pledging Party;

82 provided, however, that, the Collateral Requirement of the Pledging Party will be deemed to be zero (0) whenever the  
83 calculation of such Pledging Party's Collateral Requirement yields a number less than zero (0).

84  
85 III. Delivery of Credit Support.

86 ~~(a)~~ — On any ~~Calculation Date Business Day (but no more frequently than weekly with respect to Letters of Credit and~~  
87 ~~guaranties and daily with respect to Cash)~~ on which (i) no Credit Support Default or Potential Credit Support Default with respect  
88 to the Secured Party has occurred and is continuing, (ii) no NAESB Event of Default ~~or Potential NAESB Event of Default~~ with  
89 respect to the Secured Party has occurred and is continuing, ~~(eiii)~~ no Early Termination Date has occurred or been designated  
90 by the Pledging Party, and ~~(div)~~ the Pledging Party's Collateral Requirement equals or exceeds its Minimum Transfer Amount,  
91 the Secured Party may demand, by Notice to the Pledging Party, that the Pledging Party Transfer to the Secured Party, and the  
92 Pledging Party shall Transfer or cause to be Transferred to the Secured Party, Credit Support for the benefit of the Secured  
93 Party having a Collateral Value on the date of Transfer at least equal to the Pledging Party's Collateral Requirement. The  
94 amount of Credit Support required to be Transferred hereunder shall be rounded up to the nearest integral multiple of the  
95 Rounding Amount. Unless otherwise agreed to in writing by the parties, (A) Credit Support demanded of a Pledging Party on or  
96 before the Notification Time on a Business Day shall be provided to the Secured Party and/or its Custodian by 5:00 p.m. New  
97 York time on the next Business Day and (B) Credit Support demanded of a Pledging Party after the Notification Time on a  
98 Business Day shall be provided to the Secured Party and/or its Custodian by 5:00 p.m. New York time on the second Business  
99 Day thereafter. Any Letter of Credit or other type of Credit Support (other than Cash) shall be Transferred to such address as  
100 the Secured Party shall specify in its demand pursuant to this Section III, and any such demand made by the Secured Party  
101 pursuant to this Section III shall specify wire transfer information for the account(s) to which Credit Support in the form of Cash  
102 shall be Transferred. Notwithstanding anything to the contrary in this Credit Support Addendum, in the event of a Credit Support  
103 Default, Potential Credit Support Default, ~~or~~ NAESB Event of Default, ~~or Potential NAESB Event of Default~~ with respect to the  
104 Pledging Party which gives rise to an obligation to Transfer Credit Support, the Pledging Party shall have no obligation to  
105 provide such Credit Support if such event is cured or otherwise no longer exists prior to the time that such Credit Support is  
106 required to be provided hereunder. In any case in which Credit Support is in the form of a Letter of Credit or guaranty, the  
107 deadlines set forth above may be met by providing a facsimile copy of the Letter of Credit or guaranty with an original  
108 transmitted by overnight courier for delivery on the next Business Day.

109 ~~(b)~~ — Notwithstanding anything else in this Contract, if an Event of Default or a Potential Event of Default shall occur with  
110 respect to a party (the "Affected Party"), the Affected Party shall immediately return all Posted Collateral it is holding on behalf of  
111 the other party to the other party.

112  
113 IV. Reduction and Substitution of Credit Support.

114 (a) On any Business Day (but no more frequently than weekly with respect to Letters of Credit and guaranties and daily  
115 with respect to Cash), a Pledging Party may demand, by Notice to the Secured Party, a reduction in the amount of Credit  
116 Support previously provided by the Pledging Party for the benefit of the Secured Party, and the Secured Party shall comply with  
117 said demand, provided that after giving effect to the demanded reduction in Credit Support, (i) the Pledging Party shall have a  
118 Collateral Requirement of zero as of the date of such compliance; (ii) no Credit Support Default or Potential Credit Support  
119 Default with respect to the Pledging Party has occurred and is continuing; (iii) no NAESB Event of Default ~~or Potential NAESB~~  
120 ~~Event of Default~~ with respect to the Pledging Party has occurred and is continuing; and (iv) no Early Termination Date has  
121 occurred or been designated by the Secured Party. The amount of the Credit Support reduction hereunder shall be rounded  
122 down to the nearest integral multiple of the Rounding Amount. ~~In all cases, the cost and expense of reducing Credit Support~~  
123 ~~(including, but not limited to, the reasonable costs, expenses, and attorneys' fees incurred directly by the Secured Party in~~  
124 ~~making the reduction) shall be borne by the Pledging Party.~~ If a permitted reduction in Credit Support is to be effected by the  
125 Transfer of Cash to the Pledging Party, then unless otherwise agreed in writing by the Parties, (x) if the Pledging Party's  
126 reduction demand is made on or before the Notification Time on a Business Day, then the Secured Party shall effect a permitted  
127 reduction in Credit Support by 5:00 p.m. New York time on the next Business Day thereafter and (y) if the Pledging Party's  
128 reduction demand is made after the Notification Time on a Business Day, then the Secured Party shall effect a permitted  
129 reduction in Credit Support by 5:00 p.m. New York time on the second Business Day thereafter. If a permitted reduction in  
130 Credit Support is to be effected by a reduction in the amount that may be drawn under an outstanding Letter of Credit previously  
131 issued for the benefit of the Secured Party, the Secured Party shall promptly take such action as is reasonably necessary to  
132 cooperate with the Pledging Party to effectuate such reduction. In any case in which Credit Support is in the form of a Letter of  
133 Credit or guaranty, the deadlines set forth above may be met by providing a facsimile copy of the Letter of Credit or guaranty  
134 with an original transmitted by overnight courier for delivery on the next Business Day.

135 (b) Except when (i) a Credit Support Default or Potential Credit Support Default with respect to the Pledging Party has  
136 occurred and is continuing, (ii) a NAESB Event of Default ~~or Potential NAESB Event of Default~~ with respect to the Pledging  
137 Party has occurred and is continuing, or (iii) an Early Termination Date has occurred or been designated by the Secured Party,  
138 the Pledging Party may substitute new Credit Support for existing Credit Support of equal Collateral Value on the Business Day  
139 following the Secured Party's receipt of written Notice thereof (provided that, if such Notice is made after the Notification Time,  
140 the Pledging Party may not substitute Credit Support until the second Business Day thereafter; and provided further, however,  
141 that if such substitute Credit Support is of a type not designated as Eligible Collateral or Eligible Credit Support in the Credit  
142 Elections Cover Sheet, then the substitution may not occur unless the Secured Party consents to such substitution). Upon the

143 Transfer to the Secured Party and/or its Custodian of the substitute Credit Support, the Secured Party and/or its Custodian shall  
144 Transfer the relevant replaced Credit Support to the Pledging Party by 5:00 p.m. New York time on the second Business Day  
145 after such Transfer has been effected. Notwithstanding anything herein to the contrary, no such substitution shall be permitted  
146 unless (x) the substitute Credit Support is Transferred to the Secured Party and/or its Custodian simultaneously with, or has  
147 been Transferred to the Secured Party and/or its Custodian prior to, the release of the Credit Support to be returned to the  
148 Pledging Party and the security interest in, and lien upon, such substituted Credit Support granted pursuant hereto in favor of  
149 the Secured Party shall have been perfected as required by applicable law and shall constitute a first priority perfected security  
150 interest therein and general first lien thereon, and (y) after giving effect to such substitution, the Collateral Value of such  
151 substitute Credit Support shall equal the Collateral Value of the Credit Support which is being substituted. Each substitution of  
152 Credit Support shall constitute a representation, warranty and agreement by the Pledging Party that the substituted Credit  
153 Support shall be subject to and governed by the terms and conditions of this Credit Support Addendum, including without  
154 limitation, the security interest in, general first lien on and right of offset against, such substituted Credit Support granted  
155 pursuant to Section IX(a) in favor of the Secured Party. In any case in which Credit Support is in the form of a Letter of Credit or  
156 guaranty, the deadlines set forth above may be met by providing a facsimile copy of the Letter of Credit or guaranty with an  
157 original transmitted by overnight courier for delivery on the next Business Day.

158 (c) The Transfer of any Credit Support by the Secured Party and/or its Custodian to the Pledging Party in accordance with  
159 this Section IV shall be deemed a release by the Secured Party of its security interest, general first lien and right of offset  
160 granted pursuant to Section IX(a) hereof only with respect to such returned Credit Support. In connection with each Transfer of  
161 any Credit Support to the Pledging Party pursuant to this Section IV, the Pledging Party will, upon request of the Secured Party,  
162 execute a receipt showing the Credit Support Transferred to it.

163  
164 V. Disputed Calculations.

165 (a) If the Pledging Party disputes the amount of Credit Support requested by the Secured Party and such dispute relates to  
166 the amount of the Exposure as determined by the Secured Party, then the Pledging Party shall (i) notify the Secured Party of the  
167 existence and nature of the dispute not later than the Notification Time on the first Business Day following the date that the  
168 demand for Credit Support is made by the Secured Party pursuant to Section III, and (ii) provide Credit Support to or for the  
169 benefit of the Secured Party in an amount equal to the Pledging Party's own determinations, made in a commercially reasonable  
170 manner, of the Pledging Party's Collateral Requirement in accordance with Section II. In all such cases, the parties thereafter  
171 shall promptly consult with each other in order to reconcile the two conflicting determinations. If the parties have not been able  
172 to resolve their dispute on or before the second Business Day following the date that the demand is made by the Secured Party,  
173 then the Secured Party's Exposure shall be recalculated with each party's requesting quotations from one (1) Reference Market-  
174 Maker within two (2) Business Days (taking the arithmetic average of those quotations obtained to obtain the average ~~e~~Current  
175 ~~m~~Mark-to-~~m~~Market ~~v~~Value, provided, that, if only one (1) quotation can be obtained, then that quotation shall be used) for the  
176 purpose of recalculating the ~~e~~Current ~~m~~Mark-to-~~m~~Market ~~v~~Value of each Transaction in respect of which the ~~P~~parties disagree  
177 as to the ~~e~~Current ~~m~~Mark-to-~~m~~Market ~~v~~Value thereof, and the Secured Party shall inform the Pledging Party of the results of  
178 such recalculation in reasonable detail. Credit Support shall thereupon be provided, returned, or reduced, if necessary, on the  
179 next Business Day in accordance with the results of such recalculation.

180  
181 (b) If the Secured Party disputes the amount of Credit Support to be reduced by the Secured Party and such dispute  
182 relates to the amount of the Exposure claimed by the Secured Party, then the Secured Party shall (i) notify the Pledging Party of  
183 the existence and nature of the dispute not later than the Notification Time on the first Business Day following the date that the  
184 demand to reduce Credit Support is made by the Pledging Party pursuant to Section IV, and (ii) effect the reduction of Credit  
185 Support to or for the benefit of the Pledging Party in an amount equal to the Secured Party's own estimate, made in a  
186 commercially reasonable manner, of the Pledging Party's Collateral Requirement in accordance with Section II. In all such  
187 cases, the parties thereafter shall promptly consult with each other in order to reconcile the two conflicting amounts. If the  
188 parties have not been able to resolve their dispute on or before the second Business Day following the date that the demand is  
189 made by the Pledging Party, then the Secured Party's Exposure shall be recalculated by each party requesting quotations from  
190 one (1) Reference Market-Maker within two (2) Business Days (taking the arithmetic average of those quotations obtained to  
191 obtain the average Current Mark-to-Market Value; provided, that, if only one (1) quotation can be obtained, then that quotation  
192 shall be used) for the purpose of recalculating the Current Mark-to-Market Value of each Transaction in respect of which the  
193 parties disagree as to the Current Mark-to-Market Value thereof, and the Secured Party shall inform the Pledging Party of the  
194 results of such recalculation in reasonable detail. Credit Support shall thereupon be provided, returned, or reduced, if  
195 necessary, on the next Business Day in accordance with the results of such recalculation.

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199 VI. Letters of Credit. Posted Collateral provided in the form of a Letter of Credit shall be subject to the following provisions.

200 (a) Unless otherwise agreed in writing by the Parties, each Letter of Credit shall be provided in accordance with Section IV,  
201 and each Letter of Credit shall be maintained for the benefit of the Secured Party. The Pledging Party shall (i) renew or cause  
202 the renewal of each outstanding Letter of Credit on a timely basis as provided in the relevant Letter of Credit, (ii) if the bank that  
203 issued an outstanding Letter of Credit has indicated its intent not to renew such Letter of Credit, provide either a substitute Letter  
204 of Credit or other Eligible Collateral, in each case at least twenty (20) Business Days prior to the expiration of the outstanding  
205 Letter of Credit, and (iii) if a bank issuing a Letter of Credit shall fail to honor the Secured Party's properly documented request  
206

to draw on an outstanding Letter of Credit, provide for the benefit of the Secured Party either a substitute Letter of Credit that is issued by a bank acceptable to the Secured Party or other Eligible Collateral, in each case within two (2) Business Days after such refusal, provided that, as a result of the Pledging Party's failure to perform in accordance with (i), (ii), or (iii) above, the Pledging Party's Collateral Requirement would be greater than zero.

(b) As one method of providing Posted Collateral, the Pledging Party may increase the amount of an outstanding Letter of Credit or establish one or more additional Letters of Credit.

(c) Upon or at any time after the occurrence of an Event of Default with respect to the Pledging Party, the Secured Party may draw on up to the entire, undrawn portion of any outstanding Letter of Credit upon submission to the bank issuing such Letter of Credit in accordance with the specific requirements of the Letter of Credit. Cash proceeds received from drawing upon the Letter of Credit shall be deemed Posted Collateral as security for the Pledging Party's obligations to the Secured Party and the Secured Party shall have the rights and remedies set forth in Section IX(a) with respect to such cash proceeds. Notwithstanding the Secured Party's receipt of Cash under the Letter of Credit, the Pledging Party shall remain liable (i) for any failure to Transfer sufficient Posted Collateral or (ii) for any amounts owing to the Secured Party and remaining unpaid after the application of the amounts so drawn by the Secured Party.

(d) A Pledging Party may substitute a Letter of Credit for one or more other outstanding Letter(s) of Credit issued for the benefit of the Secured Party, provided that the Value of such substitute Letter of Credit shall be at least equal to the Value of the Letter(s) of Credit being replaced (determined in good faith and in a commercially reasonable manner by the Secured Party), and provided further that no Letter of Credit shall be canceled unless and until the Letter of Credit to be substituted therefor shall have been validly executed, issued and delivered for the benefit of the Secured Party in accordance with applicable law.

(e) Upon the occurrence of a Letter of Credit Default, the Pledging Party agrees to deliver to the Secured Party either a substitute Letter of Credit or other Eligible Collateral, in each case on or before the second Business Day after the occurrence thereof (or the fifth (5th) Business Day after the occurrence thereof if only clause (i) under the definition of Letter of Credit Default applies).

~~(f) In all cases, the costs and expenses (including but not limited to the reasonable costs, expenses, and attorneys' fees incurred by the Secured Party) of establishing, renewing, substituting, canceling, and increasing the amount of (as the case may be) a Letter of Credit shall be borne by the Pledging Party.~~

VII. Cash. Posted Collateral provided in the form of Cash shall be subject to the following provisions.

(a) Eligibility to Hold Cash.

(i) The Secured Party will be entitled to hold Cash provided that the following conditions are satisfied: (1) it is not a Defaulting Party, (2) its Credit Support Provider has a Credit Rating from S&P and/or Moody's and the lowest Credit Rating for its Credit Support Provider is \_\_\_\_\_ or higher by S&P and/or \_\_\_\_\_ or higher by Moody's; and (3) Cash shall be held only in any jurisdiction within the United States. A party shall appoint a Qualified Institution (a "Custodian") in the event such party is not eligible or becomes ineligible to hold Cash in accordance with this Section VII(a)(i).

(iii) Upon Notice by the Secured Party to the Pledging Party of the appointment of a Custodian, the Pledging Party's obligations to make any Transfer will be discharged by making the Transfer to that Custodian. The holding of Cash by a Custodian will be deemed to be the holding of Cash by the Secured Party for which the Custodian is acting. The Secured Party will be liable for the acts or omissions of its Custodian to the same extent that the Secured Party would be liable hereunder for its own acts or omissions.

(b) Use of Cash. Notwithstanding the provisions of applicable law, if the Secured Party is not a Defaulting Party and no Early Termination Date has occurred or been designated as a result of an Event of Default with respect to the Secured Party, then the Secured Party shall have the right to sell, pledge, rehypothecate, assign, invest, use, commingle or otherwise dispose of, or otherwise use in its business any Cash it holds, free from any claim or right of any nature whatsoever of the Pledging Party, including any equity or right of redemption by the Pledging Party.

(c) Interest Payments on Cash. So long as no Event of Default or Potential Event of Default, if applicable, with respect to the Pledging Party has occurred and is continuing, and no Early Termination Date (for which any unsatisfied payment obligations of the Pledging Party exist) has occurred or been designated as the result of an Event of Default with respect to the Pledging Party and to the extent that an obligation to deliver Posted Collateral would not be created or increased by the Transfer, the Secured Party will Transfer to the Pledging Party, in lieu of any interest or other amounts paid or deemed to have been paid with respect to the Cash (all of which may be retained by the Secured Party), the Interest Amount (as defined below) on the third Business Day of each calendar month. On or after the occurrence of an Event of Default with respect to the Pledging Party or an Early Termination Date as a result of an Event of Default with respect to the Pledging Party, the Secured

170 Party shall retain any such Interest Amount as additional Eligible Collateral hereunder until the obligations of the Pledging Party  
171 under the Contract have been satisfied.

172  
173  
174 (d) Care of Cash. Without limiting the Secured Party's rights under Section VII(b), the Secured Party will exercise  
175 reasonable care to assure the safe custody of all Cash held by it as Posted Collateral to the extent required by applicable law,  
176 and in any event the Secured Party will be deemed to have exercised reasonable care if it exercises at least the same degree of  
177 care as it would exercise with respect to its own property. Except as specified in the preceding sentence, the Secured Party will  
178 have no duty with respect to Cash, including, without limitation, any duty to enforce or preserve any rights pertaining thereto.  
179

180 VIII. Representations and Warranties. Each party continuously represents and warrants to the other party that: (a) it has the  
181 power and authority under the law of the jurisdiction of its organization or incorporation and under its organizational and  
182 constituent documents to grant to the Secured Party a valid, enforceable, first-priority security interest in, and lien on, all Posted  
183 Collateral (other than Letters of Credit or guaranties) that it provides as the Pledging Party, and has taken all necessary actions  
184 to authorize the granting and perfection of that security interest and lien; (b) as of each date on which it, as the Pledging Party,  
185 delivers Posted Collateral to the Secured Party or to any agent of the Secured Party for the benefit of the Secured Party (or, in  
186 the case of after-acquired Posted Collateral, at the time the Secured Party or its agent acquires rights therein), it will have title  
187 to, and will be the sole owner of such Posted Collateral, free and clear of any security interest, lien, pledge, charge,  
188 encumbrance, or other interests or restrictions other than the security interest granted to the Secured Party hereby; (c) the  
189 Secured Party will have a valid and perfected first-priority security interest in, and lien on, all Posted Collateral (other than  
190 Letters of Credit or guaranties) upon receipt thereof; and (d) the performance by it of its obligations under this Credit Support  
191 Addendum will not result in the creation of any security interest, lien or other encumbrance on any Posted Collateral other than  
192 the security interest and lien granted pursuant to this Credit Support Addendum; and (e) on each occasion that it, as the  
193 Pledging Party, causes the issuance, renewal, substitution, or increase (as the case may be) of a Letter of Credit, such Letter of  
194 Credit will be the legal, valid, and binding obligation of the issuer thereof, enforceable in accordance with its terms.  
195

196 IX. Certain Rights and Remedies.

197  
198 (a) Secured Party's Rights and Remedies. If at any time (i) an Event of Default with respect to the Pledging Party has  
199 occurred and is continuing or (ii) an Early Termination Date has occurred or been designated as a result of an Event of Default  
200 with respect to the Pledging Party, then the Secured Party may do any one or more of the following: (x) exercise any of the  
201 rights and remedies of a secured party with respect to the Posted Collateral, including any such rights and remedies under law  
202 then in effect; (y) exercise its rights of setoff against any and all property of the Pledging Party in the possession of the Secured  
203 Party or its agent; and (z) draw on any outstanding Letter of Credit issued for its benefit. The Secured Party shall either (y)  
204 apply the proceeds of the Posted Collateral realized upon the exercise of any such rights or remedies to reduce the Pledging  
205 Party's obligations under the Contract or this Credit Support Addendum (the Pledging Party remaining liable for any amounts  
206 owing to the Secured Party after such application), subject to the Secured Party's obligation to return any surplus proceeds  
207 remaining after such obligations are satisfied in full or (z) hold such proceeds as collateral security for the Pledging Party's  
208 obligations under the Contract or this Credit Support Addendum, subject to the Secured Party's obligation to return the proceeds  
209 after such obligations are satisfied in full.  
210

211 (b) Pledging Party's Rights and Remedies. If at any time an Early Termination Date has occurred or been designated as  
212 the result of an Event of Default with respect to the Secured Party, then: (i) the Secured Party will be obligated immediately to  
213 Transfer all Posted Collateral ~~(other than Letters of Credit)~~ and the Interest Amount, if any, to the Pledging Party; and (ii) the  
214 Pledging Party may do any one or more of the following: (x) exercise any of the rights and remedies of a pledgor with respect to  
215 the Posted Collateral ~~(other than Letters of Credit)~~, including any such rights and remedies under law then in effect; (y) to the  
216 extent that the Posted Collateral ~~(other than Letters of Credit)~~ or the Interest Amount is not Transferred to the Pledging Party as  
217 required in (i) above, setoff amounts payable to the Secured Party against the Posted Collateral ~~(other than Letters of Credit)~~  
218 held by the Secured Party or to the extent its rights to setoff are not exercised, withhold payment of any remaining amounts  
219 payable by the Pledging Party, up to the value of any remaining Posted Collateral (other than Letters of Credit) held by the  
220 Secured Party, until the Posted Collateral ~~(other than Letters of Credit)~~ is Transferred to the Pledging Party; and (z) exercise  
221 rights and remedies available to the Pledging Party under the terms of any Letter of Credit.  
222

223 X. General.

224  
225 (a) Security Interest. To secure its obligations under the Contract and all outstanding transactions, each party hereby  
226 grants to the other party a present and continuing first-priority security interest in, and lien on (and right of setoff against), all  
227 Posted Collateral (other than Letters of Credit or guaranties) whether now or hereafter held by, on behalf of, or for the benefit of,  
228 such other party, and each party agrees to take such action as the other party reasonably requires in order to perfect or maintain  
229 the other party's first-priority continuing security interest in, and lien on (and right of setoff against), such Posted Collateral.  
230  
231

- 131 (b) Substitutions.  
 132  
 133 (ii) Upon Notice to the Secured Party specifying the items of Posted Collateral to be exchanged, the Pledging  
 134 Party may, on any Business Day, Transfer to the Secured Party Substitute Posted Collateral (the "Substitute Posted  
 135 Collateral"); and  
 136  
 137 (iii) Provided that no Event of Default or Potential Event of Default, if applicable, has occurred and is continuing  
 138 with respect to the Pledging Party and that no Early Termination Date has occurred or been designated as the result of  
 139 an Event of Default with respect to the Pledging Party, the Secured Party will Transfer to the Pledging Party the items  
 140 of Posted Collateral specified by the Pledging Party in its Notice not later than the Business Day following the date on  
 141 which the Secured Party receives the Substitute Posted Collateral; provided that the Secured Party will only be  
 142 obligated to Transfer Posted Collateral with a Value as of the date of Transfer of that Posted Collateral equal to the  
 143 Value as of that date of the Substitute Posted Collateral.  
 144  
 145 (c) Expenses.  
 146  
 147 (ii) ~~Except as expressly set forth in this Contract,~~ each party will pay its own costs and expenses in connection  
 148 with performing its obligations under this Credit Support Addendum and neither party will be liable for any costs or  
 149 expenses incurred by the other party in connection herewith.  
 150  
 151 (iii) The Pledging Party will promptly pay when due all taxes, assessments or charges of any nature that are  
 152 imposed with respect to Posted Collateral held by the Secured Party upon becoming aware of the same, regardless of  
 153 whether any portion of that Posted Collateral is subsequently disposed of under Section IX(b), except for those taxes,  
 154 assessments and charges that result from the exercise of the Secured Party's rights under Section IX(b).  
 155  
 156 (iiii) All reasonable costs and expenses incurred by or on behalf of the Secured Party or the Pledging Party in  
 157 connection with the liquidation and/or application of any Posted Collateral under Section IX will be payable, on demand  
 158 and pursuant to the Contract, by the Defaulting Party or, if there is no Defaulting Party, equally by the Parties.  
 159  
 160 (d) This Credit Support Addendum has been and is made solely for the benefit of the Parties and their permitted  
 161 successors and assigns, and no other entity shall acquire or have any right under or by virtue of this Credit Support Addendum.  
 162  
 163 (e) The Pledging Party shall pay on request and indemnify the Secured Party against any taxes (including without  
 164 limitation, any applicable transfer taxes and stamp, registration, or other documentary taxes), assessments, or charges that may  
 165 become payable by reason of the security interest, general first lien, and right of offset granted under this Credit Support  
 166 Addendum or the execution, delivery, performance, or enforcement of the Credit Support Addendum, as well as any penalties  
 with respect thereto (including, without limitation, costs and reasonable fees and disbursements of counsel).  
 167  
 168 (f) No failure or delay by either party hereto in exercising any right, power, privilege, or remedy hereunder shall operate as  
 a waiver thereof.  
 169  
 170 (g) The headings in this Credit Support Addendum are for convenience of reference only, and shall not affect the meaning  
 or construction of any provision thereof.

171  
 172

**COMPANY**

BY: \_\_\_\_\_  
 NAME: \_\_\_\_\_  
 TITLE: \_\_\_\_\_

**COUNTERPARTY**

BY: \_\_\_\_\_  
 NAME: \_\_\_\_\_  
 TITLE: \_\_\_\_\_

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