Letter of Credit

The following is sample language that could be used if you want to agree to terms relating to the letter of credit before a letter of credit is provided under the CSA. The following language would outline the requirements for the issuer of any Letter of Credit as well as provide a sample form. The intention of this language is to avoid disputes later and to enable parties to safely be able to meet the timeframes outlined in the CSA with respect to the posting of collateral.

The following definition would be added:

“Letters of Credit” means an irrevocable, transferable, standby letter of credit, issued by a major U.S. commercial bank or a U.S. branch office of a foreign bank, in either case, with a Credit Rating of at least (a) “A-” by S&P and “A3” by Moody’s, if such entity is rated 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, substantially in the form set forth in Schedule 1 attached hereto, with such changes to the terms in such form as the issuing bank may require and as may be acceptable to the beneficiary thereof.

The form of Letter of Credit attached would be included as an Attachment to the CSA.
SCHEDULE 1 TO CREDIT SUPPORT ADDENDUM

IRREVOCABLE STANDBY LETTER OF CREDIT FORMAT

DATE OF ISSUANCE: ____________

[Address]

Re: Credit No. ____________

We hereby establish our Irrevocable Transferable Standby Letter of Credit in your favor for the account of ____________ (the “Account Party”), for the aggregate amount not exceeding ____________ United States Dollars ($_______), available to you at sight upon demand at our counters at Location on or before the expiration hereof against presentation to us of one or more of the following statements, dated and signed by your representative:

“An Event of Default (as defined in the Base Contract for Sale and Purchase of Natural Gas dated as of _______ between the beneficiary hereof and the Account Party, as the same may have been amended (the “Master Agreement”)) has occurred and is continuing with respect to the Account Party under the Master Agreement. Wherefore, the undersigned beneficiary does hereby demand payment of the entire undrawn amount of the Letter of Credit.”; or

“An Early Termination Date (as defined in the Base Contract for Sale and Purchase of Natural Gas dated as of _______ between the beneficiary hereof and the Account Party, as the same may have been amended (the “Master Agreement”)) has occurred and is continuing with respect to the Account Party under the Master Agreement. Wherefore, the undersigned beneficiary does hereby demand payment of the entire undrawn amount of the Letter of Credit.”

The amount which may be drawn by you under this Letter of Credit shall be automatically reduced by the amount of any drawings previously paid by us hereunder. Partial drawings are permitted hereunder.

This Letter of Credit shall expire ____________ (____) Days from the date of issuance, but shall automatically extend without amendment for additional ____________ (____)-Day periods from such expiration date and from subsequent expiration dates, if you, as beneficiary, and the Account Party have not received due notice of our intention not to renew ninety (90) Days prior to any such expiration date.

We hereby agree with you that drafts drawn under and in compliance with the terms of this Letter of Credit shall be duly honored upon presentation as specified.

This Letter of Credit shall be governed by the Uniform Customs and Practice for Documentary Credits, 1993 Revision, International Chamber of Commerce Publication No. 500 (the “UCP”), except to the extent that the terms hereof are inconsistent with the provisions of the UCP, in which case the terms of this Letter of Credit shall govern.

With respect to Article 13(b) of the UCP, the Issuing Bank shall have a reasonable amount of time, not to exceed three (3) banking Days following the date of its receipt of documents from the beneficiary hereof, to examine the documents and determine whether to take up or refuse the documents and to inform the beneficiary hereof accordingly.
In the event of an Act of God, riot, civil commotion, insurrection, war or any other cause beyond our control that interrupts our business (collectively, an “ Interruption Event” ) and causes the place for presentation of this Letter of Credit to be closed for business on the last Day for presentation, the expiry date of this Letter of Credit will be automatically extended without amendment to a date thirty (30) calendar Days after the place for presentation reopens for business.

This Letter of Credit is transferable, and we hereby consent to such transfer, in connection with a permitted transfer under the Master Agreement but otherwise may not be amended, changed or modified without the express written consent of the beneficiary hereof, the Issuing Bank and the Account Party.

Typographical errors other than in amounts are not considered discrepancies.

[BANK SIGNATURE]