

Confidential Release

Case Number: 10-396-GA-CRS

Date of Confidential Document: March 22, 2012

Release Date: 7/9/2014

Page Count: 176 pages

Document Description:

Exhibits C-3, C-4 and C-5 (March 22, 2012)

RECEIVED-DOCKETING DIV
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10-396

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CONTAINS INFORMATION THAT HAS BEEN REQUESTED TO BE
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C-3 Exhibit C-3 "Financial Statements," provide copies of the applicant's two most recent years of audited financial statements (balance sheet, income statement, and cash flow statement). If audited financial statements are not available, provide officer certified financial statements. If the applicant has not been in business long enough to satisfy this requirement, it shall file audited or officer certified financial statements covering the life of the business.

TEGE LLC does not have audited financial statements available; however attached are the unaudited financials for 2010 and 2011 (**Attachment H**) and an officer certification regarding these financials (**Attachment I**). TEG has audited financials; thus please refer to TEG's website, <http://www.integrifygroup.com/investor/default.aspx>, to find TEG's 2009 and 2010 Annual Reports as well as its 2011 10-K.

RECEIVED-COCKETING DIV

2012 MAR 22 AM 10:16

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GLN5417M
JHAINESIES - Natural Gas, LLC
BS-CURRENT PERIOD
December 31, 2010Run Time:
January 21, 2011 at 12:47

	ASSETS	December 31	November 30	Change
<u>Current Assets:</u>				
Cash		1,361,050.39	748,232.18	612,818.21
Funds on Deposit with Brokers		0.00	0.00	0.00
Accounts Receivable - External		64,885,752.69	43,757,489.32	21,128,263.37
Accounts Receivable - Affiliates		4,014,063.45	5,756,563.97	(1,742,500.52)
Notes Receivable		0.00	0.00	0.00
Notes Receivable - Affiliates		0.00	0.00	0.00
Storage Gas		41,017,002.60	46,848,646.39	(5,831,643.79)
Assets From Risk Management Activities		52,689,465.00	71,572,195.00	(18,882,730.00)
Prepays & Other Assets		0.00	0.00	0.00
Accrued Revenues		37,011,146.47	17,441,906.02	19,569,240.45
Total Current Assets		200,978,480.60	186,125,032.88	14,853,447.72
<u>Fixed Assets:</u>				
Property & Equipment		0.00	0.00	0.00
Accumulated Depreciation		0.00	0.00	0.00
Total Fixed Assets		0.00	0.00	0.00
<u>Risk Management Assets - Long Term:</u>				
Assets from MTM Risk Management Activities		16,727,440.00	19,918,511.00	(3,191,071.00)
Total Risk Management Assets - Long Term		16,727,440.00	19,918,511.00	(3,191,071.00)
<u>Other Assets:</u>				
Investment in Subsidiaries		0.00	0.00	0.00
Other		3,000,000.00	3,000,000.00	0.00
Total Other Assets		3,000,000.00	3,000,000.00	0.00
TOTAL ASSETS		220,705,920.60	209,043,543.88	11,662,376.72
<u>LIABILITIES AND EQUITY</u>				
<u>Current Liabilities:</u>				
Accounts Payable - External		60,240,506.91	36,428,280.35	23,812,226.57
Accounts Payable - Affiliates		31,039,501.65	28,058,371.61	2,981,130.04
Liabilities from Risk Management Activities		46,809,057.00	60,993,921.00	(14,184,864.00)
Accrued Taxes		552,203.03	332,963.10	219,239.93
Other Payables / Accruals		4,279,879.06	2,050,120.74	2,229,758.32
Deferred Taxes - Current		0.00	0.00	0.00
Total Current Liabilities		142,921,147.65	127,863,656.80	15,057,490.86
<u>Risk Management Liabilities - Long Term:</u>				
Liabilities from Risk Management Activities		12,700,159.00	14,612,353.00	(1,912,194.00)
Total Risk Management Liabilities - Long Term		12,700,159.00	14,612,353.00	(1,912,194.00)
<u>Other Liabilities & Credits</u>				
Deferred Taxes		0.00	0.00	0.00
Other		0.00	0.00	0.00
Total Other Liabilities & Credits		0.00	0.00	0.00
TOTAL LIABILITIES		155,621,306.65	142,476,009.80	13,145,296.86
<u>Equity:</u>				
Common Stock		0.00	0.00	0.00
Additional Paid-in Capital		12,446,374.19	12,446,374.19	0.00
Retained Earnings		(3,710,311.00)	(7,986,465.00)	4,276,154.00
YTD Net Income		56,348,550.76	62,107,624.90	(5,759,074.13)
Total Equity		65,084,613.95	66,567,534.08	(1,482,920.13)
TOTAL LIABILITIES AND EQUITY		220,705,920.60	209,043,543.88	11,662,376.72

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GLN5424M
KCLIFTOIES - Natural Gas, LLC
INCOME STATEMENT
CURRENT MONTH & YTD TO BUDGET
Dec 31, 2010Run Time:
May 24, 2011 at 18:07

	CURRENT MONTH			YEAR-TO-DATE		
	Actual	Budget	Variance	Actual	Budget	Variance
OPERATING REVENUE:						
Gas Revenues	71,058,186.13	0.00	71,058,186.13	335,343,468.68	0.00	335,343,468.68
Electric Revenues	0.00	0.00	0.00	0.00	0.00	0.00
Consulting Revenue	16,938.86	0.00	16,938.86	105,069.54	0.00	105,069.54
Equity Earnings in Subsidiaries	0.00	0.00	0.00	0.00	0.00	0.00
Other Revenue	950.03	0.00	950.03	166,571.09	0.00	166,571.09
Total Operating Revenues	71,076,075.02	0.00	71,076,075.02	335,615,109.31	0.00	335,615,109.31
COST OF GOODS SOLD:						
Gas Purchases	74,103,202.28	0.00	(74,103,202.28)	264,666,916.97	0.00	(264,666,916.97)
Electric Purchases	0.00	0.00	0.00	0.00	0.00	0.00
Other Purchases	0.00	0.00	0.00	0.00	0.00	0.00
Total Cost of Goods Sold	74,103,202.28	0.00	(74,103,202.28)	264,666,916.97	0.00	(264,666,916.97)
GROSS MARGIN:						
Gross Margin - Gas	(3,045,016.15)	0.00	(3,045,016.15)	70,676,551.71	0.00	70,676,551.71
Gross Margin - Electric	0.00	0.00	0.00	0.00	0.00	0.00
Gross Margin - Other	17,888.89	0.00	17,888.89	271,640.63	0.00	271,640.63
Gross Margin	(3,027,127.26)	0.00	(3,027,127.26)	70,948,192.34	0.00	70,948,192.34
OPERATING EXPENSES:						
Payroll - Fixed	148.58	0.00	(148.58)	1,152.01	0.00	(1,152.01)
Payroll - Variable	47.01	0.00	(47.01)	128.36	0.00	(128.36)
Benefits	28.41	0.00	(28.41)	(1,213.80)	0.00	1,213.80
Legal and Auditing	3,264.38	0.00	(3,264.38)	57,348.41	0.00	(57,348.41)
Contractor/Professional Expenses	2,227.50	0.00	(2,227.50)	50,283.09	0.00	(50,283.09)
Intercompany Labor & Loadings	1,892,495.11	0.00	(1,892,495.11)	11,756,974.87	0.00	(11,756,974.87)
Category 1 Expense	0.00	0.00	0.00	0.00	0.00	0.00
Brokers, Commissions & Program Fees	703,747.27	0.00	(703,747.27)	1,793,651.50	0.00	(1,793,651.50)
Physical Location Direct Expenses	0.00	0.00	0.00	0.00	0.00	0.00
General Expenses	11,823.57	0.00	(11,823.57)	88,554.70	0.00	(88,554.70)
Bad Debt Expense	133,493.00	0.00	(133,493.00)	745,482.00	0.00	(745,482.00)
Depreciation & Amortization & Depletion	0.00	0.00	0.00	0.00	0.00	0.00
Travel Expenses	0.00	0.00	0.00	2,064.63	0.00	(2,064.63)
Recruiting & Development Expenses	0.00	0.00	0.00	0.00	0.00	0.00
Miscellaneous	0.00	0.00	0.00	2.08	0.00	(2.08)
Taxes Other Than Income	3,428.55	0.00	(3,428.55)	9,329.84	0.00	(9,329.84)
Total Operating Expenses	2,750,703.38	0.00	(2,750,703.38)	14,503,757.69	0.00	(14,503,757.69)
OPERATING INCOME	(5,777,830.64)	0.00	(5,777,830.64)	56,444,434.65	0.00	56,444,434.65
Other (Income)/Deductions:						
Interest Income	0.00	0.00	0.00	0.00	0.00	0.00
Late Payment Charges	(20,504.92)	0.00	20,504.92	(46,800.99)	0.00	46,800.99
Other	0.00	0.00	0.00	0.00	0.00	0.00
Total Other (Income)/Deductions	(20,504.92)	0.00	20,504.92	(46,800.99)	0.00	46,800.99
Income Before Interest Expense	(5,757,325.72)	0.00	(5,757,325.72)	56,491,235.64	0.00	56,491,235.64
Interest Expense						
External Interest Expense	1,748.42	0.00	(1,748.42)	142,684.88	0.00	(142,684.88)
Intercompany Interest Expense	0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Expense	1,748.42	0.00	(1,748.42)	142,684.88	0.00	(142,684.88)
Income Before Income Taxes	(5,759,074.14)	0.00	(5,759,074.14)	56,348,550.76	0.00	56,348,550.76
Income Tax Expense	0.00	0.00	0.00	0.00	0.00	0.00
Income Tax Credits	0.00	0.00	0.00	0.00	0.00	0.00
Total Income Taxes	0.00	0.00	0.00	0.00	0.00	0.00
Income from continuing operations	(5,759,074.14)	0.00	(5,759,074.14)	56,348,550.76	0.00	56,348,550.76
Discontinued Operations, net of tax	0.00	0.00	0.00	0.00	0.00	0.00
Net Income (Loss) before Cumulative effect of a change in Accounting Principle	(5,759,074.14)	0.00	(5,759,074.14)	56,348,550.76	0.00	56,348,550.76
Cumulative Effect of a change in Accounting Principle	0.00	0.00	0.00	0.00	0.00	0.00
Net Income (Loss)	(5,759,074.14)	0.00	(5,759,074.14)	56,348,550.76	0.00	56,348,550.76

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GLN5417M
KSPECHTIES - Natural Gas, LLC
BS-CURRENT PERIOD
December 31, 2011Run Time:
January 25, 2012 at 17:48

	<u>ASSETS</u>		
	December 31	November 30	Change
<u>Current Assets:</u>			
Cash	1,617,955.60	367,799.39	1,250,156.21
Funds on Deposit with Brokers	0.00	0.00	0.00
Accounts Receivable - External	51,467,109.08	41,208,743.37	10,258,365.71
Accounts Receivable - Affiliates	4,774,099.15	5,730,964.63	(956,865.48)
Notes Receivable	0.00	0.00	0.00
Notes Receivable - Affiliates	0.00	0.00	0.00
Storage Gas	28,816,876.04	50,382,934.23	(21,566,058.19)
Assets From Risk Management Activities	62,242,025.00	51,930,019.00	10,312,006.00
Prepays & Other Assets	10,727.00	0.00	10,727.00
Accrued Revenues	32,858,748.18	21,951,555.88	10,907,192.30
Total Current Assets	181,787,540.05	171,572,016.50	10,215,523.55
<u>Fixed Assets:</u>			
Property & Equipment	0.00	0.00	0.00
Accumulated Depreciation	0.00	0.00	0.00
Total Fixed Assets	0.00	0.00	0.00
<u>Risk Management Assets - Long Term:</u>			
Assets from MTM Risk Management Activities	15,188,906.00	13,027,295.00	2,161,611.00
Total Risk Management Assets - Long Term	15,188,906.00	13,027,295.00	2,161,611.00
<u>Other Assets:</u>			
Investment in Subsidiaries	0.00	0.00	0.00
Other	3,000,000.00	3,000,000.00	0.00
Total Other Assets	3,000,000.00	3,000,000.00	0.00
TOTAL ASSETS	199,976,446.05	187,599,311.50	12,377,134.55
<u>LIABILITIES AND EQUITY</u>			
<u>Current Liabilities:</u>			
Accounts Payable - External	51,250,454.87	45,477,175.21	5,773,279.66
Accounts Payable - Affiliates	13,618,518.22	6,634,815.97	6,983,702.25
Liabilities from Risk Management Activities	53,434,294.00	42,128,311.00	11,305,983.00
Accrued Taxes	355,260.23	212,040.48	143,219.75
Other Payables / Accruals	2,159,711.65	6,553,736.01	(4,394,024.36)
Deferred Taxes - Current	0.00	0.00	0.00
Total Current Liabilities	120,818,238.97	101,006,078.67	19,812,160.30
<u>Risk Management Liabilities - Long Term:</u>			
Liabilities from Risk Management Activities	13,895,676.00	11,542,671.00	2,353,005.00
Total Risk Management Liabilities - Long Term	13,895,676.00	11,542,671.00	2,353,005.00
<u>Other Liabilities & Credits</u>			
Deferred Taxes	0.00	0.00	0.00
Other	0.00	0.00	0.00
Total Other Liabilities & Credits	0.00	0.00	0.00
TOTAL LIABILITIES	134,713,914.97	112,548,749.67	22,165,165.30
<u>Equity:</u>			
Common Stock	0.00	0.00	0.00
Additional Paid-in Capital	12,446,374.19	12,446,374.19	0.00
Retained Earnings	55,176,480.76	54,276,027.76	900,453.00
YTD Net Income	(2,360,323.87)	8,328,159.88	(10,688,483.75)
Total Equity	65,262,531.08	75,050,561.83	(9,788,030.75)
TOTAL LIABILITIES AND EQUITY	199,976,446.05	187,599,311.50	12,377,134.55

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GLN5424M
KSPECHTIES - Natural Gas, LLC
INCOME STATEMENT
CURRENT MONTH & YTD TO BUDGET
Dec 31, 2011Run Time:
January 25, 2012 at 17:25

	CURRENT MONTH			YEAR-TO-DATE		
	Actual	Budget	Variance	Actual	Budget	Variance
OPERATING REVENUE:						
Gas Revenues	63,401,178.02	130,229,585.73	(66,828,407.71)	594,770,282.66	929,586,406.49	(334,816,123.83)
Electric Revenues	0.00	0.00	0.00	0.00	0.00	0.00
Consulting Revenue	0.00	0.00	0.00	0.00	0.00	0.00
Equity Earnings in Subsidiaries	0.00	0.00	0.00	0.00	0.00	0.00
Other Revenue	0.00	0.00	0.00	0.00	0.00	0.00
Total Operating Revenues	63,401,178.02	130,229,585.73	(66,828,407.71)	594,770,282.66	929,586,406.49	(334,816,123.83)
COST OF GOODS SOLD:						
Gas Purchases	71,446,235.55	123,263,412.31	51,817,176.76	563,079,176.71	874,082,609.96	311,003,433.25
Electric Purchases	0.00	0.00	0.00	0.00	0.00	0.00
Other Purchases	0.00	0.00	0.00	0.00	0.00	0.00
Total Cost of Goods Sold	71,446,235.55	123,263,412.31	51,817,176.76	563,079,176.71	874,082,609.96	311,003,433.25
GROSS MARGIN:						
Gross Margin - Gas	(8,045,057.53)	6,966,173.42	(15,011,230.95)	31,691,105.95	55,503,796.53	(23,812,690.58)
Gross Margin - Electric	0.00	0.00	0.00	0.00	0.00	0.00
Gross Margin - Other	0.00	0.00	0.00	0.00	0.00	0.00
Gross Margin	(8,045,057.53)	6,966,173.42	(15,011,230.95)	31,691,105.95	55,503,796.53	(23,812,690.58)
OPERATING EXPENSES:						
Payroll - Fixed	473.45	750,872.07	750,398.62	2,898.67	9,010,398.84	9,007,500.17
Payroll - Variable	74.77	403,517.85	403,443.08	365.24	4,842,093.20	4,841,727.96
Benefits	100.15	308,814.50	308,714.35	676.26	3,705,543.00	3,704,866.74
Legal and Auditing	11,584.38	41,126.00	29,541.62	51,482.71	493,336.00	441,853.29
Contractor/Professional Expenses	16,827.52	637,096.50	620,268.98	245,863.57	7,844,927.00	7,399,063.43
Intercompany Labor & Loadings	1,884,924.23	0.00	(1,884,924.23)	27,556,762.84	0.00	(27,556,762.84)
Category 1 Expense	0.00	0.00	0.00	0.00	0.00	0.00
Brokers, Commissions & Program Fees	690,020.57	921,336.73	231,316.16	5,601,584.88	6,443,784.02	842,199.14
Physical Location Direct Expenses	0.00	27,442.80	27,442.80	0.00	328,941.25	328,941.25
General Expenses	21,034.38	535,513.01	514,478.63	249,599.62	6,424,581.47	6,174,981.85
Bad Debt Expense	12,849.00	121,633.17	108,784.17	465,304.00	1,459,521.04	994,217.04
Depreciation & Amortization & Depletion	0.00	136,973.07	136,973.07	0.00	1,643,456.84	1,643,456.84
Travel Expenses	0.00	29,539.42	29,539.42	9,336.16	354,341.04	345,004.88
Recruiting & Development Expenses	0.00	11,583.56	11,583.56	0.00	138,760.72	138,760.72
Miscellaneous	(3,669.41)	0.00	3,669.41	(59,372.66)	0.00	59,372.66
Taxes Other Than Income	18,892.12	86,233.06	67,340.94	181,185.28	1,034,664.72	853,479.44
Total Operating Expenses	2,653,111.16	4,011,681.74	1,358,570.58	34,305,686.57	43,524,349.14	9,218,662.57
OPERATING INCOME	(10,696,168.69)	2,954,491.68	(13,652,660.37)	(2,614,580.62)	11,979,447.39	(14,594,028.01)
Other (Income)/Deductions:						
Interest Income	0.00	0.00	0.00	0.00	0.00	0.00
Late Payment Charges	(10,116.54)	0.00	10,116.54	(160,708.63)	0.00	160,708.63
Other	0.00	0.00	0.00	(1.46)	0.00	1.46
Total Other (Income)/Deductions	(10,116.54)	0.00	10,116.54	(160,710.09)	0.00	160,710.09
Income Before Interest Expense	(10,688,052.15)	2,954,491.68	(13,642,543.83)	(2,453,870.53)	11,979,447.39	(14,433,317.92)
Interest Expense						
External Interest Expense	431.60	0.00	(431.60)	(93,546.66)	0.00	93,546.66
Intercompany Interest Expense	0.00	81,095.11	81,095.11	0.00	973,009.32	973,009.32
Total Interest Expense	431.60	81,095.11	80,663.51	(93,546.66)	973,009.32	1,066,555.98
Income Before Income Taxes	(10,688,483.75)	2,873,396.57	(13,561,880.32)	(2,360,323.87)	11,006,438.07	(13,366,761.94)
Income Tax Expense	0.00	0.00	0.00	0.00	0.00	0.00
Income Tax Credits	0.00	0.00	0.00	0.00	0.00	0.00
Total Income Taxes	0.00	0.00	0.00	0.00	0.00	0.00
Income from continuing operations	(10,688,483.75)	2,873,396.57	(13,561,880.32)	(2,360,323.87)	11,006,438.07	(13,366,761.94)
Discontinued Operations, net of tax	0.00	0.00	0.00	0.00	0.00	0.00
Net income (Loss) before Cumulative effect of a change in Accounting Principle	(10,688,483.75)	2,873,396.57	(13,561,880.32)	(2,360,323.87)	11,006,438.07	(13,366,761.94)
Cumulative Effect of a change in Accounting Principle	0.00	0.00	0.00	0.00	0.00	0.00
Net income (Loss)	(10,688,483.75)	2,873,396.57	(13,561,880.32)	(2,360,323.87)	11,006,438.07	(13,366,761.94)

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Cash Flow Statement

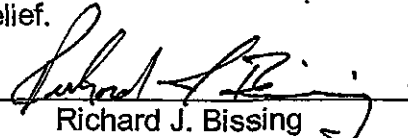
	<u>2010</u>	<u>2011</u>
Net Income	\$ 56.4	\$ (2.4)
Depreciation	-	-
Bad Debt	0.7	0.5
Unrealized Gain/Loss on energy contracts	(13.3)	2.1
Lower of cost or market inventory adj	0.6	13.4
Other Operating	(0.3)	0.2
Funds from Operations	<u>44.1</u>	<u>13.8</u>
Change in Working Capital:		
Accounts Receivable	(106.7)	16.4
Storage Inventory	(41.6)	(1.2)
Accounts Payable	96.1	(28.7)
Total Change in Working Capital	<u>(52.2)</u>	<u>(13.5)</u>
Cash Flow provided by Operations	(8.1)	0.3
Cash Flow provided by Investing	(3.0)	-
Cash Flow provided by Financing	-	-
Additional Capital/ (Distributions)	12.4	-
Net Cash Flow	<u>\$ 1.3</u>	<u>\$ 0.3</u>
Beginning Cash Balance	\$ -	\$ 1.3
Ending Cash Balance	<u>1.3</u>	<u>1.6</u>
Net Change in Cash	<u>\$ 1.3</u>	<u>\$ 0.3</u>

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Attachment I

OFFICER CERTIFICATION

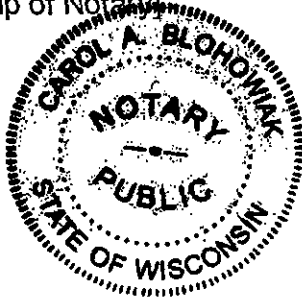
Richard J. Bissing, being first duly sworn, deposes and says that he is the Senior Vice President of Integrys Energy Services, Inc.; that he acknowledges that Attachment H is the unaudited balance sheet, income statement and cash flow statements for 2010 and 2011 for Integrys Energy Services – Natural Gas, LLC, and that the statements and numbers contained therein are true, correct and complete to the best of his knowledge, information and belief.


Richard J. Bissing
Senior Vice President

Subscribed and sworn to before me
this 20th day of March, 2012.


Notary Public Carol A. Blohowiak

[Stamp of Notary]



CONFIDENTIAL

CONTAINS INFORMATION THAT HAS BEEN REQUESTED TO BE
CONFIDENTIAL

C-4 Exhibit C-4 "Financial Arrangements," provide copies of the applicant's current financial arrangements to conduct competitive retail natural gas service (CRNGS) as a business activity (e.g., guarantees, bank commitments, contractual arrangements, credit agreements, etc.,).

TEGE LLC has a supply agreement with Sequent Energy Management, LP ("Sequent") to be the preferred natural gas supplier of TEGE LLC. Sequent effectively provides unlimited credit as long as TEGE LLC operates within the bounds of the agreement. Attached is the ISDA between TEGE LLC and Sequent. (See Attachment K)

In addition to having the supply agreement in place with Sequent, Integrys Energy Group has provided additional security in the form of a guaranty to Sequent on behalf of TEGE LLC. The guaranty is currently at \$60 Million, but in the contractual agreement with Sequent, Integrys Energy Group can be requested to increase the guaranty to a total of \$100 Million. Attached is the current \$60 Million guaranty. (See Attachment L)

CONFIDENTIAL

ISDA[®]

International Swap Dealers Association, Inc.

MASTER AGREEMENT

dated as of December 4, 2009,

Sequent Energy Management, L.P. and Integrys Energy Services – Natural Gas, LLC

("Party A")

("Party B")

have entered and/or anticipate entering into one or more transactions (each a "Transaction") that are or will be governed by this Master Agreement, which includes the schedule (the "Schedule"), and the documents and other confirming evidence (each a "Confirmation") exchanged between the parties or otherwise effective for the purpose of confirming or evidencing those Transactions. This 2002 Master Agreement and the Schedule are together referred to as this "Master Agreement".

Accordingly, the parties agree as follows: —

1. Interpretation

- (a) **Definitions.** The terms defined in Section 14 and elsewhere in this Master Agreement will have the meanings therein specified for the purpose of this Master Agreement.
- (b) **Inconsistency.** In the event of any inconsistency between the provisions of the Schedule and the other provisions of this Master Agreement, the Schedule will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Master Agreement, such Confirmation will prevail for the purpose of the relevant Transaction.
- (c) **Single Agreement.** All Transactions are entered into in reliance on the fact that this Master Agreement and all Confirmations form a single agreement between the parties (collectively referred to as this "Agreement"), and the parties would not otherwise enter into any Transactions.

2. Obligations

(a) General Conditions.

- (i) Each party will make each payment or delivery specified in each Confirmation to be made by it, subject to the other provisions of this Agreement.
- (ii) Payments under this Agreement will be made on the due date for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency. Where settlement is by delivery (that is, other than by payment), such delivery will be made for receipt on the due date in the manner customary for the relevant obligation unless otherwise specified in the relevant Confirmation or elsewhere in this Agreement.



(iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default or Potential Event of Default with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other condition specified in this Agreement to be a condition precedent for the purpose of this Section 2(a)(iii).

(b) *Change of Account.* Either party may change its account for receiving a payment or delivery by giving notice to the other party at least five Local Business Days prior to the Scheduled Settlement Date for the payment or delivery to which such change applies unless such other party gives timely notice of a reasonable objection to such change.

(c) *Netting of Payments.* If on any date amounts would otherwise be payable:—

- (i) in the same currency; and
- (ii) in respect of the same Transaction,

by each party to the other, then, on such date, each party's obligation to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, replaced by an obligation upon the party by which the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller aggregate amount.

The parties may elect in respect of two or more Transactions that a net amount and payment obligation will be determined in respect of all amounts payable on the same date in the same currency in respect of those Transactions, regardless of whether such amounts are payable in respect of the same Transaction. The election may be made in the Schedule or any Confirmation by specifying that "Multiple Transaction Payment Netting" applies to the Transactions identified as being subject to the election (in which case clause (ii) above will not apply to such Transactions). If Multiple Transaction Payment Netting is applicable to Transactions, it will apply to those Transactions with effect from the starting date specified in the Schedule or such Confirmation, or, if a starting date is not specified in the Schedule or such Confirmation, the starting date otherwise agreed by the parties in writing. This election may be made separately for different groups of Transactions and will apply separately to each pairing of Offices through which the parties make and receive payments or deliveries.

(d) *Deduction or Withholding for Tax.*

(i) *Gross-Up.* All payments under this Agreement will be made without any deduction or withholding for or on account of any Tax unless such deduction or withholding is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If a party is so required to deduct or withhold, then that party ("X") will:—

- (1) promptly notify the other party ("Y") of such requirement;
- (2) pay to the relevant authorities the full amount required to be deducted or withheld (including the full amount required to be deducted or withheld from any additional amount paid by X to Y under this Section 2(d)) promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against Y;
- (3) promptly forward to Y an official receipt (or a certified copy), or other documentation reasonably acceptable to Y, evidencing such payment to such authorities; and

(4) if such Tax is an Indemnifiable Tax, pay to Y, in addition to the payment to which Y is otherwise entitled under this Agreement, such additional amount as is necessary to ensure that the net amount actually received by Y (free and clear of Indemnifiable Taxes, whether assessed against X or Y) will equal the full amount Y would have received had no such deduction or withholding been required. However, X will not be required to pay any additional amount to Y to the extent that it would not be required to be paid but for:—

(A) the failure by Y to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d); or

(B) the failure of a representation made by Y pursuant to Section 3(f) to be accurate and true unless such failure would not have occurred but for (I) any action taken by a taxing authority, or brought in a court of competent jurisdiction, after a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (II) a Change in Tax Law.

(ii) *Liability. If:—*

(1) X is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding in respect of which X would not be required to pay an additional amount to Y under Section 2(d)(i)(4);

(2) X does not so deduct or withhold; and

(3) a liability resulting from such Tax is assessed directly against X,

then, except to the extent Y has satisfied or then satisfies the liability resulting from such Tax, Y will promptly pay to X the amount of such liability (including any related liability for interest, but including any related liability for penalties only if Y has failed to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d)).

3. **Representations**

Each party makes the representations contained in Sections 3(a), 3(b), 3(c), 3(d), 3(e) and 3(f) and, if specified in the Schedule as applying, 3(g) to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into and, in the case of the representations in Section 3(f), at all times until the termination of this Agreement). If any "Additional Representation" is specified in the Schedule or any Confirmation as applying, the party or parties specified for such Additional Representation will make and, if applicable, be deemed to repeat such Additional Representation at the time or times specified for such Additional Representation.

(a) *Basic Representations.*

(i) *Status.* It is duly organised and validly existing under the laws of the jurisdiction of its organisation or incorporation and, if relevant under such laws, in good standing;

(ii) *Powers.* It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party and has taken all necessary action to authorise such execution, delivery and performance;

- (iii) **No Violation or Conflict.** Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;
- (iv) **Consents.** All governmental and other consents that are required to have been obtained by it with respect to this Agreement or any Credit Support Document to which it is a party have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and
- (v) **Obligations Binding.** Its obligations under this Agreement and any Credit Support Document to which it is a party constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganisation, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).
- (b) **Absence of Certain Events.** No Event of Default or Potential Event of Default or, to its knowledge, Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.
- (c) **Absence of Litigation.** There is not pending or, to its knowledge, threatened against it, any of its Credit Support Providers or any of its applicable Specified Entities any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity or enforceability against it of this Agreement or any Credit Support Document to which it is a party or its ability to perform its obligations under this Agreement or such Credit Support Document.
- (d) **Accuracy of Specified Information.** All applicable information that is furnished in writing by or on behalf of it to the other party and is identified for the purpose of this Section 3(d) in the Schedule is, as of the date of the information, true, accurate and complete in every material respect.
- (e) **Payer Tax Representation.** Each representation specified in the Schedule as being made by it for the purpose of this Section 3(e) is accurate and true.
- (f) **Payee Tax Representations.** Each representation specified in the Schedule as being made by it for the purpose of this Section 3(f) is accurate and true.
- (g) **No Agency.** It is entering into this Agreement, including each Transaction, as principal and not as agent of any person or entity.

4. Agreements

Each party agrees with the other that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party:—

- (a) **Furnish Specified Information.** It will deliver to the other party or, in certain cases under clause (iii) below, to such government or taxing authority as the other party reasonably directs:—
 - (i) any forms, documents or certificates relating to taxation specified in the Schedule or any Confirmation;
 - (ii) any other documents specified in the Schedule or any Confirmation; and

(iii) upon reasonable demand by such other party, any form or document that may be required or reasonably requested in writing in order to allow such other party or its Credit Support Provider to make a payment under this Agreement or any applicable Credit Support Document without any deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate (so long as the completion, execution or submission of such form or document would not materially prejudice the legal or commercial position of the party in receipt of such demand), with any such form or document to be accurate and completed in a manner reasonably satisfactory to such other party and to be executed and to be delivered with any reasonably required certification,

in each case by the date specified in the Schedule or such Confirmation or, if none is specified, as soon as reasonably practicable.

(b) **Maintain Authorisations.** It will use all reasonable efforts to maintain in full force and effect all consents of any governmental or other authority that are required to be obtained by it with respect to this Agreement or any Credit Support Document to which it is a party and will use all reasonable efforts to obtain any that may become necessary in the future.

(c) **Comply With Laws.** It will comply in all material respects with all applicable laws and orders to which it may be subject if failure so to comply would materially impair its ability to perform its obligations under this Agreement or any Credit Support Document to which it is a party.

(d) **Tax Agreement.** It will give notice of any failure of a representation made by it under Section 3(f) to be accurate and true promptly upon learning of such failure.

(e) **Payment of Stamp Tax.** Subject to Section 11, it will pay any Stamp Tax levied or imposed upon it or in respect of its execution or performance of this Agreement by a jurisdiction in which it is incorporated, organised, managed and controlled or considered to have its seat, or where an Office through which it is acting for the purpose of this Agreement is located ("Stamp Tax Jurisdiction"), and will indemnify the other party against any Stamp Tax levied or imposed upon the other party or in respect of the other party's execution or performance of this Agreement by any such Stamp Tax Jurisdiction which is not also a Stamp Tax Jurisdiction with respect to the other party.

5. Events of Default and Termination Events

(a) **Events of Default.** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any of the following events constitutes (subject to Sections 5(c) and 6(e)(iv)) an event of default (an "Event of Default") with respect to such party:—

(i) **Failure to Pay or Deliver.** Failure by the party to make, when due, any payment under this Agreement or delivery under Section 2(a)(1) or 9(h)(1)(2) or (4) required to be made by it if such failure is not remedied on or before the first Local Business Day in the case of any such payment or the first Local Delivery Day in the case of any such delivery after, in each case, notice of such failure is given to the party;

(ii) **Breach of Agreement; Repudiation of Agreement.**

(1) Failure by the party to comply with or perform any agreement or obligation (other than an obligation to make any payment under this Agreement or delivery under Section 2(a)(1) or 9(h)(1)(2) or (4) or to give notice of a Termination Event or any agreement or obligation under Section 4(a)(1), 4(a)(iii) or 4(d)) to be complied with or performed by the party in accordance with this Agreement if such failure is not remedied within 30 days after notice of such failure is given to the party; or

(2) the party disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, this Master Agreement, any Confirmation executed and delivered by that party or any

Transaction evidenced by such a Confirmation (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(iii) *Credit Support Default.*

(1) Failure by the party or any Credit Support Provider of such party to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with any Credit Support Document if such failure is continuing after any applicable grace period has elapsed;

(2) the expiration or termination of such Credit Support Document or the failing or ceasing of such Credit Support Document, or any security interest granted by such party or such Credit Support Provider to the other party pursuant to any such Credit Support Document, to be in full force and effect for the purpose of this Agreement (in each case other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each Transaction to which such Credit Support Document relates without the written consent of the other party; or

(3) the party or such Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Credit Support Document (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(iv) *Misrepresentation.* A representation (other than a representation under Section 3(e) or 3(f)) made or repeated or deemed to have been made or repeated by the party or any Credit Support Provider of such party in this Agreement or any Credit Support Document proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated;

(v) *Default Under Specified Transaction.* The party, any Credit Support Provider of such party or any applicable Specified Entity of such party:—

(1) defaults (other than by failing to make a delivery) under a Specified Transaction or any credit support arrangement relating to a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, such default results in a liquidation of, an acceleration of obligations under, or an early termination of, that Specified Transaction;

(2) defaults, after giving effect to any applicable notice requirement or grace period, in making any payment due on the last payment or exchange date of, or any payment on early termination of, a Specified Transaction (or, if there is no applicable notice requirement or grace period, such default continues for at least one Local Business Day);

(3) defaults in making any delivery due under (including any delivery due on the last delivery or exchange date of) a Specified Transaction or any credit support arrangement relating to a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, such default results in a liquidation of, an acceleration of obligations under, or an early termination of, all transactions outstanding under the documentation applicable to that Specified Transaction; or

(4) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, a Specified Transaction or any credit support arrangement relating to a Specified Transaction that is, in either case, confirmed or evidenced by a document or other confirming evidence executed and delivered by that party, Credit Support Provider or Specified Entity (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(vi) **Cross-Default.** If "Cross-Default" is specified in the Schedule as applying to the party, the occurrence or existence of:—

(1) a default, event of default or other similar condition or event (however described) in respect of such party, any Credit Support Provider of such party or any applicable Specified Entity of such party under one or more agreements or instruments relating to Specified Indebtedness of any of them (individually or collectively) where the aggregate principal amount of such agreements or instruments, either alone or together with the amount, if any, referred to in clause (2) below, is not less than the applicable Threshold Amount (as specified in the Schedule) which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments before it would otherwise have been due and payable; or

(2) a default by such party, such Credit Support Provider or such Specified Entity (individually or collectively) in making one or more payments under such agreements or instruments on the due date for payment (after giving effect to any applicable notice requirement or grace period) in an aggregate amount, either alone or together with the amount, if any, referred to in clause (1) above, of not less than the applicable Threshold Amount;

(vii) **Bankruptcy.** The party, any Credit Support Provider of such party or any applicable Specified Entity of such party:—

(1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4)(A) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (B) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in clause (A) above and either (I) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (II) is not dismissed, discharged, stayed or restrained in each case within 15 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 15 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) above (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or

(viii) *Merger Without Assumption.* The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, or reorganises, reincorporates or reconstitutes into or as, another entity and, at the time of such consolidation, amalgamation, merger, transfer, reorganisation, reincorporation or reconstitution:—

- (1) the resulting, surviving or transferee entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party; or
- (2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving or transferee entity of its obligations under this Agreement.

(b) *Termination Events.* The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any event specified below constitutes (subject to Section 5(c)) an Illegality if the event is specified in clause (i) below, a Force Majeure Event if the event is specified in clause (ii) below, a Tax Event if the event is specified in clause (iii) below, a Tax Event Upon Merger if the event is specified in clause (iv) below, and, if specified to be applicable, a Credit Event Upon Merger if the event is specified pursuant to clause (v) below or an Additional Termination Event if the event is specified pursuant to clause (vi) below:—

(i) *Illegality.* After giving effect to any applicable provision, disruption fallback or remedy specified in, or pursuant to, the relevant Confirmation or elsewhere in this Agreement, due to an event or circumstance (other than any action taken by a party or, if applicable, any Credit Support Provider of such party) occurring after a Transaction is entered into, it becomes unlawful under any applicable law (including without limitation the laws of any country in which payment, delivery or compliance is required by either party or any Credit Support Provider, as the case may be), on any day, or it would be unlawful if the relevant payment, delivery or compliance were required on that day (in each case, other than as a result of a breach by the party of Section 4(b)):—

- (1) for the Office through which such party (which will be the Affected Party) makes and receives payments or deliveries with respect to such Transaction to perform any absolute or contingent obligation to make a payment or delivery in respect of such Transaction, to receive a payment or delivery in respect of such Transaction or to comply with any other material provision of this Agreement relating to such Transaction; or
- (2) for such party or any Credit Support Provider of such party (which will be the Affected Party) to perform any absolute or contingent obligation to make a payment or delivery which such party or Credit Support Provider has under any Credit Support Document relating to such Transaction, to receive a payment or delivery under such Credit Support Document or to comply with any other material provision of such Credit Support Document;

(ii) *Force Majeure Event.* After giving effect to any applicable provision, disruption fallback or remedy specified in, or pursuant to, the relevant Confirmation or elsewhere in this Agreement, by reason of force majeure or act of state occurring after a Transaction is entered into, on any day:—

- (1) the Office through which such party (which will be the Affected Party) makes and receives payments or deliveries with respect to such Transaction is prevented from performing any absolute or contingent obligation to make a payment or delivery in respect of such Transaction, from receiving a payment or delivery in respect of such Transaction or from complying with any other material provision of this Agreement relating to such Transaction (or would be so prevented if such payment, delivery or compliance were required on that day), or it becomes impossible or

impracticable for such Office so to perform, receive or comply (or it would be impossible or impracticable for such Office so to perform, receive or comply if such payment, delivery or compliance were required on that day); or

(2) such party or any Credit Support Provider of such party (which will be the Affected Party) is prevented from performing any absolute or contingent obligation to make a payment or delivery which such party or Credit Support Provider has under any Credit Support Document relating to such Transaction, from receiving a payment or delivery under such Credit Support Document or from complying with any other material provision of such Credit Support Document (or would be so prevented if such payment, delivery or compliance were required on that day), or it becomes impossible or impracticable for such party or Credit Support Provider so to perform, receive or comply (or it would be impossible or impracticable for such party or Credit Support Provider so to perform, receive or comply if such payment, delivery or compliance were required on that day),

so long as the force majeure or act of state is beyond the control of such Office, such party or such Credit Support Provider, as appropriate, and such Office, party or Credit Support Provider could not, after using all reasonable efforts (which will not require such party or Credit Support Provider to incur a loss, other than immaterial, incidental expenses), overcome such prevention, impossibility or impracticability;

(iii) **Tax Event.** Due to (1) any action taken by a taxing authority, or brought in a court of competent jurisdiction, after a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (2) a Change in Tax Law, the party (which will be the Affected Party) will, or there is a substantial likelihood that it will, on the next succeeding Scheduled Settlement Date (A) be required to pay to the other party an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 9(h)) or (B) receive a payment from which an amount is required to be deducted or withheld for or on account of a Tax (except in respect of interest under Section 9(h)) and no additional amount is required to be paid in respect of such Tax under Section 2(d)(i)(4) (other than by reason of Section 2(d)(i)(4)(A) or (B));

(iv) **Tax Event Upon Merger.** The party (the "Burdened Party") on the next succeeding Scheduled Settlement Date will either (1) be required to pay an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 9(h)) or (2) receive a payment from which an amount has been deducted or withheld for or on account of any Tax in respect of which the other party is not required to pay an additional amount (other than by reason of Section 2(d)(i)(4)(A) or (B)), in either case as a result of a party consolidating or amalgamating with, or merging with or into, or transferring all or substantially all its assets (or any substantial part of the assets comprising the business conducted by it as of the date of this Master Agreement) to, or reorganising, reincorporating or reconstituting into or as, another entity (which will be the Affected Party) where such action does not constitute a Merger Without Assumption;

(v) **Credit Event Upon Merger.** If "Credit Event Upon Merger" is specified in the Schedule as applying to the party, a Designated Event (as defined below) occurs with respect to such party, any Credit Support Provider of such party or any applicable Specified Entity of such party (in each case, "X") and such Designated Event does not constitute a Merger Without Assumption, and the creditworthiness of X or, if applicable, the successor, surviving or transferee entity of X, after taking into account any applicable Credit Support Document, is materially weaker immediately after the occurrence of such Designated Event than that of X immediately prior to the occurrence of such Designated Event (and, in any such event, such party or its successor, surviving or transferee entity, as appropriate, will be the Affected Party). A "Designated Event" with respect to X means that:—

(1) X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets (or any substantial part of the assets comprising the business conducted by X as of the

date of this Master Agreement) to, or reorganises, reincorporates or reconstitutes into or as, another entity;

(2) any person, related group of persons or entity acquires directly or indirectly the beneficial ownership of (A) equity securities having the power to elect a majority of the board of directors (or its equivalent) of X or (B) any other ownership interest enabling it to exercise control of X; or

(3) X effects any substantial change in its capital structure by means of the issuance, incurrence or guarantee of debt or the issuance of (A) preferred stock or other securities convertible into or exchangeable for debt or preferred stock or (B) in the case of entities other than corporations, any other form of ownership interest; or

(vi) **Additional Termination Event.** If any "Additional Termination Event" is specified in the Schedule or any Confirmation as applying, the occurrence of such event (and, in such event, the Affected Party or Affected Parties will be as specified for such Additional Termination Event in the Schedule or such Confirmation).

(c) **Hierarchy of Events.**

(i) An event or circumstance that constitutes or gives rise to an Illegality or a Force Majeure Event will not, for so long as that is the case, also constitute or give rise to an Event of Default under Section 5(a)(i), 5(a)(ii)(1) or 5(a)(iii)(1) insofar as such event or circumstance relates to the failure to make any payment or delivery or a failure to comply with any other material provision of this Agreement or a Credit Support Document, as the case may be.

(ii) Except in circumstances contemplated by clause (i) above, if an event or circumstance which would otherwise constitute or give rise to an Illegality or a Force Majeure Event also constitutes an Event of Default or any other Termination Event, it will be treated as an Event of Default or such other Termination Event, as the case may be, and will not constitute or give rise to an Illegality or a Force Majeure Event.

(iii) If an event or circumstance which would otherwise constitute or give rise to a Force Majeure Event also constitutes an Illegality, it will be treated as an Illegality, except as described in clause (ii) above, and not a Force Majeure Event.

(d) **Deferral of Payments and Deliveries During Waiting Period.** If an Illegality or a Force Majeure Event has occurred and is continuing with respect to a Transaction, each payment or delivery which would otherwise be required to be made under that Transaction will be deferred to, and will not be due until:--

(i) the first Local Business Day or, in the case of a delivery, the first Local Delivery Day (or the first day that would have been a Local Business Day or Local Delivery Day, as appropriate, but for the occurrence of the event or circumstance constituting or giving rise to that Illegality or Force Majeure Event) following the end of any applicable Waiting Period in respect of that Illegality or Force Majeure Event, as the case may be; or

(ii) if earlier, the date on which the event or circumstance constituting or giving rise to that Illegality or Force Majeure Event ceases to exist or, if such date is not a Local Business Day or, in the case of a delivery, a Local Delivery Day, the first following day that is a Local Business Day or Local Delivery Day, as appropriate.

(e) **Inability of Head or Home Office to Perform Obligations of Branch.** If (i) an Illegality or a Force Majeure Event occurs under Section 5(b)(i)(1) or 5(b)(ii)(1) and the relevant Office is not the Affected Party's head or home office, (ii) Section 10(a) applies, (iii) the other party seeks performance of the relevant obligation or

compliance with the relevant provision by the Affected Party's head or home office and (iv) the Affected Party's head or home office fails so to perform or comply due to the occurrence of an event or circumstance which would, if that head or home office were the Office through which the Affected Party makes and receives payments and deliveries with respect to the relevant Transaction, constitute or give rise to an Illegality or a Force Majeure Event, and such failure would otherwise constitute an Event of Default under Section 5(a)(i) or 5(a)(iii)(1) with respect to such party, then, for so long as the relevant event or circumstance continues to exist with respect to both the Office referred to in Section 5(b)(i)(1) or 5(b)(ii)(1), as the case may be, and the Affected Party's head or home office, such failure will not constitute an Event of Default under Section 5(a)(i) or 5(a)(iii)(1).

6. Early Termination; Close-Out Netting

(a) **Right to Terminate Following Event of Default.** If at any time an Event of Default with respect to a party (the "Defaulting Party") has occurred and is then continuing, the other party (the "Non-defaulting Party") may, by not more than 20 days notice to the Defaulting Party specifying the relevant Event of Default, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all outstanding Transactions. If, however, "Automatic Early Termination" is specified in the Schedule as applying to a party, then an Early Termination Date in respect of all outstanding Transactions will occur immediately upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(1), (3), (5), (6) or, to the extent analogous thereto, (8), and as of the time immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(4) or, to the extent analogous thereto, (8).

(b) **Right to Terminate Following Termination Event.**

(i) **Notice.** If a Termination Event other than a Force Majeure Event occurs, an Affected Party will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Termination Event and each Affected Transaction, and will also give the other party such other information about that Termination Event as the other party may reasonably require. If a Force Majeure Event occurs, each party will, promptly upon becoming aware of it, use all reasonable efforts to notify the other party, specifying the nature of that Force Majeure Event, and will also give the other party such other information about that Force Majeure Event as the other party may reasonably require.

(ii) **Transfer to Avoid Termination Event.** If a Tax Event occurs and there is only one Affected Party, or if a Tax Event Upon Merger occurs and the Burdened Party is the Affected Party, the Affected Party will, as a condition to its right to designate an Early Termination Date under Section 6(b)(iv), use all reasonable efforts (which will not require such party to incur a loss, other than immaterial, incidental expenses) to transfer within 20 days after it gives notice under Section 6(b)(i) all its rights and obligations under this Agreement in respect of the Affected Transactions to another of its Offices or Affiliates so that such Termination Event ceases to exist.

If the Affected Party is not able to make such a transfer it will give notice to the other party to that effect within such 20 day period, whereupon the other party may effect such a transfer within 30 days after the notice is given under Section 6(b)(i).

Any such transfer by a party under this Section 6(b)(ii) will be subject to and conditional upon the prior written consent of the other party, which consent will not be withheld if such other party's policies in effect at such time would permit it to enter into transactions with the transferee on the terms proposed.

(iii) **Two Affected Parties.** If a Tax Event occurs and there are two Affected Parties, each party will use all reasonable efforts to reach agreement within 30 days after notice of such occurrence is given under Section 6(b)(i) to avoid that Termination Event.

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(iv) *Right to Terminate.*

(1) If:—

(A) a transfer under Section 6(b)(ii) or an agreement under Section 6(b)(iii), as the case may be, has not been effected with respect to all Affected Transactions within 30 days after an Affected Party gives notice under Section 6(b)(i); or

(B) a Credit Event Upon Merger or an Additional Termination Event occurs, or a Tax Event Upon Merger occurs and the Burdened Party is not the Affected Party,

the Burdened Party in the case of a Tax Event Upon Merger, any Affected Party in the case of a Tax Event or an Additional Termination Event if there are two Affected Parties, or the Non-affected Party in the case of a Credit Event Upon Merger or an Additional Termination Event if there is only one Affected Party may, if the relevant Termination Event is then continuing, by not more than 20 days notice to the other party, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all Affected Transactions.

(2) If at any time an Illegality or a Force Majeure Event has occurred and is then continuing and any applicable Waiting Period has expired:—

(A) Subject to clause (B) below, either party may, by not more than 20 days notice to the other party, designate (I) a day not earlier than the day on which such notice becomes effective as an Early Termination Date in respect of all Affected Transactions or (II) by specifying in that notice the Affected Transactions in respect of which it is designating the relevant day as an Early Termination Date, a day not earlier than two Local Business Days following the day on which such notice becomes effective as an Early Termination Date in respect of less than all Affected Transactions. Upon receipt of a notice designating an Early Termination Date in respect of less than all Affected Transactions, the other party may, by notice to the designating party, if such notice is effective on or before the day so designated, designate that same day as an Early Termination Date in respect of any or all other Affected Transactions.

(B) An Affected Party (if the Illegality or Force Majeure Event relates to performance by such party or any Credit Support Provider of such party of an obligation to make any payment or delivery under, or to compliance with any other material provision of, the relevant Credit Support Document) will only have the right to designate an Early Termination Date under Section 6(b)(iv)(2)(A) as a result of an Illegality under Section 5(b)(i)(2) or a Force Majeure Event under Section 5(b)(ii)(2) following the prior designation by the other party of an Early Termination Date, pursuant to Section 6(b)(iv)(2)(A), in respect of less than all Affected Transactions.

(c) *Effect of Designation.*

(i) If notice designating an Early Termination Date is given under Section 6(a) or 6(b), the Early Termination Date will occur on the date so designated, whether or not the relevant Event of Default or Termination Event is then continuing.

(ii) Upon the occurrence or effective designation of an Early Termination Date, no further payments or deliveries under Section 2(a)(i) or 9(h)(i) in respect of the Terminated Transactions will be required to be made, but without prejudice to the other provisions of this Agreement. The amount, if any, payable in respect of an Early Termination Date will be determined pursuant to Sections 6(e) and 9(h)(ii).

(d) *Calculations; Payment Date.*

(i) *Statement.* On or as soon as reasonably practicable following the occurrence of an Early Termination Date, each party will make the calculations on its part, if any, contemplated by Section 6(e) and will provide to the other party a statement (1) showing, in reasonable detail, such calculations (including any quotations, market data or information from internal sources used in making such calculations), (2) specifying (except where there are two Affected Parties) any Early Termination Amount payable and (3) giving details of the relevant account to which any amount payable to it is to be paid. In the absence of written confirmation from the source of a quotation or market data obtained in determining a Close-out Amount, the records of the party obtaining such quotation or market data will be conclusive evidence of the existence and accuracy of such quotation or market data.

(ii) *Payment Date.* An Early Termination Amount due in respect of any Early Termination Date will, together with any amount of interest payable pursuant to Section 9(h)(ii)(2), be payable (1) on the day on which notice of the amount payable is effective in the case of an Early Termination Date which is designated or occurs as a result of an Event of Default and (2) on the day which is two Local Business Days after the day on which notice of the amount payable is effective (or, if there are two Affected Parties, after the day on which the statement provided pursuant to clause (i) above by the second party to provide such a statement is effective) in the case of an Early Termination Date which is designated as a result of a Termination Event.

(e) *Payments on Early Termination.* If an Early Termination Date occurs, the amount, if any, payable in respect of that Early Termination Date (the "Early Termination Amount") will be determined pursuant to this Section 6(e) and will be subject to Section 6(f).

(i) *Events of Default.* If the Early Termination Date results from an Event of Default, the Early Termination Amount will be an amount equal to (1) the sum of (A) the Termination Currency Equivalent of the Close-out Amount or Close-out Amounts (whether positive or negative) determined by the Non-defaulting Party for each Terminated Transaction or group of Terminated Transactions, as the case may be, and (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party less (2) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party. If the Early Termination Amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of the Early Termination Amount to the Defaulting Party.

(ii) *Termination Events.* If the Early Termination Date results from a Termination Event:—

(1) *One Affected Party.* Subject to clause (3) below, if there is one Affected Party, the Early Termination Amount will be determined in accordance with Section 6(e)(i), except that references to the Defaulting Party and to the Non-defaulting Party will be deemed to be references to the Affected Party and to the Non-affected Party, respectively.

(2) *Two Affected Parties.* Subject to clause (3) below, if there are two Affected Parties, each party will determine an amount equal to the Termination Currency Equivalent of the sum of the Close-out Amount or Close-out Amounts (whether positive or negative) for each Terminated Transaction or group of Terminated Transactions, as the case may be, and the Early Termination Amount will be an amount equal to (A) the sum of (I) one-half of the difference between the higher amount so determined (by party "X") and the lower amount so determined (by party "Y") and (II) the Termination Currency Equivalent of the Unpaid Amounts owing to X less (B) the Termination Currency Equivalent of the Unpaid Amounts owing to Y. If the Early Termination Amount is a positive number, Y will pay it to X; if it is a negative number, X will pay the absolute value of the Early Termination Amount to Y.

(3) *Mid-Market Events.* If that Termination Event is an Illegality or a Force Majeure Event, then the Early Termination Amount will be determined in accordance with clause (1) or (2) above, as appropriate, except that, for the purpose of determining a Close-out Amount or Close-out Amounts, the Determining Party will:—

(A) if obtaining quotations from one or more third parties (or from any of the Determining Party's Affiliates), ask each third party or Affiliate (I) not to take account of the current creditworthiness of the Determining Party or any existing Credit Support Document and (II) to provide mid-market quotations; and

(B) in any other case, use mid-market values without regard to the creditworthiness of the Determining Party.

(iii) *Adjustment for Bankruptcy.* In circumstances where an Early Termination Date occurs because Automatic Early Termination applies in respect of a party, the Early Termination Amount will be subject to such adjustments as are appropriate and permitted by applicable law to reflect any payments or deliveries made by one party to the other under this Agreement (and retained by such other party) during the period from the relevant Early Termination Date to the date for payment determined under Section 6(d)(ii).

(iv) *Adjustment for Illegality or Force Majeure Event.* The failure by a party or any Credit Support Provider of such party to pay, when due, any Early Termination Amount will not constitute an Event of Default under Section 5(a)(i) or 5(a)(iii)(1) if such failure is due to the occurrence of an event or circumstance which would, if it occurred with respect to payment, delivery or compliance related to a Transaction, constitute or give rise to an Illegality or a Force Majeure Event. Such amount will (1) accrue interest and otherwise be treated as an Unpaid Amount owing to the other party if subsequently an Early Termination Date results from an Event of Default, a Credit Event Upon Merger or an Additional Termination Event in respect of which all outstanding Transactions are Affected Transactions and (2) otherwise accrue interest in accordance with Section 9(h)(ii)(2).

(v) *Pre-Estimate.* The parties agree that an amount recoverable under this Section 6(e) is a reasonable pre-estimate of loss and not a penalty. Such amount is payable for the loss of bargain and the loss of protection against future risks, and, except as otherwise provided in this Agreement, neither party will be entitled to recover any additional damages as a consequence of the termination of the Terminated Transactions.

(f) *Set-Off.* Any Early Termination Amount payable to one party (the "Payee") by the other party (the "Payer"), in circumstances where there is a Defaulting Party or where there is one Affected Party in the case where either a Credit Event Upon Merger has occurred or any other Termination Event in respect of which all outstanding Transactions are Affected Transactions has occurred, will, at the option of the Non-defaulting Party or the Non-affected Party, as the case may be ("X") (and without prior notice to the Defaulting Party or the Affected Party, as the case may be), be reduced by its set-off against any other amounts ("Other Amounts") payable by the Payee to the Payer (whether or not arising under this Agreement, matured or contingent and irrespective of the currency, place of payment or place of booking of the obligation). To the extent that any Other Amounts are so set off, those Other Amounts will be discharged promptly and in all respects. X will give notice to the other party of any set-off effected under this Section 6(f).

For this purpose, either the Early Termination Amount or the Other Amounts (or the relevant portion of such amounts) may be converted by X into the currency in which the other is denominated at the rate of exchange at which such party would be able, in good faith and using commercially reasonable procedures, to purchase the relevant amount of such currency.

If an obligation is unascertained, X may in good faith estimate that obligation and set off in respect of the estimate, subject to the relevant party accounting to the other when the obligation is ascertained.

Nothing in this Section 6(f) will be effective to create a charge or other security interest. This Section 6(f) will be without prejudice and in addition to any right of set-off, offset, combination of accounts, lien, right of retention or withholding or similar right or requirement to which any party is at any time otherwise entitled or subject (whether by operation of law, contract or otherwise).

7. Transfer

Subject to Section 6(b)(ii) and to the extent permitted by applicable law, neither this Agreement nor any interest or obligation in or under this Agreement may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party, except that:—

(a) a party may make such a transfer of this Agreement pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all its assets to, another entity (but without prejudice to any other right or remedy under this Agreement); and

(b) a party may make such a transfer of all or any part of its interest in any Early Termination Amount payable to it by a Defaulting Party, together with any amounts payable on or with respect to that interest and any other rights associated with that interest pursuant to Sections 8, 9(h) and 11.

Any purported transfer that is not in compliance with this Section 7 will be void.

8. Contractual Currency

(a) *Payment in the Contractual Currency.* Each payment under this Agreement will be made in the relevant currency specified in this Agreement for that payment (the "Contractual Currency"). To the extent permitted by applicable law, any obligation to make payments under this Agreement in the Contractual Currency will not be discharged or satisfied by any tender in any currency other than the Contractual Currency, except to the extent such tender results in the actual receipt by the party to which payment is owed, acting in good faith and using commercially reasonable procedures in converting the currency so tendered into the Contractual Currency, of the full amount in the Contractual Currency of all amounts payable in respect of this Agreement. If for any reason the amount in the Contractual Currency so received falls short of the amount in the Contractual Currency payable in respect of this Agreement, the party required to make the payment will, to the extent permitted by applicable law, immediately pay such additional amount in the Contractual Currency as may be necessary to compensate for the shortfall. If for any reason the amount in the Contractual Currency so received exceeds the amount in the Contractual Currency payable in respect of this Agreement, the party receiving the payment will refund promptly the amount of such excess.

(b) *Judgments.* To the extent permitted by applicable law, if any judgment or order expressed in a currency other than the Contractual Currency is rendered (i) for the payment of any amount owing in respect of this Agreement, (ii) for the payment of any amount relating to any early termination in respect of this Agreement or (iii) in respect of a judgment or order of another court for the payment of any amount described in clause (i) or (ii) above, the party seeking recovery, after recovery in full of the aggregate amount to which such party is entitled pursuant to the judgment or order, will be entitled to receive immediately from the other party the amount of any shortfall of the Contractual Currency received by such party as a consequence of sums paid in such other currency and will refund promptly to the other party any excess of the Contractual Currency received by such party as a consequence of sums paid in such other currency if such shortfall or such excess arises or results from any variation between the rate of exchange at which the Contractual Currency is converted into the currency of the judgment or order for the purpose of such judgment or order and the rate of exchange at which such party is able, acting in good faith and using

commercially reasonable procedures in converting the currency received into the Contractual Currency, to purchase the Contractual Currency with the amount of the currency of the judgment or order actually received by such party.

(c) *Separate Indemnities.* To the extent permitted by applicable law, the indemnities in this Section 8 constitute separate and independent obligations from the other obligations in this Agreement, will be enforceable as separate and independent causes of action, will apply notwithstanding any indulgence granted by the party to which any payment is owed and will not be affected by judgment being obtained or claim or proof being made for any other sums payable in respect of this Agreement.

(d) *Evidence of Loss.* For the purpose of this Section 8, it will be sufficient for a party to demonstrate that it would have suffered a loss had an actual exchange or purchase been made.

9. **Miscellaneous**

(a) *Entire Agreement.* This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter. Each of the parties acknowledges that in entering into this Agreement it has not relied on any oral or written representation, warranty or other assurance (except as provided for or referred to in this Agreement) and waives all rights and remedies which might otherwise be available to it in respect thereof, except that nothing in this Agreement will limit or exclude any liability of a party for fraud.

(b) *Amendments.* An amendment, modification or waiver in respect of this Agreement will only be effective if in writing (including a writing evidenced by a facsimile transmission) and executed by each of the parties or confirmed by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system.

(c) *Survival of Obligations.* Without prejudice to Sections 2(a)(iii) and 6(c)(ii), the obligations of the parties under this Agreement will survive the termination of any Transaction.

(d) *Remedies Cumulative.* Except as provided in this Agreement, the rights, powers, remedies and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies and privileges provided by law.

(e) *Counterparts and Confirmations.*

(i) This Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by facsimile transmission and by electronic messaging system), each of which will be deemed an original.

(ii) The parties intend that they are legally bound by the terms of each Transaction from the moment they agree to those terms (whether orally or otherwise). A Confirmation will be entered into as soon as practicable and may be executed and delivered in counterparts (including by facsimile transmission) or be created by an exchange of telexes, by an exchange of electronic messages on an electronic messaging system or by an exchange of e-mails, which in each case will be sufficient for all purposes to evidence a binding supplement to this Agreement. The parties will specify therein or through another effective means that any such counterpart, telex, electronic message or e-mail constitutes a Confirmation.

(f) *No Waiver of Rights.* A failure or delay in exercising any right, power or privilege in respect of this Agreement will not be presumed to operate as a waiver, and a single or partial exercise of any right, power or privilege will not be presumed to preclude any subsequent or further exercise, of that right, power or privilege or the exercise of any other right, power or privilege.

(g) *Headings.* The headings used in this Agreement are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Agreement.

(h) *Interest and Compensation.*

(i) *Prior to Early Termination.* Prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction:—

(1) *Interest on Defaulted Payments.* If a party defaults in the performance of any payment obligation, it will, to the extent permitted by applicable law and subject to Section 6(c), pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as the overdue amount, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment (and excluding any period in respect of which interest or compensation in respect of the overdue amount is due pursuant to clause (3)(B) or (C) below), at the Default Rate.

(2) *Compensation for Defaulted Deliveries.* If a party defaults in the performance of any obligation required to be settled by delivery, it will on demand (A) compensate the other party to the extent provided for in the relevant Confirmation or elsewhere in this Agreement and (B) unless otherwise provided in the relevant Confirmation or elsewhere in this Agreement, to the extent permitted by applicable law and subject to Section 6(c), pay to the other party interest (before as well as after judgment) on an amount equal to the fair market value of that which was required to be delivered in the same currency as that amount, for the period from (and including) the originally scheduled date for delivery to (but excluding) the date of actual delivery (and excluding any period in respect of which interest or compensation in respect of that amount is due pursuant to clause (4) below), at the Default Rate. The fair market value of any obligation referred to above will be determined as of the originally scheduled date for delivery, in good faith and using commercially reasonable procedures, by the party that was entitled to take delivery.

(3) *Interest on Deferred Payments.* If:—

(A) a party does not pay any amount that, but for Section 2(a)(iii), would have been payable, it will, to the extent permitted by applicable law and subject to Section 6(c) and clauses (B) and (C) below, pay interest (before as well as after judgment) on that amount to the other party on demand (after such amount becomes payable) in the same currency as that amount, for the period from (and including) the date the amount would, but for Section 2(a)(iii), have been payable to (but excluding) the date the amount actually becomes payable, at the Applicable Deferral Rate;

(B) a payment is deferred pursuant to Section 5(d), the party which would otherwise have been required to make that payment will, to the extent permitted by applicable law, subject to Section 6(c) and for so long as no Event of Default or Potential Event of Default with respect to that party has occurred and is continuing, pay interest (before as well as after judgment) on the amount of the deferred payment to the other party on demand (after such amount becomes payable) in the same currency as the deferred payment, for the period from (and including) the date the amount would, but for Section 5(d), have been payable to (but excluding) the earlier of the date the payment is no longer deferred pursuant to Section 5(d) and the date during the deferral period upon which an Event of Default or Potential Event of Default with respect to that party occurs, at the Applicable Deferral Rate; or

(C) a party fails to make any payment due to the occurrence of an Illegality or a Force Majeure Event (after giving effect to any deferral period contemplated by clause (B) above), it will, to the extent permitted by applicable law, subject to Section 6(c) and for so long as the event or circumstance giving rise to that Illegality or Force Majeure Event

continues and no Event of Default or Potential Event of Default with respect to that party has occurred and is continuing, pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as the overdue amount, for the period from (and including) the date the party fails to make the payment due to the occurrence of the relevant Illegality or Force Majeure Event (or, if later, the date the payment is no longer deferred pursuant to Section 5(d)) to (but excluding) the earlier of the date the event or circumstance giving rise to that Illegality or Force Majeure Event ceases to exist and the date during the period upon which an Event of Default or Potential Event of Default with respect to that party occurs (and excluding any period in respect of which interest or compensation in respect of the overdue amount is due pursuant to clause (B) above), at the Applicable Deferral Rate.

(4) *Compensation for Deferred Deliveries.* If:—

(A) a party does not perform any obligation that, but for Section 2(a)(iii), would have been required to be settled by delivery;

(B) a delivery is deferred pursuant to Section 5(d); or

(C) a party fails to make a delivery due to the occurrence of an Illegality or a Force Majeure Event at a time when any applicable Waiting Period has expired,

the party required (or that would otherwise have been required) to make the delivery will, to the extent permitted by applicable law and subject to Section 6(o), compensate and pay interest to the other party on demand (after, in the case of clauses (A) and (B) above, such delivery is required) if and to the extent provided for in the relevant Confirmation or elsewhere in this Agreement.

(ii) *Early Termination.* Upon the occurrence or effective designation of an Early Termination Date in respect of a Transaction:—

(1) *Unpaid Amounts.* For the purpose of determining an Unpaid Amount in respect of the relevant Transaction, and to the extent permitted by applicable law, interest will accrue on the amount of any payment obligation or the amount equal to the fair market value of any obligation required to be settled by delivery included in such determination in the same currency as that amount, for the period from (and including) the date the relevant obligation was (or would have been but for Section 2(a)(iii) or 5(d)) required to have been performed to (but excluding) the relevant Early Termination Date, at the Applicable Close-out Rate.

(2) *Interest on Early Termination Amounts.* If an Early Termination Amount is due in respect of such Early Termination Date, that amount will, to the extent permitted by applicable law, be paid together with interest (before as well as after judgment) on that amount in the Termination Currency, for the period from (and including) such Early Termination Date to (but excluding) the date the amount is paid, at the Applicable Close-out Rate.

(iii) *Interest Calculation.* Any interest pursuant to this Section 9(h) will be calculated on the basis of daily compounding and the actual number of days elapsed.

10. Offices; Multibranch Parties

(a) If Section 10(a) is specified in the Schedule as applying, each party that enters into a Transaction through an Office other than its head or home office represents to and agrees with the other party that, notwithstanding the place of booking or its jurisdiction of incorporation or organisation, its obligations are the same in terms of recourse against it as if it had entered into the Transaction through its head or home office, except that a party will not have recourse to the head or home office of the other party in respect of any payment or delivery deferred pursuant to Section 5(d) for so long as the payment or delivery is so deferred. This representation and agreement will be deemed to be repeated by each party on each date on which the parties enter into a Transaction.

(b) If a party is specified as a Multibranch Party in the Schedule, such party may, subject to clause (c) below, enter into a Transaction through, book a Transaction in and make and receive payments and deliveries with respect to a Transaction through any Office listed in respect of that party in the Schedule (but not any other Office unless otherwise agreed by the parties in writing).

(c) The Office through which a party enters into a Transaction will be the Office specified for that party in the relevant Confirmation or as otherwise agreed by the parties in writing, and, if an Office for that party is not specified in the Confirmation or otherwise agreed by the parties in writing, its head or home office. Unless the parties otherwise agree in writing, the Office through which a party enters into a Transaction will also be the Office in which it books the Transaction and the Office through which it makes and receives payments and deliveries with respect to the Transaction. Subject to Section 6(b)(ii), neither party may change the Office in which it books the Transaction or the Office through which it makes and receives payments or deliveries with respect to a Transaction without the prior written consent of the other party.

11. Expenses

A Defaulting Party will on demand indemnify and hold harmless the other party for and against all reasonable out-of-pocket expenses, including legal fees, execution fees and Stamp Tax, incurred by such other party by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document to which the Defaulting Party is a party or by reason of the early termination of any Transaction, including, but not limited to, costs of collection.

12. Notices

(a) **Effectiveness.** Any notice or other communication in respect of this Agreement may be given in any manner described below (except that a notice or other communication under Section 5 or 6 may not be given by electronic messaging system or e-mail) to the address or number or in accordance with the electronic messaging system or e-mail details provided (see the Schedule) and will be deemed effective as indicated:—

- (i) if in writing and delivered in person or by courier, on the date it is delivered;
- (ii) if sent by telex, on the date the recipient's answerback is received;
- (iii) if sent by facsimile transmission, on the date it is received by a responsible employee of the recipient in legible form (it being agreed that the burden of proving receipt will be on the sender and will not be met by a transmission report generated by the sender's facsimile machine);
- (iv) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), on the date it is delivered or its delivery is attempted;
- (v) if sent by electronic messaging system, on the date it is received; or

- (vi) if sent by e-mail, on the date it is delivered,

unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Local Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Local Business Day, in which case that communication will be deemed given and effective on the first following day that is a Local Business Day.

- (b) **Change of Details.** Either party may by notice to the other change the address, telex or facsimile number or electronic messaging system or e-mail details at which notices or other communications are to be given to it.

13. Governing Law and Jurisdiction

- (a) **Governing Law.** This Agreement will be governed by and construed in accordance with the law specified in the Schedule.

- (b) **Jurisdiction.** With respect to any suit, action or proceedings relating to any dispute arising out of or in connection with this Agreement ("Proceedings"), each party irrevocably:—

- (i) submits:—

(1) if this Agreement is expressed to be governed by English law, to (A) the non-exclusive jurisdiction of the English courts if the Proceedings do not involve a Convention Court and (B) the exclusive jurisdiction of the English courts if the Proceedings do involve a Convention Court; or

(2) if this Agreement is expressed to be governed by the laws of the State of New York, to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City;

- (ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party; and

- (iii) agrees, to the extent permitted by applicable law, that the bringing of Proceedings in any one or more jurisdictions will not preclude the bringing of Proceedings in any other jurisdiction.

- (c) **Service of Process.** Each party irrevocably appoints the Process Agent, if any, specified opposite its name in the Schedule to receive, for it and on its behalf, service of process in any Proceedings. If for any reason any party's Process Agent is unable to act as such, such party will promptly notify the other party and within 30 days appoint a substitute process agent acceptable to the other party. The parties irrevocably consent to service of process given in the manner provided for notices in Section 12(a)(i), 12(a)(iii) or 12(a)(iv). Nothing in this Agreement will affect the right of either party to serve process in any other manner permitted by applicable law.

- (d) **Waiver of Immunities.** Each party irrevocably waives, to the extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction or order for specific performance or recovery of property, (iv) attachment of its assets (whether before or after judgment) and (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any Proceedings in the courts of any jurisdiction and irrevocably agrees, to the extent permitted by applicable law, that it will not claim any such immunity in any Proceedings.

14. Definitions

As used in this Agreement:—

"Additional Representation" has the meaning specified in Section 3.

"Additional Termination Event" has the meaning specified in Section 5(b).

"Affected Party" has the meaning specified in Section 5(b).

"Affected Transactions" means (a) with respect to any Termination Event consisting of an Illegality, Force Majeure Event, Tax Event or Tax Event Upon Merger, all Transactions affected by the occurrence of such Termination Event (which, in the case of an Illegality under Section 5(b)(i)(2) or a Force Majeure Event under Section 5(b)(ii)(2), means all Transactions unless the relevant Credit Support Document references only certain Transactions, in which case those Transactions and, if the relevant Credit Support Document constitutes a Confirmation for a Transaction, that Transaction) and (b) with respect to any other Termination Event, all Transactions.

"Affiliate" means, subject to the Schedule, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

"Agreement" has the meaning specified in Section 1(c).

"Applicable Close-out Rate" means:—

(a) in respect of the determination of an Unpaid Amount:—

(i) in respect of obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Defaulting Party, the Default Rate;

(ii) in respect of obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Non-defaulting Party, the Non-default Rate;

(iii) in respect of obligations deferred pursuant to Section 5(d), if there is no Defaulting Party and for so long as the deferral period continues, the Applicable Deferral Rate; and

(iv) in all other cases following the occurrence of a Termination Event (except where interest accrues pursuant to clause (iii) above), the Applicable Deferral Rate; and

(b) in respect of an Early Termination Amount:—

(i) for the period from (and including) the relevant Early Termination Date to (but excluding) the date (determined in accordance with Section 6(d)(ii)) on which that amount is payable:—

(1) if the Early Termination Amount is payable by a Defaulting Party, the Default Rate;

(2) if the Early Termination Amount is payable by a Non-defaulting Party, the Non-default Rate; and

(3) in all other cases, the Applicable Deferral Rate; and

(ii) for the period from (and including) the date (determined in accordance with Section 6(d)(ii)) on which that amount is payable to (but excluding) the date of actual payment:—

(1) if a party fails to pay the Early Termination Amount due to the occurrence of an event or circumstance which would, if it occurred with respect to a payment or delivery under a Transaction, constitute or give rise to an Illegality or a Force Majeure Event, and for so long as the Early Termination Amount remains unpaid due to the continuing existence of such event or circumstance, the Applicable Deferral Rate;

(2) if the Early Termination Amount is payable by a Defaulting Party (but excluding any period in respect of which clause (1) above applies), the Default Rate;

(3) if the Early Termination Amount is payable by a Non-defaulting Party (but excluding any period in respect of which clause (1) above applies), the Non-default Rate; and

(4) in all other cases, the Termination Rate.

"Applicable Deferral Rate" means:—

(a) for the purpose of Section 9(h)(i)(3)(A), the rate certified by the relevant payer to be a rate offered to the payer by a major bank in a relevant interbank market for overnight deposits in the applicable currency, such bank to be selected in good faith by the payer for the purpose of obtaining a representative rate that will reasonably reflect conditions prevailing at the time in that relevant market;

(b) for purposes of Section 9(h)(i)(3)(B) and clause (a)(iii) of the definition of Applicable Close-out Rate, the rate certified by the relevant payer to be a rate offered to prime banks by a major bank in a relevant interbank market for overnight deposits in the applicable currency, such bank to be selected in good faith by the payer after consultation with the other party, if practicable, for the purpose of obtaining a representative rate that will reasonably reflect conditions prevailing at the time in that relevant market; and

(c) for purposes of Section 9(h)(i)(3)(C) and clauses (a)(iv), (b)(i)(3) and (b)(ii)(1) of the definition of Applicable Close-out Rate, a rate equal to the arithmetic mean of the rate determined pursuant to clause (a) above and a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount.

"Automatic Early Termination" has the meaning specified in Section 6(a).

"Burdened Party" has the meaning specified in Section 5(b)(iv).

"Change in Tax Law" means the enactment, promulgation, execution or ratification of, or any change in or amendment to, any law (or in the application or official interpretation of any law) that occurs after the parties enter into the relevant Transaction.

"Close-out Amount" means, with respect to each Terminated Transaction or each group of Terminated Transactions and a Determining Party, the amount of the losses or costs of the Determining Party that are or would be incurred under then prevailing circumstances (expressed as a positive number) or gains of the Determining Party that are or would be realised under then prevailing circumstances (expressed as a negative number) in replacing, or in providing for the Determining Party the economic equivalent of, (a) the material terms of that Terminated Transaction or group of Terminated Transactions, including the payments and deliveries by the parties under Section 2(a)(i) in respect of that Terminated Transaction or group of Terminated Transactions that would, but for the occurrence of the relevant Early Termination Date, have been required after that date (assuming satisfaction of the conditions precedent in

Section 2(a)(iii)) and (b) the option rights of the parties in respect of that Terminated Transaction or group of Terminated Transactions.

Any Close-out Amount will be determined by the Determining Party (or its agent), which will act in good faith and use commercially reasonable procedures in order to produce a commercially reasonable result. The Determining Party may determine a Close-out Amount for any group of Terminated Transactions or any individual Terminated Transaction but, in the aggregate, for not less than all Terminated Transactions. Each Close-out Amount will be determined as of the Early Termination Date or, if that would not be commercially reasonable, as of the date or dates following the Early Termination Date as would be commercially reasonable.

Unpaid Amounts in respect of a Terminated Transaction or group of Terminated Transactions and legal fees and out-of-pocket expenses referred to in Section 11 are to be excluded in all determinations of Close-out Amounts.

In determining a Close-out Amount, the Determining Party may consider any relevant information, including, without limitation, one or more of the following types of information:—

- (i) quotations (either firm or indicative) for replacement transactions supplied by one or more third parties that may take into account the creditworthiness of the Determining Party at the time the quotation is provided and the terms of any relevant documentation, including credit support documentation, between the Determining Party and the third party providing the quotation;
- (ii) information consisting of relevant market data in the relevant market supplied by one or more third parties including, without limitation, relevant rates, prices, yields, yield curves, volatilities, spreads, correlations or other relevant market data in the relevant market; or
- (iii) information of the types described in clause (i) or (ii) above from internal sources (including any of the Determining Party's Affiliates) if that information is of the same type used by the Determining Party in the regular course of its business for the valuation of similar transactions.

The Determining Party will consider, taking into account the standards and procedures described in this definition, quotations pursuant to clause (i) above or relevant market data pursuant to clause (ii) above unless the Determining Party reasonably believes in good faith that such quotations or relevant market data are not readily available or would produce a result that would not satisfy those standards. When considering information described in clause (i), (ii) or (iii) above, the Determining Party may include costs of funding, to the extent costs of funding are not and would not be a component of the other information being utilised. Third parties supplying quotations pursuant to clause (i) above or market data pursuant to clause (ii) above may include, without limitation, dealers in the relevant markets, end-users of the relevant product, information vendors, brokers and other sources of market information.

Without duplication of amounts calculated based on information described in clause (i), (ii) or (iii) above, or other relevant information, and when it is commercially reasonable to do so, the Determining Party may in addition consider in calculating a Close-out Amount any loss or cost incurred in connection with its terminating, liquidating or re-establishing any hedge related to a Terminated Transaction or group of Terminated Transactions (or any gain resulting from any of them).

Commercially reasonable procedures used in determining a Close-out Amount may include the following:—

- (1) application to relevant market data from third parties pursuant to clause (ii) above or information from internal sources pursuant to clause (iii) above of pricing or other valuation models that are, at the time of the determination of the Close-out Amount, used by the Determining Party in the regular course of its business in pricing or valuing transactions between the Determining Party and unrelated third parties that are similar to the Terminated Transaction or group of Terminated Transactions; and

(2) application of different valuation methods to Terminated Transactions or groups of Terminated Transactions depending on the type, complexity, size or number of the Terminated Transactions or group of Terminated Transactions.

"Confirmation" has the meaning specified in the preamble.

"consent" includes a consent, approval, action, authorisation, exemption, notice, filing, registration or exchange control consent.

"Contractual Currency" has the meaning specified in Section 8(a).

"Convention Court" means any court which is bound to apply to the Proceedings either Article 17 of the 1968 Brussels Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters or Article 17 of the 1988 Lugano Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters.

"Credit Event Upon Merger" has the meaning specified in Section 5(b).

"Credit Support Document" means any agreement or instrument that is specified as such in this Agreement.

"Credit Support Provider" has the meaning specified in the Schedule.

"Cross-Default" means the event specified in Section 5(a)(vi).

"Default Rate" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount plus 1% per annum.

"Defaulting Party" has the meaning specified in Section 6(a).

"Designated Event" has the meaning specified in Section 5(b)(v).

"Determining Party" means the party determining a Close-out Amount.

"Early Termination Amount" has the meaning specified in Section 6(e).

"Early Termination Date" means the date determined in accordance with Section 6(a) or 6(b)(iv).

"electronic messages" does not include e-mails but does include documents expressed in markup languages, and *"electronic messaging system"* will be construed accordingly.

"English law" means the law of England and Wales, and *"English"* will be construed accordingly.

"Event of Default" has the meaning specified in Section 5(a) and, if applicable, in the Schedule.

"Force Majeure Event" has the meaning specified in Section 5(b).

"General Business Day" means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits).

"Illegality" has the meaning specified in Section 5(b).

"Indemnifiable Tax" means any Tax other than a Tax that would not be imposed in respect of a payment under this Agreement but for a present or former connection between the jurisdiction of the government or taxation authority imposing such Tax and the recipient of such payment or a person related to such recipient (including, without limitation, a connection arising from such recipient or related person being or having been a citizen or resident of such jurisdiction, or being or having been organised, present or engaged in a trade or business in such jurisdiction, or having or having had a permanent establishment or fixed place of business in such jurisdiction, but excluding a connection arising solely from such recipient or related person having executed, delivered, performed its obligations or received a payment under, or enforced, this Agreement or a Credit Support Document).

"law" includes any treaty, law, rule or regulation (as modified, in the case of tax matters, by the practice of any relevant governmental revenue authority), and **"unlawful"** will be construed accordingly.

"Local Business Day" means (a) in relation to any obligation under Section 2(a)(i), a General Business Day in the place or places specified in the relevant Confirmation and a day on which a relevant settlement system is open or operating as specified in the relevant Confirmation or, if a place or a settlement system is not so specified, as otherwise agreed by the parties in writing or determined pursuant to provisions contained, or incorporated by reference, in this Agreement, (b) for the purpose of determining when a Waiting Period expires, a General Business Day in the place where the event or circumstance that constitutes or gives rise to the Illegality or Force Majeure Event, as the case may be, occurs, (c) in relation to any other payment, a General Business Day in the place where the relevant account is located and, if different, in the principal financial centre, if any, of the currency of such payment and, if that currency does not have a single recognised principal financial centre, a day on which the settlement system necessary to accomplish such payment is open, (d) in relation to any notice or other communication, including notice contemplated under Section 5(a)(i), a General Business Day (or a day that would have been a General Business Day but for the occurrence of an event or circumstance which would, if it occurred with respect to payment, delivery or compliance related to a Transaction, constitute or give rise to an Illegality or a Force Majeure Event) in the place specified in the address for notice provided by the recipient and, in the case of a notice contemplated by Section 2(b), in the place where the relevant new account is to be located and (e) in relation to Section 5(a)(v)(2), a General Business Day in the relevant locations for performance with respect to such Specified Transaction.

"Local Delivery Day" means, for purposes of Sections 5(a)(i) and 5(d), a day on which settlement systems necessary to accomplish the relevant delivery are generally open for business so that the delivery is capable of being accomplished in accordance with customary market practice, in the place specified in the relevant Confirmation or, if not so specified, in a location as determined in accordance with customary market practice for the relevant delivery.

"Master Agreement" has the meaning specified in the preamble.

"Merger Without Assumption" means the event specified in Section 5(a)(viii).

"Multiple Transaction Payment Netting" has the meaning specified in Section 2(c).

"Non-affected Party" means, so long as there is only one Affected Party, the other party.

"Non-default Rate" means the rate certified by the Non-defaulting Party to be a rate offered to the Non-defaulting Party by a major bank in a relevant interbank market for overnight deposits in the applicable currency, such bank to be selected in good faith by the Non-defaulting Party for the purpose of obtaining a representative rate that will reasonably reflect conditions prevailing at the time in that relevant market.

"Non-defaulting Party" has the meaning specified in Section 6(a).

"Office" means a branch or office of a party, which may be such party's head or home office.

"Other Amounts" has the meaning specified in Section 6(f).

"Payee" has the meaning specified in Section 6(f).

"Payer" has the meaning specified in Section 6(f).

"Potential Event of Default" means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

"Proceedings" has the meaning specified in Section 13(b).

"Process Agent" has the meaning specified in the Schedule.

"rate of exchange" includes, without limitation, any premiums and costs of exchange payable in connection with the purchase of or conversion into the Contractual Currency.

"Relevant Jurisdiction" means, with respect to a party, the jurisdictions (a) in which the party is incorporated, organised, managed and controlled or considered to have its seat, (b) where an Office through which the party is acting for purposes of this Agreement is located, (c) in which the party executes this Agreement and (d) in relation to any payment, from or through which such payment is made.

"Schedule" has the meaning specified in the preamble.

"Scheduled Settlement Date" means a date on which a payment or delivery is to be made under Section 2(a)(i) with respect to a Transaction.

"Specified Entity" has the meaning specified in the Schedule.

"Specified Indebtedness" means, subject to the Schedule, any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money.

"Specified Transaction" means, subject to the Schedule, (a) any transaction (including an agreement with respect to any such transaction) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party) which is not a Transaction under this Agreement but (i) which is a rate swap transaction, swap option, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option, credit protection transaction, credit swap, credit default swap, credit default option, total return swap, credit spread transaction, repurchase transaction, reverse repurchase transaction, buy/sell-back transaction, securities lending transaction, weather index transaction or forward purchase or sale of a security, commodity or other financial instrument or interest (including any option with respect to any of these transactions) or (ii) which is a type of transaction that is similar to any transaction referred to in clause (i) above that is currently, or in the future becomes, recurrently entered into in the financial markets (including terms and conditions incorporated by reference in such agreement) and which is a forward, swap, future, option or other derivative on one or more rates, currencies, commodities, equity securities or other equity instruments, debt securities or other debt instruments, economic indices or measures of economic risk or value, or other benchmarks against which payments or deliveries are to be made, (b) any combination of these transactions and (c) any other transaction identified as a Specified Transaction in this Agreement or the relevant confirmation.

"Stamp Tax" means any stamp, registration, documentation or similar tax.

"Stamp Tax Jurisdiction" has the meaning specified in Section 4(e).

"Tax" means any present or future tax, levy, impost, duty, charge, assessment or fee of any nature (including interest, penalties and additions thereto) that is imposed by any government or other taxing authority in respect of any payment under this Agreement other than a stamp, registration, documentation or similar tax.

"Tax Event" has the meaning specified in Section 5(b).

"Tax Event Upon Merger" has the meaning specified in Section 5(b).

"Terminated Transactions" means, with respect to any Early Termination Date, (a) if resulting from an Illegality or a Force Majeure Event, all Affected Transactions specified in the notice given pursuant to Section 6(b)(iv), (b) if resulting from any other Termination Event, all Affected Transactions and (c) if resulting from an Event of Default, all Transactions in effect either immediately before the effectiveness of the notice designating that Early Termination Date or, if Automatic Early Termination applies, immediately before that Early Termination Date.

"Termination Currency" means (a) if a Termination Currency is specified in the Schedule and that currency is freely available, that currency, and (b) otherwise, euro if this Agreement is expressed to be governed by English law or United States Dollars if this Agreement is expressed to be governed by the laws of the State of New York.

"Termination Currency Equivalent" means, in respect of any amount denominated in the Termination Currency, such Termination Currency amount and, in respect of any amount denominated in a currency other than the Termination Currency (the "Other Currency"), the amount in the Termination Currency determined by the party making the relevant determination as being required to purchase such amount of such Other Currency as at the relevant Early Termination Date, or, if the relevant Close-out Amount is determined as of a later date, that later date, with the Termination Currency at the rate equal to the spot exchange rate of the foreign exchange agent (selected as provided below) for the purchase of such Other Currency with the Termination Currency at or about 11:00 a.m. (in the city in which such foreign exchange agent is located) on such date as would be customary for the determination of such a rate for the purchase of such Other Currency for value on the relevant Early Termination Date or that later date. The foreign exchange agent will, if only one party is obliged to make a determination under Section 6(e), be selected in good faith by that party and otherwise will be agreed by the parties.

"Termination Event" means an Illegality, a Force Majeure Event, a Tax Event, a Tax Event Upon Merger or, if specified to be applicable, a Credit Event Upon Merger or an Additional Termination Event.

"Termination Rate" means a rate per annum equal to the arithmetic mean of the cost (without proof or evidence of any actual cost) to each party (as certified by such party) if it were to fund or of funding such amounts.

"Threshold Amount" means the amount, if any, specified as such in the Schedule.

"Transaction" has the meaning specified in the preamble.

"Unpaid Amounts" owing to any party means, with respect to an Early Termination Date, the aggregate of (a) in respect of all Terminated Transactions, the amounts that became payable (or that would have become payable but for Section 2(a)(iii) or due but for Section 5(d)) to such party under Section 2(a)(i) or 2(d)(i)(4) on or prior to such Early Termination Date and which remain unpaid as at such Early Termination Date, (b) in respect of each Terminated Transaction, for each obligation under Section 2(a)(i) which was (or would have been but for Section 2(a)(iii) or 5(d)) required to be settled by delivery to such party on or prior to such Early Termination Date and which has not been so settled as at such Early Termination Date, an amount equal to the fair market value of that which was (or would have been) required to be delivered and (c) if the Early Termination Date results from an Event of Default, a Credit Event Upon Merger or an Additional Termination Event in respect of which all outstanding Transactions are Affected Transactions, any Early Termination Amount due prior to such Early Termination Date and which remains unpaid as of such Early Termination Date, in each case together with any amount of interest accrued or other

ATTACHMENT K - INCLUDES PROPRIETARY INFORMATION

compensation in respect of that obligation or deferred obligation, as the case may be, pursuant to Section 9(h)(ii)(1) or (2) as appropriate. The fair market value of any obligation referred to in clause (b) above will be determined as of the originally scheduled date for delivery, in good faith and using commercially reasonable procedures, by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it will be the average of the Termination Currency equivalents of the fair market value so determined by both parties.

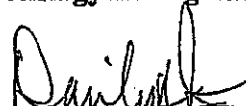
"Waiting Period" means: —

(a) in respect of an event or circumstance under section 5(b)(i), other than in the case of Section 5(b)(i)(2) where the relevant payment, delivery or compliance is actually required on the relevant day (in which case no Waiting Period will apply), a period of three Local Business Days (or days that would be Local Business but for the occurrence of that event or circumstance) following the occurrence of that event or circumstance; and

(b) in respect of an event or circumstance under Section 5(b)(ii), other than in the case of Section 5(b)(ii)(2) where the relevant payment, delivery or compliance is actually required on the relevant day (in which case no Waiting Period will apply), a period of eight Local Business Days (or days that would have been Local Business Days but for the occurrence of that event or circumstance) following the occurrence of that event or circumstance.

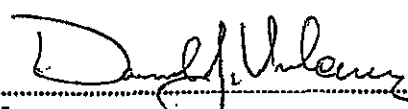
IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

Sequent Energy Management, L.P.

By: 
Name: Darlyn R. Jones
Title: SVP, Risk Control
Date: 12/8/2009

Contracts:	gab for PM
Credit:	DA
Legal:	DRP

Integrus Energy Services – Natural Gas, LLC

By: 
Name: Daniel J. Verbanac
Title: Vice President
Date: 12/11/2009

CONFIDENTIAL

ISDA ®
International Swaps and Derivatives Association, Inc.

Schedule
to the
Master Agreement
(ver. 2002 – Multicurrency – Cross Border)

dated as of December 4, 2009

between

Sequent Energy Management, L.P.,
a limited partnership organized under
the laws of the State of Georgia

and

Integrus Energy Services – Natural Gas,
LLC, a limited liability company
organized under the laws of the State of
Delaware

("Party A")

("Party B")

Part 1.
Termination Provisions.

- (a) "Specified Entity" means in relation to Party A and Party B for the purpose of:
- Section 5(a)(v), Not Applicable
 - Section 5(a)(vi), Not Applicable
 - Section 5(a)(vii), Not Applicable
 - Section 5(b)(v), Not Applicable
- (b) "Specified Transaction" will have the meaning specified in Section 14. The "Cross Default" provisions of Section 5(a)(vi), as amended herein, will apply to Party A and to Party B.
- (i) Section 5(a)(vi) is amended by deleting from 5(a)(vi)(1) the phrase " , or becoming capable at such time of being declared,"
 - (ii) "Specified Indebtedness" means any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money, but only to the extent that there is recourse to such party, any Credit Support Provider of such party or any applicable Specified Entity of such party with respect to such indebtedness.
 - (iii) "Threshold Amount" means, in relation to Party A (and therefore applicable to the party, its Credit Support Provider and any Specified Entity), an amount equal to \$125,000,000; and in relation to Party B (and therefore applicable to the party, its Credit Support Provider and any Specified Entity), an amount equal to \$125,000,000.

- (d) The "Credit Event Upon Merger" provisions of Section 5(b)(v) will apply to Party A and to Party B. Section 5(b)(v) is hereby amended by adding the following after the first sentence:

"Notwithstanding the previous sentence, the Designated Event shall not constitute a Credit Event Upon Merger (A) if after such Designated Event the resulting, surviving, or transferee entity (which entity is the successor-in-interest to X) is directly or indirectly owned or controlled by X's Credit Support Provider and the Credit Support Documents supporting X's obligations remain in full force and effect, or (B) so long as in connection with or after such action or event, X or its successor or transferee provides (or causes to be provided) to the other party ("Y"), within two Local Business Days of Y's written demand therefor, credit support in the form of cash or a letter of credit acceptable to Y in an amount satisfactory to Y in its reasonable discretion, which amount shall not exceed the Settlement Amount that would be payable by X pursuant to 6(e)(ii)(1) if the Designated Event were a Credit Event Upon Merger.

The phrase "materially weaker" means (i) the senior long-term debt of the resulting, surviving or transferee entity or of the Credit Support Provider is rated less than investment grade by either Standard & Poor's Rating Group or Moody's Investor Service, Inc. and such rating is lower than the rating of such entity by such rating agency immediately prior to any Designated Event, or (ii) if no such ratings exist, the Policies (as defined below) in effect at the time, of the non-Affected Party, would lead such non-Affected Party in its reasonable estimation, solely as a result of a change in the nature, character, identity or condition of the Affected Party from its state (as a party to the Agreement) prior to Designated Event to decline to make an extension of credit to, or enter into a Transaction with, the resulting, surviving or transferee entity. For purposes of this definition, "Policies" means a party's (1) internal credit limits applicable to individual entities, (2) other limits on doing business with entities domiciled in certain jurisdictions or engaging in certain activities, or (3) internal restrictions on doing business with entities with whom such party has had prior adverse business relations."

- (e) The "Automatic Early Termination" provisions of Section 6(a) will not apply to Party A and will not apply to Party B.
- (f) "Termination Currency" means U.S. Dollars.
- (g) "Additional Termination Event" will not apply.
- (h) **Additional Event of Default.** Section 5(a) of this Agreement shall be amended by deleting the word "or" where it appears at the end of Section 5(a)(vii); by replacing the final period in Section 5(a)(viii)(2) with "; or"; and by adding the following additional Event of Default as a new subsection 5(a)(ix):

"(ix) **Failure to Replace Guaranty.** Failure by a party to replace the guaranty identified in Section 4(f) as requested by the other party pursuant to the terms of this Section 5(a)(ix).

If a party ("Party X"), using commercially reasonable judgment and taking into account commercially reasonable objective measures of creditworthiness, determines that the other party's Credit Support Provider is no longer creditworthy, then Party X may provide the other party ("Party Y") with written notice requesting the replacement of the guaranty provided under Section 4(f) herein, as it may have been amended from time to

time, with performance assurance in a form and for a term reasonably satisfactory to Party X, including but not limited to, cash collateral, a standby irrevocable letter of credit issued by a bank reasonably acceptable to Party X, the guaranty of an Investment Grade Entity or other security reasonably acceptable to Party X. In the event that a guaranty of an Investment Grade Entity is provided, then Section 4(g) herein shall be deemed amended to identify said Investment Grade Entity as the Credit Support Provider of Party Y. Upon receipt of such notice, Party Y shall provide such performance assurance to Party X by the time of notification on the fifth (5th) Local Business Day following receipt.

The term Investment Grade Entity means an entity for which Standard & Poor's Ratings Group (a division of McGraw-Hill, Inc. or its successor) and Moody's Investors Service (or its successor) has issued a rating of its long-term, unsecured, unsubordinated debt (not supported by third party enhancement) of at least BBB- and Baa3, respectively.

The amount of performance assurance required shall be determined by Party X in a commercially reasonable manner, but in no event shall the amount of performance assurance requested exceed the amount guaranteed by the guaranty the performance assurance is intended to replace.

Part 2.

Tax Representations.

- (a) **Payer Tax Representations.** For the purpose of Section 3(e) of this Agreement, Party A and Party B hereby make the following representation:

It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 9(h) of this Agreement) to be made by it to the other party under this Agreement.

In making this representation, it may rely on:

- (i) the accuracy of any representations made by the other party pursuant to Section 3(f) of this Agreement,
- (ii) the satisfaction of the agreement contained in Section 4(a)(i) or 4(a)(iii) of this Agreement and the accuracy and effectiveness of any document provided by the other party pursuant to Section 4(a)(i) or 4(a)(iii) of this Agreement; and
- (iii) the satisfaction of the agreement of the other party contained in Section 4(d) of this Agreement;

provided that it shall not be a breach of this representation where reliance is placed on clause (ii) and the other party does not deliver a form or document under Section 4(a)(iii) by reason of material prejudice to its legal or commercial position.

- (b) **Payee Tax Representations.**

For the purpose of Section 3(f), Party A and Party B hereby make the following representation:

Party A is a limited partnership organized under the laws of the Georgia. Party A is a U.S. person within the meaning of Section 7701 of the Internal Revenue Code and its U.S. taxpayer identification number is 58-2642294.

Party B is a limited liability company organized under the laws of the State of Delaware. Party B is a U.S. person within the meaning of Section 7701 of the Internal Revenue Code and its U.S. taxpayer identification number is 27-1158190.

Part 3.
Agreement to Deliver Documents.

For the purpose of Section 4(a)(i) and Section 4(a)(ii) of this Agreement, each party agrees to deliver the following documents, as applicable:

Party required to deliver document	Form/Document/Certificate	Date by which to be delivered	Covered by Section 3(d) Representation
Party A and B	Evidence of the authority and true signatures of each official or representative signing this Agreement or, as the case may be, a Confirmation, on its behalf.	Upon the closing of the Asset Purchase Agreement	Yes
Party A and B	Certificate of authorization signed by the Secretary or comparable office, (or each Party's Credit Support Provider, as applicable) authorizing the execution and delivery of this agreement, any Confirmation and any Credit Support Document and the performance of its or their obligations thereunder.	Upon the closing of the Asset Purchase Agreement	Yes
Party A	A copy of the annual report for such party and its Credit Support Provider containing audited or certified financial statements for the most recently ended financial year.	Promptly following request by the other party, but in no event later than 120 days after the end of each fiscal year of such party, other entity, or its Credit Support Provider, if any, if such financial statement is not available on "EDGAR" or the internet website of the applicable party, entity	Yes

Party required to deliver document	Form/Document/Certificate	Date by which to be delivered	Covered by Section 3(d) Representation
Party B	A copy of the annual report for Party B's Credit Support Provider containing audited or certified financial statements for the most recently ended financial year.	or Credit Support Provider. Promptly following request by the other party, but in no event later than 120 days after the end of each fiscal year of such party, other entity, or its Credit Support Provider, if any, if such financial statement is not available on "EDGAR" or the internet website of the applicable party, entity or Credit Support Provider.	Yes
Party A and B	Duly executed Credit Support Annex.	Upon execution of this Agreement	Yes
Party A and B	Guaranty of each party's Credit Support Provider	Upon the closing of the Asset Purchase Agreement	
Party A and B	Any document required or reasonably requested to allow the other party to make payments under the Agreement without any deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate.	Promptly after the earlier of (i) reasonable demand by either party; or (ii) learning that such form or document is required.	Yes

**Part 4.
Miscellaneous.**

- (a) **Addresses for Notices.** For the purpose of Section 12(a) of this Agreement:

Address for notices or communications to Party A:

Address: 1200 Smith St., Suite 900
Houston, Texas 77002
Attention: Contracts Administration
Facsimile No: 832-397-1781
Telephone No: 832-397-1700

Address for notices or communications to Party B:

Integrus Energy Services – Natural Gas, LLC
1716 Lawrence Drive (For all purposes)
De Pere, Wisconsin 54115
Attention: Contract Administration
Fax: 920-617-6070
Phone: 920-617-6067

In addition, in the case of notices or communications relating to Sections 5, 6, 11 or 13 of this Agreement, a second copy of any such notice or communication shall be addressed to the attention of Party B's Manager of Legal Services as follows:

Address: 700 North Adams
Green Bay, Wisconsin 54301
Attention: Manager of Legal Services
Facsimile No: (920) 433-1526
Telephone No: (920) 433-1727

- (b) **Process Agent.** If a party becomes organized outside the United States of America, then promptly upon written demand such party shall irrevocably appoint an agent for service of process in the United States reasonably satisfactory to the other party and provide the other party with a copy of such agent's written acceptance of such appointment. For the purpose of Section 13(c):

Party A appoints as its Process Agent: Not applicable.
Party B appoints as its Process Agent: Not applicable.

- (c) **Offices.** The provisions of Section 10(a) will apply to this Agreement.
- (d) **Multibranch Party.** Neither Party A nor Party B is a Multibranch Party for the purpose of Section 10(c) of this Agreement.
- (e) **Calculation Agent.** The Calculation Agent is Party B unless otherwise agreed in a Confirmation in relation to the relevant Transaction; *provided, however*, if Party B is the Defaulting Party, or a Potential Event of Default has occurred and is continuing with respect to Party B, the Calculation Agent shall be Party A until such time as Party B is no longer a Defaulting Party. All determinations by the Calculation Agent shall be made in good faith and in a commercially reasonable manner and are subject to agreement by Party A and Party B. In the event a calculation or determination is disputed, the parties shall first endeavor to resolve such dispute. If the parties are unable to resolve such dispute within ten (10) Business Days, the parties shall mutually select a dealer in the applicable commodity to act as

calculation agent with respect to the issue in dispute, and the decision of such party shall be final and binding upon Party A and Party B absent manifest error. The cost of the substitute calculation agent shall be borne equally by the parties.

- (f) **Credit Support Document.** Details of any Credit Support Document: The Credit Support Annex, and the guaranty of each Credit Support Provider containing those terms mutually agreed upon by the parties.

- (g) **Credit Support Provider.**

Credit Support Provider means in relation to Party A: AGL Resources Inc.

Credit Support Provider means in relation to Party B: Integrys Energy Group, Inc.

- (h) **Governing Law.** This Agreement will be governed by and construed in accordance with the law of the State of New York (without reference to choice of law doctrine).

- (i) **"Affiliate"** will have the meaning specified in Section 14.

- (j) **Netting of Payments.** Multiple Transaction Payment Netting will apply for the purpose of Section 2(c) of this Agreement; therefore, the netting specified in Section 2(c) of this Agreement will apply across all Transactions with effect from the effective date of this Agreement. For avoidance of doubt, the parties hereby acknowledge and agree that the provisions of Section 2(c) shall not apply to any transaction or agreement not covered by this Agreement. The Calculation Agent shall notify the parties of the amounts of such netted payments (which notice may be made by telephone). Notwithstanding the foregoing and the netting of payments pursuant hereto, each party will provide the other party with separate invoices and documentation covering each Transaction sufficient to permit the other party to comply with its internal accounting and record keeping procedures concerning individual Transactions.

- (k) **Prior Swaps.** Party A and Party B may have entered into (either directly, or as successor-in-interest to) certain swaps and similar agreements ("Existing Transactions") prior to the execution of this Agreement, which they hereby agree shall be made and constitute Transactions under this Agreement. These Existing Transactions shall for all purposes be Transactions hereunder and shall be subject to all the terms of this Agreement. The delivery of documents pursuant to Part 3 of this Schedule shall not be required in connection with the Existing Transactions. To the extent the terms herein conflict with the terms of the agreements governing the Existing Transactions, the terms of this Agreement shall apply.

Part 5. Other Provisions.

- (a) **Definitions.** Unless otherwise specified in a Confirmation, this Agreement and each Transaction between the parties are subject to the 2000 ISDA Definitions and the 2005 ISDA Commodity Definitions, each as published by the International Swaps and Derivatives Association, Inc. (the "Definitions"), and will be governed in all respects by the Definitions, but without regard to the Sub-Annexes B through D and G through I to the 2005 ISDA Commodity Definitions and/or any further amendments, supplements, updates or restatements made to the Definitions other than amendments to Sub-Annex A Section 7.1 Commodity Reference Prices, unless otherwise agreed to in this Schedule, in a Confirmation,

or by an amendment to this Schedule. The provisions of the Definitions are incorporated by reference in and shall be deemed a part of this Agreement, except that references in the Definitions to a "Swap Transaction" shall be deemed references to a "Transaction" for purposes of this Agreement. In the event of any inconsistency between the provisions of this Agreement and the Definitions, this Agreement will prevail.

(b) **Modifications to the Agreement.** This Agreement shall be modified as follows:

- (i) Section 1(b) is amended by inserting the words "fully executed" between the words "any" and "Confirmation" in line 3.
- (ii) Section 3(d) is amended by adding in the third line thereof after the word "respect" and before the period, the phrase "or, in the case of audited or unaudited financial statements, a fair presentation of the financial condition of the relevant person."
- (iii) Section 5(b)(iii) is amended by adding in the fourth line after the word "likelihood" the following: ", in the written opinion of its outside auditors,"
- (iv) Section 6(d)(i) is amended by deleting the word "conclusive" where it appears in the last sentence and replacing it with the words "prima facie".
- (v) Section 9(b) is deleted in its entirety and replaced with the following, "(b) **Amendments.** An amendment, modification or waiver in respect of this Agreement will only be effective if in writing (including a writing evidenced by a facsimile transmission or electronically transferred as an attachment to an e-mail) and executed by each of the parties."
- (vi) Section 9(e)(ii) is deleted in its entirety and replaced with the following, "(ii) The parties intend that they are legally bound by the terms of each Transaction from the moment they agree to terms (whether orally or otherwise). For each Transaction Party A and Party B agree to enter into under this Agreement, both parties shall use reasonable efforts to promptly send to the other party a Confirmation setting forth the terms of such Transaction. Each Confirmation shall be substantially in the form of one of the Exhibits to the Definitions or in such other form as the parties may agree, provided the parties will specify therein or through another effective means that any such counterpart constitutes a Confirmation. Any request for correction of an error in a Confirmation shall be made by the party receiving such Confirmation (the "Recipient") as soon as practicable following receipt thereof. A Confirmation may be executed and delivered in counterparts (including by facsimile transmission or as an attachment to an e-mail), which in each case will be sufficient for all purposes to evidence a binding supplement to this Agreement. Failure of either party to send or sign a Confirmation, or failure of the Recipient to raise a request for correction of an error to a Confirmation, shall not affect the validity or enforceability of the commercial terms of the Transaction."
- (vii) Section 12(a) is amended by deleting items (ii) and (v) and leaving those items marked "[intentionally omitted]".
- (viii) Section 14. The definition of "Close-out Amount" is amended by striking the words "or, if that would not be commercially reasonable, as of the date or dates following the Early Termination date as would be commercially reasonable", where they appear in last sentence of the second paragraph.

(c) **Representations.**

- (i) Each party will be deemed to represent to the other party on the date on which it enters into a Transaction that:

(A) **Non-Reliance.** It is acting for its own account, and it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction; it being understood that information and explanations related to the terms and conditions of a Transaction shall not be considered to be investment advice or a recommendation to enter into that Transaction. No communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of that Transaction.

(B) **Assessment and Understanding.** It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts the terms and conditions and risks of that Transaction. It is also capable of assuming, and assumes, the risks of that Transaction.

(C) **Status of Parties.** The other party is not acting as a fiduciary for or adviser to it in respect of that Transaction.

- (ii) **Commodity Exchange Act.** Each party represents to the other party on and as of the date hereof and on each date on which a Transaction is entered into between them that:

(A) such party is an "eligible contract participant" within the meaning of Section 1a(12) of the Commodity Exchange Act; and

(B) such party is entering into each Transaction in connection with its line of business and not for purposes of speculation.

- (iii) **Standardization, Creditworthiness, and Transferability.** The material economic terms of the Agreement, any Credit Support Document to which it is a party, and each Transaction have been individually tailored and negotiated by it; it has received and reviewed financial information concerning the other party and has had a reasonable opportunity to ask questions of and receive answers and information from the other party concerning such other party, this Agreement, such Credit Support Document, and such Transaction; the creditworthiness of the other party was a material consideration in its entering into or determining the terms of this Agreement, such Credit Support Document, and such Transaction; and the transferability of this Agreement, such Credit Support Document, and such Transaction is restricted as provided herein and therein.

- (iv) **No Agency.** It is entering into this Agreement, any Credit Support Document to which it is a party, and it will enter into a Transaction, as principal and not as agent or in any other capacity, fiduciary or otherwise.

- (v) **Bankruptcy Matters.** With respect to all Transactions governed by this Agreement:

(i) Each Party acknowledges and agrees that (1) any Transaction(s) that are Power or Gas Transactions pursuant to Articles XIII and XIV of the 2005 Definitions constitute "forward contracts" within the meaning of title 11 of the United States Code (the "Bankruptcy Code") and to that in respect thereto each of Party A and Party B is a "forward contract merchant" within the meaning of the Bankruptcy Code; (2) this Agreement constitutes a "master netting agreement" within the meaning of the Bankruptcy Code; (3) each of Party A and Party B is a "master netting agreement participant" within the meaning of the Bankruptcy Code; (4) all payments made or to be made by one Party to the other Party under this Agreement with respect to the forward contracts constitute "settlement payments" and/or "margin payments" within the meaning of the Bankruptcy Code; (5) all Transfers of Posted Credit Support by one Party to the other Party under this Agreement constitute "margin payments" within the meaning of the Bankruptcy Code; and (6) the rights set forth under Sections 6(a), 6(b) and 6(e) of the Agreement, and Paragraph 2 of the Credit Support Annex, as applicable, constitute contractual rights "to liquidate, terminate, or accelerate" the Transactions within the meaning of Bankruptcy Code Section 556 and "to terminate, liquidate, accelerate or offset" within the meaning of the Bankruptcy Code Section 561.

(ii) Each Party acknowledges and agrees that, for purposes of this Agreement, the other Party is not a "utility" as such term is used in Section 366 of the Bankruptcy Code, and each Party agrees to waive and not to assert the applicability of the provisions of Section 366 in any bankruptcy proceeding wherein such Party is a debtor. In any such proceeding, each Party further agrees to waive the right to assert that the other Party is a provider of last resort.

- (d) **Account.** Unless otherwise stated in a Confirmation or changed by written notice by the party receiving payment, the parties shall make payment of amounts due hereunder by wire transfer to the following accounts:

If to Party A:

To the Lockbox Account established under the Energy Management Agreement (as defined in the Schedule to the Credit Support Annex)

Pay:	_____
For the Account of:	_____
Account No./CHIPS UID:	_____
Fed. ABA No.:	_____

If to Party B:

To the Lockbox Account established under the Energy Management Agreement (as defined in the Schedule to the Credit Support Annex)

Pay:	_____
For the Account of:	_____
Account No./CHIPS UID:	_____
Fed. ABA No.:	_____

- (e) **Limitation of Rate.** Notwithstanding any provision to the contrary contained in this Agreement, in no event shall the Default Rate, Non-Default Rate or the Termination rate exceed the lesser of two percent (2%) above the then effective prime rate of interest published under "Money Rates" by the Wall Street Journal, or its successor or assign, or the maximum rate of interest allowed under applicable law.
- (f) **Limitation of Liability.** NO PARTY SHALL BE REQUIRED TO PAY OR BE LIABLE FOR INCIDENTAL, CONSEQUENTIAL, INDIRECT, OR PUNITIVE DAMAGES (WHETHER OR NOT ARISING FROM ITS NEGLIGENCE) TO ANY OTHER PARTY EXCEPT TO THE EXTENT THAT THE PAYMENTS REQUIRED TO BE MADE PURSUANT TO THIS AGREEMENT ARE DEEMED TO BE SUCH DAMAGES. IF AND TO THE EXTENT ANY PAYMENT REQUIRED TO BE MADE PURSUANT TO THIS AGREEMENT IS DEEMED TO CONSTITUTE LIQUIDATED DAMAGES, THE PARTIES ACKNOWLEDGE AND AGREE THAT ACTUAL DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE AND THAT SUCH PAYMENT IS INTENDED TO BE A REASONABLE APPROXIMATION OF THE AMOUNT OF SUCH DAMAGES AND NOT A PENALTY.
- (g) **Consent to Recording.** Each party (i) consents to the recording of all telephone conversations between trading, operations and marketing personnel of the parties and their Affiliates in connection with this Agreement or any potential Transaction; (ii) agrees to give notice to such personnel of it and its Affiliates that their calls will be recorded; and (iii) agrees that in any Proceedings, it will not object to the introduction of such recordings in evidence on grounds that consent was not properly given. Each party waives further notice of such monitoring or recording.

Part 6.
Commodity Transactions.

Amendments to ISDA Commodity Definitions.

- (a) "Additional Market Disruption Events" shall apply only if so specified in the relevant Confirmation.
- (b) Unless otherwise specified in the relevant Confirmation the "Disruption Fallbacks" specified in Section 7.5(d)(i) of the Commodity Definitions shall apply in the following order:
 - (1) Fallback Reference Price;
 - (2) Delayed Publication or Announcement (subject to two Commodity Business Days as the applicable Maximum Days of Disruption);
 - (3) Fallback Reference Dealers; provided however, the definition of "Commodity-Reference Dealers" (Section 7.2(c)(3) of Sub-Annex A) is amended by replacing the last sentence with the following: "If exactly two quotations are provided as requested, the price for that Pricing Date will be the arithmetic mean of the

Specified Prices for that Commodity provided by each Reference Dealer, and if exactly one quotation is provided, then the Specified Price shall be equal to the quotation."

(c) Section 7.5(e) shall not apply.

PART [7]

(v) Physically Settled Gas Transactions

Physically Settled Gas Transactions. Pursuant to ARTICLE XIII of the 2005 ISDA Commodity Definitions, Sub-Annex E (the "Gas Annex") is incorporated by reference in this Agreement as a new Part [7] to the Agreement. All terms used in this Part [7] that are not otherwise defined shall have the meanings given to them in the Gas Annex. The following elections set forth in "(a) Elective Provisions" and "(b) Amendments to the Gas Annex" below shall be applicable to such Part [7]. All references to "Part[6]" in Sub-Annex E shall be replaced with "Part [7]."

(i) Elective Provisions. The following elections to the Gas Annex are applicable:

- (1) (a)(ii) – **Outstanding Gas Transactions.** This Gas Annex shall apply to the following pre-existing Gas Transactions pursuant to clause (a)(ii):

☒ Option A: All Gas Transactions outstanding between the parties as of the date this Gas Annex becomes effective.

☐ Option B: The Gas Transactions listed in Schedule 1 to this Gas Annex.

☐ Option C: None of the Gas Transactions between the parties that were executed prior to the date this Gas Annex becomes effective.

If none of the above options is selected, Option A shall apply.

- (2) (a)(iii) – **Outstanding Gas Credit Support.**

☒ Outstanding Gas Credit Support held by a party in connection with Outstanding Gas Transactions shall be deemed to have been delivered under and in connection with this Agreement pursuant to clause (a)(iii).

If not checked, not applicable.

- (3) (b)(ii) – **Performance Obligation (remedy for breach of Firm obligation)**

☒ Option A: Cover Standard

☐ Option B: Spot Price Standard

If neither option is selected, Option A shall apply.

(4) (e) – Taxes

☒ Option A: Buyer Pays At and After Delivery Point, provided however the following shall be added before the period in the second sentence of Part 7(e) Option A: "(other than ad valorem, gross receipts, taxable margin, franchise or income taxes, all of which shall be the responsibility of the Seller)".

☐ Option B: Seller Pays Before and At Delivery Point

If neither option is selected, Option A shall apply.

(5) (f)(ii) – Payment Date

☒ Option A: the later of the 25th Day of Month following Month of delivery or 10 Days after receipt of the invoice by Buyer (provided that if the Payment Date is not a Local Business Day, payment is due on the next Local Business Day following that date).

☐ Option B: the later of the ___ Day of Month following Month of delivery or 10 Days after receipt of the invoice by Buyer (provided that if the Payment Date is not a Local Business Day, payment is due on the next Local Business Day following that date).

☐ Option C: Notwithstanding anything to the contrary in the Schedule, payments with respect to both Gas Transactions and Power Transactions (as defined separately in the Schedule) will be netted and payable on or before the later of the 20th Day of Month following Month of delivery or 10 Days after receipt of the invoice by Buyer (provided that if the Payment Date is not a Local Business Day, payment is due on the next Local Business Day following that date).

☐ Option D: Notwithstanding anything to the contrary in the Schedule, payments with respect to both Gas Transactions and Power Transactions (as defined separately in the Schedule) will be netted and payable on or before the later of the 25th Day of Month following Month of delivery or 10 Days after receipt of the invoice by Buyer (provided that if the Payment Date is not a Local Business Day, payment is due on the next Local Business Day following that date).

If none of the above options is selected, Option A shall apply.

(6) (k)(xxii) – Alternative to Spot Price Index. The parties have selected the following alternative index as the Spot Price Index: _____. If no index is specified, the Spot Price Index specified in clause (l)(xxi) applies.

Notice Information for Gas Transactions.

PARTY A Sequent Energy Management, L.P.	PARTY B INTEGRYS Energy Services -- Natural Gas, LLC
Duns: 61-2075846 U.S. Federal Tax ID Number: 58-2642294	Duns: (Party B to deliver Duns information to Party under separate notice) U.S. Federal Tax ID Number: 27-1158190
Notices: As set forth in Part 4 of the Schedule unless otherwise set forth below: <u>Sequent Energy Management, L.P.</u> <u>1200 Smith St., Suite 900</u> <u>Houston, TX 77002</u> <u>Attn: Contract Administration</u> <u>Phone: 832-397-1700</u> <u>Facsimile: 832-397-1781</u>	Notices: As set forth in Part 4.
Invoices and Payments: As set forth in Part 4 of the Schedule unless otherwise set forth below: <u>Sequent Energy Management, L.P.</u> <u>1200 Smith St., Suite 900</u> <u>Houston, TX 77002</u> <u>Attn: Gas Accounting</u> <u>Phone: 832-397-1700</u> <u>Facsimile: 832-397-3711</u>	Invoices and Payments: As set forth in Part 4 of the Schedule unless otherwise set forth below: <u>Invoices:</u> <u>Integrys Energy Services -- Natural Gas, LLC</u> <u>1716 Lawrence Drive</u> <u>De Pere, Wisconsin 54115</u> <u>Attn: Gas Accounting</u> <u>Phone: 920-617-6112</u> <u>Facsimile: 920-430-5283</u> <u>Payments:</u> <u>Payment Processing A2</u> <u>Attn: N. McAllister</u> <u>P.O. Box 19046</u> <u>Green Bay, WI 54307-9046</u> <u>Contact: Sarah Manders</u> <u>Phone: 920-617-6112</u> <u>Fax: 920-430-6283</u>

PARTY A Sequent Energy Management, L.P.	PARTY B INTEGRYS Energy Services – Natural Gas, LLC
Nominations: As set forth below unless otherwise set forth in the Transaction Confirmation: <u>Sequent Energy Management, L.P.</u> <u>1200 Smith St., Suite 900</u> <u>Houston, TX 77002</u> <u>Attn:Scheduling</u> <u>Phone:832-397-1700</u> <u>Facsimile:832-397-1781</u>	Nominations: As set forth in Part 4 of the Schedule unless otherwise set forth below: <u>IntegrYS Energy Services – Natural Gas, LLC</u> <u>1716 Lawrence Drive</u> <u>De Pere, Wisconsin 54115</u> <u>Attn:Gas Operations</u> <u>Phone:920-617-6008</u> <u>Facsimile:920-617-6073</u>
Confirmations: As set forth in Part 4 of the Schedule unless otherwise set forth below: <u>Sequent Energy Management, L.P.</u> <u>1200 Smith St., Suite 900</u> <u>Houston, TX 77002</u> <u>Attn: Confirmations</u> <u>Phone: 832-397-1700</u> <u>Facsimile: 832-397-1781</u>	Confirmations: As set forth in Part 4 of the Schedule unless otherwise set forth below: <u>IntegrYS Energy Services – Natural Gas, LLC</u> <u>1716 Lawrence Drive</u> <u>De Pere, Wisconsin 54115</u> <u>Attn:Risk Department</u> <u>Phone:920-617-6453</u> <u>Facsimile:920-617-6175</u>
<input type="checkbox"/> Wire Transfer - or - <input type="checkbox"/> ACH (check one box): As set forth in Part 5(d) of the Schedule unless otherwise set forth below: BNK: _____ ABA: _____ ACCT: _____	<input type="checkbox"/> Wire Transfer - or - <input type="checkbox"/> ACH (check one box): As set forth in Part 5(d) of the Schedule unless otherwise set forth below: BNK: _____ ABA: _____ ACCT: _____

(m) **Modifications to the ISDA Gas Annex.** The following amendments to the Gas Annex are applicable:

(i) **Additions.** The following provisions are added to the Gas Annex.

(a) The following is added as a new section Part [7] (m)(i):

(a) Absent the agreement of all Parties to the proposed change, the standard of review for changes to any rate, charge, classification, term or condition of this Agreement, whether proposed by a Party (to the extent that any waiver in subsection (b) below is unenforceable or ineffective as to such Party), a non-party or FERC acting *sua*

sponte, shall solely be the "public interest" application of the "just and reasonable" standard of review set forth in United Gas Pipe Line Co. v. Mobile Gas Service Corp., 350 U.S. 332 (1956) and Federal Power Commission v. Sierra Pacific Power Co., 350 U.S. 348 (1956) and clarified by Morgan Stanley Capital Group, Inc. v. Public Util. Dist. No. 1 of Snohomish 554 U.S. ___ (2008) (the "Mobile-Sierra" doctrine).

(b) In addition, and notwithstanding the foregoing subsection (a), to the fullest extent permitted by applicable law, each Party, for itself and its successors and assigns, hereby expressly and irrevocably waives any rights it can or may have, now or in the future, to seek to obtain from FERC by any means, directly or indirectly (through complaint, investigation or otherwise), and each hereby covenants and agrees not at any time to seek to so obtain, an order from FERC changing any section of this Agreement specifying the rate, charge, classification, or other term or condition agreed to by the Parties, it being the express intent of the Parties that, to the fullest extent permitted by applicable law, neither Party shall unilaterally seek to obtain from FERC any relief changing the rate, charge, classification, or other term or condition of this Agreement, notwithstanding any subsequent changes in applicable law or market conditions that may occur.

(c) Party A acknowledges that Party B is a federal governmental contractor. To the extent that Party A is a Seller to a transaction executed hereunder, Party A agrees to comply with any applicable Federal Acquisition Regulation (FAR) subject to vendors of Party B as a federal government contractor.


(ii) *Amendments.*

- (a) Part [7] (b)(ii) is amended by adding the words "to deliver or receive Gas" between the words "obligation" and "by" in the first line.
- (b) Part [7] (k)(i) (Alternative Damages) is amended by replacing the word "shall" with the word "may expressly" in the second line.
- (c) **Form of Annex.** The parties hereby agree that the text of the body of this Annex is intended to be printed form of the 2005 ISDA Commodity Definitions, Sub-Annex E Article XIII Physically Settled North American Gas Transactions as published and copyrighted by the International Swaps and Derivatives Association, Inc.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

PARTY A:

SEQUENT ENERGY MANAGEMENT, L.P.

By: 
Name: Darlyn H. Jones
Title: SVP Risk Control

Contracts:	pub for PM
Credit:	TD
Legal:	DTP

PARTY B:

INTEGRYS ENERGY SERVICES - NATURAL GAS, LLC

By: 
Name: Daniel J. Verbanac
Title: Vice President

(Bilateral Form)

(ISDA Agreements Subject to New York Law Only)

ISDA[®]

International Swaps and Derivatives Association, Inc.

CREDIT SUPPORT ANNEX

to the Schedule to the

ISDA MASTER AGREEMENT

dated as of December 4, 2009

between

Sequent Energy Management, L.P.

and

Integrus Energy Services – Natural Gas, LLC

("Party A")

("Party B")

This Annex supplements, forms part of, and is subject to, the above-referenced Agreement, is part of its Schedule and is a Credit Support Document under this Agreement with respect to each party.

Accordingly, the parties agree as follows:

Paragraph 1. Interpretation

(a) **Definitions and Inconsistency.** Capitalized terms not otherwise defined herein or elsewhere in this Agreement have the meanings specified pursuant to Paragraph 12, and all references in this Annex to Paragraphs are to paragraphs of this Annex. In the event of any inconsistency between this Annex and the other provisions of this Schedule, this Annex will prevail, and in the event of any inconsistency between Paragraph 13 and the other provisions of this Annex, Paragraph 13 will prevail.

(b) **Secured Party and Pledgor.** All references in this Annex to the "Secured Party" will be to either party when acting in that capacity and all corresponding references to the "Pledgor" will be to the other party when acting in that capacity; *provided, however*, that if Other Posted Support is held by a party to this Annex, all references herein to that party as the Secured Party with respect to that Other Posted Support will be to that party as the beneficiary thereof and will not subject that support or that party as the beneficiary thereof to provisions of law generally relating to security interests and secured parties.

Paragraph 2. Security Interest

Each party, as the Pledgor, hereby pledges to the other party, as the Secured Party, as security for its Obligations, and grants to the Secured Party a first priority continuing security interest in, lien on and right of Set-off against all Posted Collateral Transferred to or received by the Secured Party hereunder. Upon the Transfer by the Secured Party to the Pledgor of Posted Collateral, the security interest and lien granted hereunder on that Posted Collateral will be released immediately and, to the extent possible, without any further action by either party.

Paragraph 3. Credit Support Obligations

(a) **Delivery Amount.** Subject to Paragraphs 4 and 5, upon a demand made by the Secured Party on or promptly following a Valuation Date, if the Delivery Amount for that Valuation Date equals or exceeds the Pledgor's Minimum Transfer Amount, then the Pledgor will Transfer to the Secured Party Eligible Credit Support having a Value as of the date of Transfer as least equal to the applicable Delivery Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the "**Delivery Amount**" applicable to the Pledgor for any Valuation Date will equal the amount by which:

(i) the Credit Support Amount

exceeds

(ii) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party.

(b) **Return Amount.** Subject to Paragraphs 4 and 5, upon a demand made by the Pledgor on or promptly following a Valuation Date, if the Return Amount for that Valuation Date equals or exceeds the Secured Party's Minimum Transfer Amount, then the Secured Party will Transfer to the Pledgor Posted Credit Support specified by the Pledgor in that demand having a Value as of the date of Transfer as close as practicable to the applicable Return Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the "**Return Amount**" applicable to the Secured Party for any Valuation Date will equal the amount by which:

(i) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party

exceeds

(ii) the Credit Support Amount.

"**Credit Support Amount**" means, unless otherwise specified in Paragraph 13, for any Valuation Date (i) the Secured Party's Exposure for that Valuation Date plus (ii) the aggregate of all Independent Amounts applicable to the Pledgor, if any, minus (iii) all Independent Amounts applicable to the Secured Party, if any, minus (iv) the Pledgor's Threshold; *provided, however*, that the Credit Support Amount will be deemed to be zero whenever the calculation of Credit Support Amount yields a number less than zero.

Paragraph 4. Conditions Precedent, Transfer Timing, Calculations and Substitutions

(a) **Conditions Precedent.** Each Transfer obligation of the Pledgor under Paragraphs 3 and 5 and of the Secured Party under Paragraphs 3, 4(d)(ii), 5 and 6(d) is subject to the conditions precedent that:

(i) no Event of Default, Potential Event of Default or Specified Condition has occurred and is continuing with respect to the other party; and

(ii) no Early Termination Date for which any unsatisfied payment obligations exist has occurred or has been designated as the result of an Event of Default or Specified Condition with respect to the other party.

(b) **Transfer Timing.** Subject to Paragraphs 4(a) and 5 and unless otherwise specified, if a demand for the Transfer of Eligible Credit Support or Posted Credit Support is made by the Notification Time, then the relevant Transfer will be made not later than the close of business on the next Local Business Day; if a demand is made after the Notification Time, then the relevant Transfer will be made not later than the close of business on the second Local Business Day thereafter.

(c) **Calculations.** All calculations of Value and Exposure for purposes of Paragraphs 3 and 6(d) will be made by the Valuation Agent as of the Valuation Time. The Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) of its calculations not later than the Notification Time on the Local Business Day following the applicable Valuation Date (or in the case of Paragraph 6(d), following the date of calculation).

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(d) *Substitutions*

(i) Unless otherwise specified in Paragraph 13, upon notice to the Secured Party specifying the items of Posted Credit Support to be exchanged, the Pledgor may, on any Local Business Day, Transfer to the Secured Party substitute Eligible Credit Support (the "Substitute Credit Support"); and

(ii) subject to Paragraph 4(a), the Secured Party will Transfer to the Pledgor the items of Posted Credit Support specified by the Pledgor in its notice not later than the Local Business Day following the date on which the Secured Party receives the Substitute Credit Support, unless otherwise specified in Paragraph 13 (the "Substitution Date"); *provided* that the Secured Party will only be obligated to Transfer Posted Credit Support with a Value as of the date of Transfer of that Posted Credit Support equal to the Value as of that date of the Substitute Credit Support.

Paragraph 5. Dispute Resolution

If a party (a "Disputing Party") disputes (I) the Valuation Agent's calculation of a Delivery Amount or a Return Amount or (II) the Value of any Transfer of Eligible Credit Support or Posted Credit Support, then (1) the Disputing Party will notify the other party and the Valuation Agent (if the Valuation Agent is not the other party) not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in the case of (I) above or (Y) the date of Transfer in the case of (II) above, (2) subject to Paragraph 4(a), the appropriate party will Transfer the undisputed amount to the other party not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in the case of (I) above or (Y) the date of Transfer in the case of (II) above, (3) the parties will consult with each other in an attempt to resolve the dispute and (4) if they fail to resolve the dispute by the Resolution Time, then:

(i) In the case of a dispute involving a Delivery Amount or Return Amount, unless otherwise specified in Paragraph 13, the Valuation Agent will recalculate the Exposure and the Value as of the Recalculation Date by:

(A) utilizing any calculations of Exposure for the Transactions (or Swap Transactions) that the parties have agreed are not in dispute;

(B) calculating the Exposure for the Transaction (or Swap Transactions) in dispute by seeking four actual quotations at mid-market from Reference Market-makers for purposes of calculating Market Quotation, and taking the arithmetic average of those obtained; *provided* that if four quotations are not available for a particular Transaction (or Swap Transaction), then fewer than four quotations may be used for that Transaction (or Swap Transaction); and if no quotations are available for a particular Transaction (or Swap Transaction), then the Valuation Agent's original calculations will be used for that Transaction (or Swap Transaction); and

(C) utilizing the procedures specified in Paragraph 13 for calculating the Value, if disputed, of Posted Credit Support.

(ii) In the case of a dispute involving the Value of any Transfer of Eligible Credit Support or Posted Credit Support, the Valuation Agent will recalculate the Value as of the date of Transfer pursuant to Paragraph 13.

Following a recalculation pursuant to this Paragraph, the Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) not later than the Notification Time on the Local Business Day following the Resolution Time. The appropriate party will, upon demand following that notice by the Valuation Agent or a resolution pursuant to (3) above and subject to Paragraphs 4(a) and 4(b), make the appropriate Transfer.

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Paragraph 6. Holding and Using Posted Collateral

(a) *Care of Posted Collateral.* Without limiting the Secured Party's rights under Paragraph 6(c), the Secured Party will exercise reasonable care to assure the safe custody of all Posted Collateral to the extent required by applicable law, and in any event the Secured Party will be deemed to have exercised reasonable care if it exercises at least the same degree of care as it would exercise with respect to its own property. Except as specified in the preceding sentence, the Secured Party will have no duty with respect to Posted Collateral, including, without limitation, any duty to collect any Distributions, or enforce or preserve any rights pertaining thereto.

(b) *Eligibility to Hold Posted Collateral; Custodians.*

(i) *General.* Subject to the satisfaction of any conditions specified in Paragraph 13 for holding Posted Collateral, the Secured Party will be entitled to hold Posted Collateral or to appoint an agent (a "Custodian") to hold Posted Collateral for the Secured Party. Upon notice by the Secured Party to the Pledgor of the appointment of a Custodian, the Pledgor's obligations to make any Transfer will be discharged by making the Transfer to that Custodian. The holding of Posted Collateral by a Custodian will be deemed to be the holding of that Posted Collateral by the Secured Party for which the Custodian is acting.

(ii) *Failure to Satisfy Conditions.* If the Secured Party or its Custodian fails to satisfy any conditions for holding Posted Collateral, then upon a demand made by the Pledgor, the Secured Party will, not later than five Local Business Days after the demand, Transfer or cause its Custodian to Transfer all Posted Collateral held by it to a Custodian that satisfies those conditions or to the Secured Party if it satisfies those conditions.

(iii) *Liability.* 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.

(c) *Use of Posted Collateral.* Unless otherwise specified in Paragraph 13 and without limiting the rights and obligations of the parties under Paragraphs 3, 4(d)(ii), 5, 6(d) and 8, if the Secured Party is not a Defaulting party or an Affected Party with respect to a Specified Condition and no Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then the Secured Party will, notwithstanding Section 9-207 of the New York Uniform Commercial Code, have the right to:

(i) sell, pledge, rehypothecate, assign, invest, use, commingle or otherwise dispose of, or otherwise use in its business any Posted Collateral it holds, free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor; and

(ii) register any Posted Collateral in the name of the Secured Party, its Custodian or a nominee for either.

For purposes of the obligation to Transfer Eligible Credit Support or Posted Credit Support pursuant to Paragraphs 3 and 5 and any rights or remedies authorized under this Agreement, the Secured Party will be deemed to continue to hold all Posted Collateral and to receive Distributions made thereon, regardless of whether the Secured Party has exercised any rights with respect to any Posted Collateral pursuant to (i) or (ii) above.

(d) *Distributions and Interest Amount.*

(i) *Distributions.* Subject Paragraph 4(a), if the Secured Party receives or is deemed to receive Distributions on a Local Business Day, it will Transfer to the Pledgor not later than the following Local Business Day any Distributions it receives or is deemed to receive to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose).

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(ii) *Interest Amount.* Unless otherwise specified in Paragraph 13 and subject to Paragraph 4(a), in lieu of any interest, dividends or other amounts paid or deemed to have been paid with respect to Posted Collateral in the form of Cash (all of which may be retained by the Secured Party), the Secured Party will Transfer to the Pledgor at the times specified in Paragraph 13 the Interest Amount to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose). The Interest Amount or portion thereof not Transferred pursuant to this Paragraph will constitute Posted Collateral in the form of Cash and will be subject to the security interest granted under Paragraph 2.

Paragraph 7. Events of Default

For purposes of Section 5(a)(iii)(1) of this Agreement, an Event of Default will exist with respect to a party if:

- (i) that party fails (or fails to cause its Custodian) to make, when due, any Transfer of Eligible Collateral, Posted Collateral or the Interest Amount, as applicable, required to be made by it and that failure continues for two Local Business Days after notice of that failure is given to that party;
- (ii) that party fails to comply with any restriction or prohibition specified in this Annex with respect to any of the rights specified in Paragraph 6(c) and that failure continues for five Local Business Days after notice of that failure is given to that party; or
- (iii) that party fails to comply with or perform any agreement or obligation other than those specified in Paragraphs 7(i) and 7(ii) and that failure continues for 30 days after notice of that failure is given to that party.

Paragraph 8. Certain Rights and Remedies

(a) *Secured Party's Rights and Remedies.* If at any time (1) an Event of Default or Specified Condition with respect to the Pledgor has occurred and is continuing or (2) an Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Pledgor, then, unless the Pledgor has paid in full all of its Obligations that are then due, the Secured Party may exercise one or more of the following rights and remedies:

- (i) all rights and remedies available to a secured party under applicable law with respect to Posted Collateral held by the Secured Party;
- (ii) any other rights and remedies available to the Secured Party under the terms of Other Posted Support, if any;
- (iii) the right to Set-off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral); and
- (iv) the right to liquidate any Posted Collateral held by the Secured Party through one or more public or private sales or other dispositions with such notice, if any, as may be required under applicable law, free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor (with the Secured Party having the right to purchase any or all of the Posted Collateral to be sold) and to apply the proceeds (or the Cash equivalent thereof) from the liquidation of the Posted Collateral to any amounts payable by the Pledgor with respect to any Obligations in that order as the Secured Party may elect.

Each party acknowledges and agrees that Posted Collateral in the form of securities may decline speedily in value and is of a type customarily sold on a recognized market, and, accordingly, the Pledgor is not entitled to prior notice of any sale of that Posted Collateral by the Secured Party, except any notice that is required under applicable law and cannot be waived.

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(b) *Pledgor's Rights and Remedies.* If at any time an Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then (except in the case of an Early Termination Date relating to less than all Transactions (or Swap Transactions) where the Secured Party has paid in full all of its obligations that are then due under Section 6(e) of this Agreement):

(i) the Pledgor may exercise all rights and remedies available to a pledgor under applicable law with respect to Posted Collateral held by the Secured Party;

(ii) the Pledgor may exercise any other rights and remedies available to the Pledgor under the terms of Other Posted Support, if any;

(iii) the Secured Party will be obligated immediately to Transfer all Posted Collateral and the Interest Amount to the Pledgor; and

(iv) to the extent that Posted Collateral or the Interest Amount is not so Transferred pursuant to (iii) above, the Pledgor may:

(A) Set-off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral); and

(B) to the extent that the Pledgor does not Set-off under (iv)(A) above, withhold payment of any remaining amounts payable by the Pledgor with respect to any Obligations, up to the Value of any remaining Posted Collateral held by the Secured Party, until that Posted Collateral is Transferred to the Pledgor.

(c) *Deficiencies and Excess Proceeds.* The Secured Party will Transfer to the Pledgor any proceeds and Posted Credit Support remaining after liquidation, Set-off and/or application under Paragraphs 8(a) and 8(b) after satisfaction in full of all amounts payable by the Pledgor with respect to any Obligations; the Pledgor in all events will remain liable for any amounts remaining unpaid after any liquidation, Set-off and/or application under Paragraphs 8(a) and 8(b).

(d) *Final Returns.* When no amounts are or thereafter may become payable by the Pledgor with respect to any Obligations (except for any potential liability under Section 2(d) of this Agreement), the Secured Party will Transfer to the Pledgor all Posted Credit Support and the Interest Amount, if any.

Paragraph 9. Representations

Each party represents to the other party (which representations will be deemed to be repeated as of each date on which it, as the Pledgor, Transfers Eligible Collateral) that:

(i) it has the power to grant a security interest in and lien on any Eligible Collateral it Transfers as the Pledgor and has taken all necessary actions to authorize the granting of that security interest and lien;

(ii) it is the sole owner of or otherwise has the right to Transfer all eligible Collateral it Transfers to the Secured Party hereunder, free and clear of any security interest, lien, encumbrance or other restrictions other than the security interest and lien granted under Paragraph 2;

(iii) upon the Transfer of any Eligible Collateral to the Secured Party under the terms of this Annex, the Secured Party will have a valid and perfected first priority security interest therein (assuming that any central clearing corporation or any third-party financial intermediary or other entity not within the control of the Pledgor involved in the Transfer of that Eligible Collateral gives the notices and takes the action required of it under applicable law for perfection of that interest); and

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(iv) the performance by it of its obligations under this Annex will not result in the creation of any security interest, lien or other encumbrance on any Posted Collateral other than the security interest and lien granted under Paragraph 2.

Paragraph 10. Expenses

(a) *General.* Except as otherwise provided in paragraphs 10(b) and 10(c), each party will pay its own costs and expenses in connection with performing its obligations under this Annex and neither party will be liable for any costs and expenses incurred by the other party in connection herewith.

(b) *Posted Credit Support.* The Pledgor will promptly pay when due all taxes, assessments or charges of any nature that are imposed with respect to Posted Credit Support held by the Secured Party upon becoming aware of the same, regardless of whether any portion of that Posted Credit Support is subsequently disposed of under Paragraph 6(c), except for those taxes, assessments and charges that result from the exercise of the Secured Party's rights under Paragraph 6(c).

(c) *Liquidation/Application of Posted Credit Support.* All reasonable costs and expenses incurred by or on behalf of the Secured Party or the Pledgor in connection with the liquidation and/or application of any Posted Credit Support under Paragraph 8 will be payable, on demand and pursuant to the Expenses Section of this Agreement, by the Defaulting Party or, if there is no Defaulting Party, equally by the parties.

Paragraph 11. Miscellaneous

(a) *Default Interest.* A Secured Party that fails to make, when due, any Transfer of Posted Collateral or the Interest Amount will be obligated to pay the Pledgor (to the extent permitted under applicable law) an amount equal to interest at the Default Rate multiplied by the Value of the items of property that were required to be Transferred, from (and including) the date that Posted Collateral or Interest Amount was required to be Transferred to (but excluding) the date of Transfer of that Posted Collateral or Interest Amount. This interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(b) *Further Assurances.* Promptly following a demand made by a party, the other party will execute, deliver, file and record any financing statement, specific assignment or other document and take any other action that may be necessary or desirable and reasonably requested by that party to create, preserve, perfect or validate any security interest or lien granted under Paragraph 2, to enable that party to exercise or enforce its rights under this Annex with respect to Posted Credit Support or an Interest Amount or to effect or document a release of a security interest on Posted Collateral or an Interest Amount.

(c) *Further Protection.* The Pledgor will promptly give notice to the Secured Party of, and defend against, any suit, action, proceeding or lien that involves Posted Credit Support Transferred by the Pledgor or that could adversely affect the security interest and lien granted by it under Paragraph 2, unless that suit, action, proceeding or lien results from the exercise of the Secured Party's rights under Paragraph 6(c).

(d) *Good Faith and Commercially Reasonable Manner.* Performance of all obligations under this Annex, including, but not limited to, all calculations, valuations and determinations made by either party, will be made in good faith and in a commercially reasonable manner.

(e) *Demands and Notices.* All demands and notices made by a party under this Annex will be made as specified in the Notices Section of this Agreement, except as otherwise provided in Paragraph 13.

(f) *Specifications of Certain Matters.* Anything referred to in this Annex as being specified in Paragraph 13 also may be specified in one or more Confirmations or other documents and this Annex will be construed accordingly.

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Paragraph 12. Definitions

As used in this Annex: -

"Cash" means the lawful currency of the United States of America.

"Credit Support Amount" has the meaning specified in Paragraph 3.

"Custodian" has the meaning specified in Paragraphs 6(b)(i) and 13.

"Delivery Amount" has the meaning specified in Paragraph 3(a).

"Disputing Party" has the meaning specified in Paragraph 5.

"Distributions" means with respect to Posted Collateral other than Cash, all principal, interest and other payments and distributions of cash or other property with respect thereto, regardless of whether the Secured Party has disposed of that Posted Collateral under Paragraph 6(c). Distributions will not include any item of property acquired by the Secured Party upon any disposition or liquidation of Posted Collateral or, with respect to any Posted Collateral in the form of Cash, any distributions on that collateral, unless otherwise specified herein.

"Eligible Collateral" means, with respect to a party, the items, if any, specified as such for that party in Paragraph 13.

"Eligible Credit Support" means Eligible Collateral and Other Eligible Support.

"Exposure" means for any Valuation Date or other date for which Exposure is calculated and subject to Paragraph 5 in the case of a dispute, the amount, if any, that would be payable to a party that is the Secured Party by the other party (expressed as a positive number) or by a party that is the Secured Party to the other party (expressed as a negative number) pursuant to Section 6(e)(ii)(2)(A) of this Agreement as if all Transactions (or Swap Transactions) were being terminated as of the relevant Valuation Time; *provided* that Market Quotation will be determined by the Valuation Agent using its estimates at mid-market of the amounts that would be paid for Replacement Transactions (as that term is defined in the definition of "Market Quotation").

"Independent Amount" means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

"Interest Amount" means, with respect to an Interest Period, the aggregate sum of the amounts of interest calculated for each day in that Interest Period on the principal amount of Posted Collateral in the form 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 that Cash on that day; multiplied by
- (y) the Interest Rate in effect for that day; divided by
- (z) 360.

"Interest Period" means the period from (and including) the last Local Business Day on which an Interest Amount was Transferred (or, if no Interest Amount has yet been Transferred, the Local Business Day on which Posted Collateral in the form of Cash was Transferred to or received by the Secured Party) to (but excluding) the Local Business Day on which the current Interest Amount is to be Transferred.

"Interest Rate" means the rate specified in Paragraph 13.

"Local Business Day", unless otherwise specified in Paragraph 13, has the meaning specified in the Definitions Section of this Agreement, except that references to a payment in clause (b) thereof will be deemed to include a Transfer under this Annex.

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"Minimum Transfer Amount" means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

"Notification Time" has the meaning specified in Paragraph 13.

"Obligations" means, with respect to a party, all present and future obligations of that party under this Agreement and any additional obligations specified for that party in Paragraph 13.

"Other Eligible Support" means, with respect to a party, the items, if any, specified as such for that party in Paragraph 13.

"Other Posted Support" means all Other Eligible Support Transferred to the Secured Party that remains in effect for the benefit of that Secured Party.

"Pledgor" means either party, when that party (i) receives a demand for or is required to Transfer Eligible Credit Support under Paragraph 3(a) or (ii) has Transferred Eligible Credit Support under Paragraph 3(a).

"Posted Collateral" means all Eligible Collateral, other property, Distributions, and all proceeds thereof that have been Transferred to or received by the Secured Party under this Annex and not Transferred to the Pledgor pursuant to paragraph 3(b), 4(d)(ii) or 6(d)(i) or released by the Secured Party under Paragraph 8. Any Interest Amount or portion thereof not Transferred pursuant to Paragraph 6(d)(ii) will constitute Posted Collateral in the form of Cash.

"Posted Credit Support" means Posted Collateral and Other Posted Support.

"Recalculation Date" means the Valuation Date that gives rise to the dispute under Paragraph 5; *provided, however*, that if a subsequent Valuation Date occurs under Paragraph 3 prior to the resolution of the dispute, then the "Recalculation Date" means the most recent Valuation Date under Paragraph 3.

"Resolution Time" has the meaning specified in Paragraph 13.

"Return Amount" has the meaning specified in Paragraph 3(b).

"Secured Party" means either party, when that party (i) makes a demand for or is entitled to receive Eligible Credit Support under Paragraph 3(a) or (ii) holds or is deemed to hold Posted Credit Support.

"Specified Condition" means, with respect to a party, any event specified as such for that party in Paragraph 13.

"Substitute Credit Support" has the meaning specified in Paragraph 4(d)(i).

"Substitution Date" has the meaning specified in Paragraph 4(d)(ii).

"Threshold" means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

"Transfer" means, with respect to any Eligible Credit Support, Posted Credit Support or Interest Amount, and in accordance with the instructions of the Secured Party, Pledgor or Custodian, as applicable:

(i) in the case of Cash, payment or delivery by wire transfer into one or more bank accounts specified by the recipient;

(ii) in the case of certificated securities that cannot be paid or delivered by book-entry, payment or delivery in appropriate physical form to the recipient or its account accompanied by any duly executed instruments of transfer, assignments in blank, transfer tax stamps and any other documents necessary to constitute a legally valid transfer to the recipient;

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(iii) in the case of securities that can be paid or delivered by book-entry, the giving of written instructions to the relevant depository institution or other entity specified by the recipient, together with a written copy thereof to the recipient, sufficient if complied with to result in a legally effective transfer of the relevant interest to the recipient; and

(iv) in the case of Other Eligible Support or Other Posted Support, as specified in Paragraph 13.

"Valuation Agent" has the meaning specified in Paragraph 13.

"Valuation Date" means each date specified in or otherwise determined pursuant to Paragraph 13.

"Valuation Percentage" means, for any item of Eligible Collateral, the percentage specified in Paragraph 13.

"Valuation Time" has the meaning specified in Paragraph 13.

"Value" means for any Valuation Date or other date for which Value is calculated and subject to Paragraph 5 in the case of a dispute, with respect to:

(i) Eligible Collateral or Posted Collateral that is:

(A) Cash, the amount thereof; and

(B) a security, the bid price obtained by the Valuation Agent multiplied by the applicable Valuation Percentage, if any;

(ii) Posted Collateral that consists of items that are not specified as Eligible Collateral, zero; and

(iii) Other Eligible Support and Other Posted Support, as specified in Paragraph 13.

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International Swaps and Derivatives Association, Inc.

SCHEDULE to the CREDIT SUPPORT ANNEX

dated as of December 4, 2009

between

Sequent Energy Management, L.P.,
a limited partnership organized under
the laws of the State of Georgia

and

Integrus Energy Services - Natural Gas,
LLC, a limited liability company
organized under the laws of the State of
Delaware

("Party A")

("Party B")

Paragraph 13. Elections and Variables

- (a) **Security Interest for "Obligations".** The term "*Obligations*" as used in this Annex includes the following additional obligations:

With respect to Party A: None

With respect to Party B: None

- (b) **Credit Support Obligations.**

- (i) **Delivery Amount, Return Amount and Credit Support Amount:**

- (1) "*Delivery Amount*", or the amount of Adequate Assurance due under the Energy Management Agreement, has the meaning specified in Paragraph 3(a), with respect to Party A and Party B, provided however with respect to Party B as Pledgor, in the event that the amount of Posted Credit Support is equal to \$100,000,000 (USD), the Delivery Amount due Party A shall be zero.
- (2) "*Return Amount*" has the meaning specified in Paragraph 3(b).
- (3) "*Credit Support Amount*" has the meaning specified in Paragraph 3 with respect to Party A. With respect to Party B, the *Credit Support Amount* shall have the meaning set forth in Section 3.5 of the Energy Management Agreement between Party A and Party B, which for the convenience of the parties, is restated here: Credit Support Amount with respect to Party B shall mean an amount not greater than (i) Exposure minus (ii) 90% of outstanding receivables of Party B from its Customers that have not been paid into the

Lockbox Account, minus (iii) the amount of any cash in the Lockbox Account, provided however to the extent that the Credit Support Amount exceeds \$100,000,000 then \$100,000,000 shall be used to calculate the Delivery Amount due Party A..

"Energy Management Agreement" shall mean the Energy Management Agreement executed on October 28, 2009 by and between Party A and Party B, as it may be amended from time to time. In the event that Section 3.5 of the Energy Management Agreement is amended then such amendments shall be incorporated herein.

- (ii) **Eligible Collateral.** The following items will qualify as **"Eligible Collateral"** for the party specified:

	Party A (X if applicable)	Party B (X if applicable)	Valuation Percentage
(A) Cash	X	X	100%

- (iii) **Other Eligible Support.** The following items will qualify as **"Other Eligible Support"** for Party A and Party B:

- (1) Letters of Credit (as defined in Paragraph 13(j)(iii) hereof).

The Valuation Percentage shall be 100% of the Value of such Other Eligible Support unless (i) a Letter of Credit Default shall apply 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 either of which case the Valuation Percentage shall be zero.

- (2) Parental Guaranty, as defined below.

- (3) As mutually agreed upon by Party A and Party B.

- (iv) (i) **Thresholds.** In regard to Party A \$75,000,000, provided however the Threshold set forth herein with respect to Party A together with the Threshold for Party A under Credit Support Annex to the ISDA Master Agreement effective as of December 4, 2009, by and between Party A and Integrys Energy Services, Inc, as it may be amended from time to time shall not exceed \$75,000,000; and

In regard to Party B, Threshold shall mean the amount of the effective guaranty of Party B's Credit Support Provider provided to Party A, if any, guarantying payments under this Agreement and naming Party A as its beneficiary ("Parental Guaranty"). Party B may satisfy a demand by Party A for a Delivery Amount, by delivering to Party A a Parental Guaranty, or an increase in the amount guaranteed by the Parental Guaranty, as applicable, provided the amount of the Parental Guaranty, or the increase in the amount guaranteed is at least equal to the Delivery Amount, and such delivery is completed upon or prior to the date and time the Transfer of the Delivery Amount is due. In addition Party B may replace the existing Parental Guaranty with a Parental Guaranty of a lesser amount provided that (i) a Delivery Amount is not created for Party B as a result, and (ii) if the Energy Management Agreement is effective between Party A and Party B, then the amount of the Parental Guaranty shall not be reduced below \$50,000,000.

Notwithstanding the Threshold identified above with respect to a Party, the Threshold shall be zero (\$0) with respect to a Party if (1) a Credit Event Upon Merger occurs with respect to a Party, its Credit

Support Provider or any Specified Entity identified with respect to 5(b)(iv), or (2) on any applicable date an Event of Default or Potential Event of Default has occurred and is continuing with respect to that party.

- (v) **Minimum Transfer Amount.** In regard to Party A and Party B, the Minimum Transfer Amount shall be \$100,000, provided however if an Event of Default shall have occurred with respect to a party, the Minimum Transfer Amount with respect to that Party shall be zero (\$0).
- (vi) **Rounding.** The Delivery Amount will be rounded up and the Return Amount will be rounded down to the nearest integral multiple of \$100,000, respectively.
- (vii) **Independent Amount:** None.

(c) **Valuation and Timing.**

- (i) **"Valuation Agent"** means, for purposes of Paragraph 3, the party making the demand under Paragraph 3; for purposes of Paragraph 4(d), the Secured Party for purposes of calculating the Value of the Substitute Credit Support and Posted Credit Support involved in the substitution; for purposes of Paragraph 5, the Secured Party; and for the purposes of Paragraph 6(d), the Secured Party receiving or deemed to receive the Distributions or the Interest Amount, as applicable. Notwithstanding the foregoing, in all cases if an Event of Default or Potential Event of Default or Specified Condition has occurred and is continuing with respect to the party designated as the Valuation Agent, then in such case, and for so long as the Event of Default or Potential Event of Default or Specified Condition is continuing, the other party shall be the Valuation Agent.
- (ii) **"Valuation Date"** means at the request of either party, any Local Business Day which, if treated as a Valuation Date, would result in a Delivery Amount or Return Amount.
- (iii) **"Valuation Time"** means the close of business in the city of the Valuation Agent on the Local Business Day before the Valuation Date or date of calculation, as applicable, or any time on the Valuation Date or date of calculation, as applicable; *provided* that the calculations of Value and Exposure will be made as of approximately the same time on the same date.
- (iv) **"Notification Time"** means 5:00 p.m., New York time, on a Local Business Day.
- (v) **Paragraph 4(b)** is modified such that the word "fifth" replaces the word "next" in the third line before the words "Local Business Day" and the word, "sixth" replaces the word "second" in the fifth line before words "Local Business Day thereafter".

(vi) **Alternative. The provisions of Paragraph 5 will apply with the following modifications:**

- (1) the word "fifth" is added following the words "close of business on the" in the seventh line;
- (2) the words "provided the demand is made at or before the Notification Time" are added before the comma in line eight; and
- (3) the words "and not later than the close of business on the sixth Local Business Day if the demand is made after the Notification Time" are added after the comma in line eight

(d) **Conditions Precedent and Secured Party's Rights and Remedies.** Section 4(a)(ii) is modified by adding the words "Termination Event," after the words "Event of Default". For all other purposes of

	<u>Party A</u>	<u>Party B</u>
Illegality	<input type="checkbox"/>	<input type="checkbox"/>
Tax Event	<input type="checkbox"/>	<input type="checkbox"/>
Tax Event Upon Merger	<input type="checkbox"/>	<input type="checkbox"/>
Credit Event Upon Merger	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Additional Termination Event(s):	<input type="checkbox"/>	<input type="checkbox"/>

(e) **Substitution.**

- (i) **"Substitution Date"** has the meaning specified in Paragraph 4(d)(ii).
- (ii) **Consent.** If specified here as applicable, then the Pledgor must obtain the Secured Party's consent for any substitution pursuant to Paragraph 4(d): Inapplicable.

(f) **Dispute Resolution.**

- (i) **"Resolution Time"** means 1:00 p.m., New York time, on the Local Business Day following the date on which the notice is given that gives rise to a dispute under Paragraph 5.
- (ii) **Value.** For the purpose of Paragraphs 5(i)(C) and 5(ii), the Value of Posted Credit Support will be calculated as follows: (A) with respect to cash, the face value of such cash collateral, and (B) with respect to Letters of Credit, an amount equal to the value as calculated in Paragraph 13(j)(i).

(g) **Holding and Using Posted Collateral.**

- (i) **Eligibility to Hold Posted Collateral: Custodians.** Party A and its Custodian will be entitled to hold Posted Collateral pursuant to Paragraph 6(b); *provided* that the following conditions applicable to it are satisfied:

- (1) Party A is not a Defaulting Party.
- (2) Posted Collateral may be held only in the following jurisdictions: United States of America.

Initially, the **Custodian** for Party A is: None.

Party B and its Custodian will be entitled to hold Posted Collateral pursuant to Paragraph 6(b); *provided* that the following conditions applicable to it are satisfied:

- (1) Party B is not a Defaulting Party.
- (2) Posted Collateral may be held only in the following jurisdictions: United States of America.

Initially, the **Custodian** for Party B is: None.

- (ii) Notwithstanding the foregoing, each party hereby covenants and agrees that, except at such times as the Secured Party's Credit Support Provider has a Credit Rating of at least BBB- by S&P or Baa3 by Moody's, it will cause all Posted Collateral in the form of cash received from the Pledgor to be entered in

one or more accounts (each, a "*Collateral Account*") with a Qualified Institution (as defined in Paragraph 13(j)(iii)(B) hereof), each of which accounts may include property of other parties.

Use of Posted Collateral. The provisions of Paragraph 6(c) will apply to Party A and to Party B.

(h) Distributions and Interest Amount.

(i) *Interest Rate.* The "*Interest Rate*" will be at a rate per annum equal to the "Federal Funds Effective" rate in effect for such day, as published in the most recent weekly statistical release designated as H.15(519), or any successor publication, published by the Board of Governors of the Federal Reserve System.

(ii) *Transfer of Interest Amount.* The Transfer of Interest Amount will be calculated upon request by the Pledgor which shall not be more than once monthly, added to Posted Collateral and transferred on any Local Business Day that Posted Collateral in the form of Cash is Transferred to the Pledgor pursuant to Paragraph 3(b).

(iii) *Alternative to Interest Amount.* The provisions of Paragraph 6(d)(ii) will apply.

(i) **Additional Representation(s).** Pledgor shall be deemed to make the representations and warranties set forth in Section 3 of the Agreement on each Delivery Date.

(j) Other Eligible Support and Other Posted Support.

(i) "**Value**" with respect to Other Eligible Support and Other Posted Support means with respect to Letters of Credit, an amount equal to the Valuation Percentages less any drawn portion of any Letter of Credit maintained by the Pledgor (or its Credit Support Provider) for the benefit of the Secured Party.

(ii) "**Transfer**" with respect to Other Eligible Support and Other Posted Support means:

(1) *(For Letters of Credit).* For purposes of Paragraph 3(a), delivery of the Letter of Credit by the Pledgor or the issuer of the Letter of Credit to the Secured Party at the address of the Secured Party specified in the Notices Section of this Agreement, or delivery of an executed amendment to such Letter of Credit (extending the term or increasing the amount available to the Secured Party thereunder) by the Pledgor or the issuer of the Letter of Credit to the Secured Party at address of the Secured Party specified in the Notices Section of this Agreement; and

(2) *(For Letters of Credit).* For purposes of Paragraph 3(b), by return of an outstanding Letter of Credit by the Secured Party, together with a release or termination in form and substance satisfactory to the Pledgor, at the address of the Pledgor specified in the Notices Section of this Agreement, or delivery by the Secured Party of an executed amendment to the Letter of Credit in form and substance satisfactory to the Pledgor (reducing the amount available to the Secured Party thereunder) to the Pledgor or the issuer of the Letter of Credit at the Pledgor's address specified in the Notices Section of this Agreement. If a Transfer is to be effected by a reduction in the amount of an outstanding Letter of Credit previously issued for the benefit of the Secured Party, the Secured Party shall not unreasonably withhold its consent to a commensurate reduction in the amount of such Letter of Credit and shall take such action as is reasonably necessary to effectuate such reduction.

- (iii) **Letter of Credit Provisions:** Other Eligible Support and Other Posted Support provided in the form of a Letter of Credit shall be subject to the following provisions:

Letters of Credit – Definitions.

- (A) **Letter of Credit** means an irrevocable, non-transferable, standby letter of credit, maintained for the benefit of the Secured Party, and issued by a Qualified Institution in substantially the same form as attached hereto as Exhibit A with such changes as the Parties may agree and/or the issuer may require.
- (B) **Qualified Institution** means the domestic office of a commercial bank or trust company (which is not an Affiliate of the Pledgor) organized under the laws of the United States (or any state or a political subdivision thereof) having assets of at least \$10 Billion and a Credit Rating of at least (i) A3 from Moody's and (ii) A- from S&P.

Letters of Credit – Other Provisions

- (A) **Requirements for Letters of Credit.** A Letter of Credit shall provide that a drawing be made on the Letter of Credit upon submission to its issuer of one or more documents specifying that the Pledgor has failed to meet its obligations under the Agreement and containing such other terms as agreed upon by the issuer and the Secured Party.
- (B) **Proceeds.** In respect of any Letter of Credit, to the extent that the Secured Party draws under such Letter of Credit, the Secured Party may apply any proceeds of such drawing against any amount payable to it in respect of an Early Termination Date (whether or not such date is designated) and/or exercise any other applicable rights it may have in respect of such proceeds, including but not limited to deeming such proceeds Posted Credit Support and/or maintaining such proceeds as performance assurance.
- (C) **Drawing. If**
- (1) an Event of Default or Termination Event has occurred and is continuing with respect to a Pledgor of an outstanding Letter of Credit;
 - (2) an Early Termination Date is designated or deemed to occur as a result of an Event of Default or Termination Event with respect to a Pledgor of an outstanding Letter of Credit;
 - (3) the Pledgor of an outstanding Letter of Credit shall fail to pay or Transfer, when due any amount payable by it under the Agreement or the Annex and such failure is continuing after giving effect to any applicable notice and cure period provisions; or
 - (4) a Letter of Credit Default has occurred and is continuing with respect to a Letter of Credit that is or comprises a portion of a party's Posted Credit Support,

then the Secured Party may draw on the entire or part of the undrawn portion of any outstanding Letter of Credit. The Pledgor shall remain liable for any amounts due and payable to the Secured Party and remaining unpaid after the application of the amounts so drawn by the Secured Party. Notwithstanding any other provision in the Annex, any cash

drawn on a Letter of Credit not applied to other amounts then due may constitute Eligible Credit Support and be deemed Posted Credit Support.

Letter of Credit Default. A Letter of Credit Default shall occur with respect to the Pledgor if the Pledgor fails to provide a substitute Letter of Credit or Other Eligible Support, or otherwise cure the failure, within three (3) days of notice of any of the following events:

- (1) the issuer of such Letter of Credit failing to maintain a Credit Rating of at least A- by S&P and A3 by Moody's;
- (2) the issuer of the Letter of Credit failing to comply with or perform its obligations under such Letter of Credit;
- (3) the issuer of such Letter of Credit disaffirming, disclaiming, repudiating or rejecting, in whole or in part, or challenging the validity of, such Letter of Credit;
- (4) the issuer of such Letter of Credit failing to renew or replace the Letter of Credit at least twenty (20) Local Business Days prior to the expiration of such Letter of Credit;
- (5) such Letter of Credit expiring or terminating, or failing or ceasing to be in full force and effect at any time during the term of this Agreement, in any such case without replacement; or
- (6) any event analogous to an event specified in Section 5(a)(vii) of this Agreement shall occur with respect to the issuer of such Letter of Credit;

provided, however, that no such 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 cancelled, returned, or Transferred (pursuant to Paragraph 3(b)) to the Pledgor in accordance with the terms of this Annex.

Notwithstanding any other provision in this Annex, a Letter of Credit Default (that is not cured by the Pledgor in accordance with the terms of this Annex) shall constitute an Event of Default with respect to the Pledgor under Section 5(a)(iii) of the Agreement.

- (D) **Expenses.** Notwithstanding any other provision in the Annex, in all cases, the costs and expenses of establishing, renewing, substituting, canceling, increasing and reducing the amount of (as the case may be) one or more Letters of Credit shall be borne by the Pledgor.

(k) Certain Rights and Remedies.

- (i) **"Secured Party's Rights and Remedies."** For purposes of paragraph 8(a)(ii), the Secured Party may draw on any outstanding Letter of Credit in an amount equal to any amounts payable by the Pledgor with respect to any Obligations.
- (ii) **"Pledgor's Rights and Remedies."** With respect to Paragraph 8(b):

(A) modify 8(b)(iii) by adding the words "Other Posted Support," before the words "Posted Collateral",

(B) modify 8(b)(iv)(A) by adding "Other Posted Support," before the words "Posted Collateral", and

(C) modify 8(b)(iv)(B) by adding the words "Other Posted Support and/or" before the words "Posted Collateral" in both places where it appears in 8(b)(iv)(B).

(l) **Demands and Notices.** All demands, specifications, and notices under this Annex will be made pursuant to the Notices Section of this Agreement.

(m) **Addresses for Transfers.** All transfers under this Annex will be made pursuant to the Account Section of this Agreement.

(n) **Other Provisions.** As used in this Annex:

"Credit Rating" shall mean, with respect to an entity, a party or a party's Credit Support Provider, as applicable, on any date of determination, the lower of the respective rating then assigned to its unsecured and senior, long-term debt or deposit obligations (not supported by third party credit enhancement) by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies or its successor ("S&P") or Moody's Investors Service, or its successor ("Moody's").

(o) The definition of "Exposure in Paragraph 12 of the Annex is hereby amended to read in its entirety as follows:

"Exposure" means for any Valuation Date or other date for which Exposure is calculated and subject to Paragraph 5 in the case of a dispute, the amount, if any, that would be payable to a party that is the Secured Party by the other party (expressed as a positive number) or by a party that is the Secured Party to the other party (expressed as a negative number) pursuant to Section 6(e)(ii)(l) of this Agreement if all Transactions were being terminated as of the relevant Valuation Time, on the basis that (i) that party is not the Affected Party and (ii) United States Dollars is the Termination Currency; provided that the Close-out Amount will be determined by the Valuation Agent on behalf of that party using its estimates at mid-market of the amounts that would be paid for transactions providing the economic equivalent of (x) the material terms of the Transactions, including the payments and deliveries by the parties under Section 2(a)(i) in respect of the Transactions that would, but for the occurrence of the relevant Early Termination Date, have been required after that date (assuming satisfaction of the conditions precedent in Section 2(a)(iii)); and (y) the option rights of the parties in respect of the Transactions.

IN WITNESS WHEREOF the parties have executed this document as of the date first above written.

PARTY A:

SEQUENT ENERGY MANAGEMENT, L.P.

By: _____

Name: _____

Title: _____

Darlyn R. Jones
SVP, Risk Control

Contracts:	MLB for PM
Credit:	DA
Legal:	BTR

PARTY B:

INTEGRYS ENERGY SERVICES - NATURAL GAS, LLC

By: _____

Name: _____

Title: _____

Daniel J. Verbanac
Vice President

CORPORATE GUARANTY

This Corporate Guaranty (this "Guaranty") is entered into as of March 18th, 2010 by Integrys Energy Group, Inc., a Wisconsin corporation (herein together with its successors and permitted assigns, the "Guarantor"), in favor of Sequent Energy Management, L.P., a Georgia limited partnership (herein together with its successors and assigns, "Guaranteed Party").

WHEREAS, Integrys Energy Services - Natural Gas, LLC, a Delaware limited liability company, is an indirect wholly owned subsidiary of Guarantor (herein together with its successors and assigns, "IES Obligor"); and

WHEREAS, Integrys Energy Services, Inc., a Wisconsin corporation, is a wholly owned subsidiary of Guarantor (herein together with its successors and assigns, "TEGE Obligor", and together with IES Obligor, the "Obligors"); and

WHEREAS, IES Obligor and Guaranteed Party have executed the following agreements: an Energy Management Agreement dated as of October 28, 2009 ("EMA"), an ISDA Master Agreement and Credit Support Annex and Gas Annex ("ISDA Master Agreement"), a Lockbox Agreement and a Collateral Assignment, all dated as of December 4, 2009 (collectively the "IES Agreements"); and

WHEREAS, TEGE Obligor and Guaranteed Party have executed an ISDA Master Agreement and Credit Support Annex and Gas Annex dated as of December 4, 2009 (the "TEGE Agreement", and together with the IES Agreements, the "Agreements"); and

WHEREAS, as consideration for the benefits that Guarantor will receive as a result of Obligors executing the Agreements with Guaranteed Party, Guarantor is willing to guarantee both respective Obligors' payment obligations under the terms of the Agreements.

NOW, THEREFORE, for value received, the receipt and sufficiency of which are hereby acknowledged, Guarantor agrees as follows:

Guarantor hereby unconditionally guarantees the prompt payment of all indebtedness that now is or may hereafter become due and payable from either Obligor to Guaranteed Party under the Agreements pursuant to the terms and conditions thereof (including, without limitation, interest thereon (inclusive of post-petition interest) and late charges, money damages and other monetary amounts) and subject to the provisions of this Guaranty. Guarantor further promises to pay reasonable attorney's fees and costs incurred by Guaranteed Party in enforcing such payment against Guarantor. The indebtedness guaranteed under this paragraph and the reasonable attorney's fees and costs payable by Guarantor are herein referred to as the "Guaranteed Liabilities".

This Guaranty shall be a continuing guaranty of payment and not of collection, and Guarantor shall have no obligation to perform or cause either Obligor to perform under the Agreements. It shall remain in full force and effect until the termination date of this Guaranty, which shall be the date the EMA and the ISDA Master Agreement are terminated in accordance with their terms. This Guaranty shall be revocable only with respect to liabilities occurring on or after the termination date of this Guaranty. Termination of this Guaranty shall not affect Guarantor's obligations for Guaranteed Liabilities arising prior to the termination date of this Guaranty. Notwithstanding anything contained herein to the contrary, the maximum aggregate liability of Guarantor under this Guaranty is limited to the amount of sixty million dollars (\$60,000,000). At such time as Guarantor and Guaranteed Party mutually agree in writing that all of TEGE Obligor's obligations under the TEGE Agreement have terminated or been satisfied in accordance with its terms, this Guaranty shall cease to apply with respect to any Guaranteed Liabilities or other obligations of TEGE Obligor, but it shall otherwise remain in full force and effect.

Guarantor shall not be discharged or released from its obligations hereunder by any proceeding, voluntary or involuntary, involving the bankruptcy, insolvency, receivership, reorganization, liquidation or arrangement of Obligor or by any defense which either Obligor may have by reason of the order, decree or decision of any court or administrative body resulting from any such proceeding, including without limitation, the rejection of any of the Agreements as an executory contract. This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Liabilities is rescinded or must otherwise be returned by Guaranteed Party upon the insolvency, bankruptcy, or reorganization of either Obligor, Guarantor, or any other guarantor or otherwise, all as though such payment had not been made.

my
3/19/10

Guarantor waives notice of acceptance of this Guaranty and notice of all defaults or disputes with either Obligor and notices of presentment, demand, dishonor, protest or other notices of any kind, other than those expressly required hereunder. Guarantor hereby consents to and waives notice of, and hereby agrees that this Guaranty is unaffected by, any and all changes of terms, amendments or other modifications to the Agreements, the withdrawal or extension of credit or time to pay, the release of the whole or any part of either Obligor's indebtedness, the settlement or compromise of differences, the acceptance or release of security, the acceptance of notes, or any other form of obligation for either Obligor's indebtedness, and the demand, protest, and notice of protest of such instruments or their endorsements.

Guarantor reserves to itself all rights, setoffs, counterclaims and other defenses to which either Obligor may have to payment of any indebtedness under the Agreements, other than (a) defenses arising from the bankruptcy or insolvency of an Obligor, and (b) any other defenses expressly waived by an Obligor in its respective Agreement(s) with Guaranteed Party or otherwise waived in this Guaranty.

Upon the failure of an Obligor to pay any amount due and payable to Guaranteed Party under the Agreements, Guaranteed Party shall give written notice of such failure to Guarantor and Guarantor shall pay or cause to be paid the amount owed within five (5) business days.

Guarantor hereby represents and warrants to Guaranteed Party that (i) Guarantor is duly organized and validly existing under the laws of the jurisdiction of its incorporation and, if applicable under such laws, in good standing, (ii) Guarantor has all necessary corporate power and authority under its Articles of Incorporation or its By-Laws and all applicable laws to enter into this Guaranty and to perform its obligations hereunder, (iii) the execution, delivery and performance of this Guaranty by Guarantor have been duly authorized by all necessary corporate action and do not contravene or breach any agreement to which Guarantor is a party or is bound, (iv) Guarantor's obligations under this Guaranty constitute legal, valid and binding obligations, enforceable in accordance with its terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)), and (v) as of the date hereof and after giving effect to this Guaranty, Guarantor is solvent.

Demands on Guarantor for payment under this Guaranty shall be in writing and delivered by certified mail, postage prepaid and return receipt requested, or by facsimile to:

Integrus Energy Group, Inc.
700 North Adams Street
Green Bay, WI 54301
Attn: Brad Johnson
Phone: (920) 433-1449
Fax: (920) 433-7653

Any notices by Guarantor to Guaranteed Party shall be in writing and delivered by certified mail, postage prepaid and return receipt requested, or by facsimile to:

Sequent Energy Management, L.P.
1200 Smith Street, Suite 900
Houston, TX 77002
Attn: Credit Manager
Phone: (832) 397-1700
Fax: (832) 397-1781

This Guaranty shall be binding upon the successors and permitted assigns of Guarantor and inure to the benefit of Guaranteed Party and its successors and assigns. This Guaranty may not be assigned by Guarantor without the prior written consent of Guaranteed Party, which consent shall not be unreasonably withheld.

THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF WISCONSIN, DISREGARDING, HOWEVER, ANY CONFLICT OF LAWS PROVISIONS THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF SOME OTHER STATE, AND IS INTENDED TO BE PERFORMED IN ACCORDANCE WITH, AND TO THE EXTENT PERMITTED BY, SUCH LAWS. GUARANTOR AND GUARANTEED PARTY HEREBY WAIVE ALL RIGHTS TO A JURY TRIAL.

This Guaranty contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior negotiations, understandings, agreements and guaranties between the parties, whether oral or written, relating thereto. Guaranteed Party agrees that any such prior guaranties are revoked and replaced by this Guaranty.

If any one or more provisions of this Guaranty shall for any reason or to any extent be determined invalid or unenforceable, all other provisions shall, nevertheless, remain in force and effective.

Delivery of an executed counterpart of a signature page to this Guaranty by facsimile or electronic transmission shall be effective as delivery of a manually executed counterpart of this Guaranty.

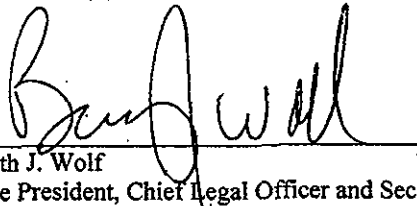
IN WITNESS WHEREOF, Guarantor has duly executed this Guaranty on this 18th day of March, 2010.

GUARANTOR: Integrys Energy Group, Inc.

By:

Name: Barth J. Wolf

Title: Vice President, Chief Legal Officer and Secretary



CONTAINS INFORMATION THAT HAS BEEN REQUESTED TO BE
CONFIDENTIAL

C-5 Exhibit C-5 "Forecasted Financial Statements," provide two years of forecasted financial statements (balance sheet, income statement, and cash flow statement) for the applicant's CRNGS operation, along with a list of assumptions, and the name, address, email address, and telephone number of the preparer.

The forecasted financial statements are attached. (See Attachment M)

Should you have additional questions regarding the forecasted financial statements, please contact Amy Klaviter, Regulatory Compliance Analyst at 312-681-1855. This information has been prepared by Tiffani Terracina, Lead Senior Accountant, 1716 Lawrence Drive, DePere, WI 54115, TRTerracina@integrysenergy.com, 920-617-6423.

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Integrus Energy Services - Natural Gas, LLC**Projected Financial Statements****Calendar Years 2012 and 2013****\$Millions****Income Statement**

	<u>2012</u>	<u>2013</u>
Total Revenues	\$ 754.3	\$ 995.6
Total Cost of Goods Sold	705.0	939.6
Realized Gross Margin	49.3	56.0
Operating Expense	41.7	47.0
Operating Income	7.6	9.0
Interest	(0.3)	(0.3)
Income Before Taxes	7.9	9.3
Income Taxes	-	-
Net Income (Loss)	\$ 7.9	\$ 9.3

Major Assumptions

Expecting to sell approximately 141 Bcf and 175 Bcf of natural gas in 2012 and 2013, respectively

Labor is the largest single driver of operating expenses. The financials assume we have 104 people by the end of 2013.

Nat Gas is an LLC, assumed zero taxes. Integrus actual effective rates are typically in the range of 39% to 41%.

Balance Sheet

	<u>2012</u>	<u>2013</u>
Cash	\$ 0.8	\$ 0.1
Exchange Margin Deposits	-	-
Accounts Receivable	149.6	127.5
Storage Inventory	36.8	39.9
Risk Management Assets - ST	26.7	26.7
Current Assets	213.9	194.2
Risk Management Assets - LT	11.5	11.5
Restricted Cash - LT	3.0	3.0
Total Assets	\$ 228.4	\$ 208.7

Major Assumptions

Assumed a typical payment lag for billed receivables and an estimated unbilled amount for the current month.

Assumed 7.3 Bcf of gas in storage at the end of both years

Accounts Payable	\$ 106.5	\$ 77.5
Risk Management Liabilities - ST	\$ 21.2	\$ 21.2
Risk Management Liabilities - LT	\$ 6.1	\$ 6.1
Total Liabilities	133.8	104.8
Current year Net Income	7.9	9.3
Retained Earnings	74.3	82.2
Additional Paid in Capital	12.4	12.4
Cumm. Additional Capital (Distrib.)	-	-
Equity	94.6	103.9
Total Liabilities and Equity	\$ 228.4	\$ 208.7

Gas supply invoices are typically paid on the 25th of the month following delivery. A/P is assumed to include just the accrued amount for the current month.

Cash Flow Statement

	<u>2012</u>	<u>2013</u>
Net Income	\$ 7.9	\$ 9.3
Funds from Operations	7.9	9.3
Change in Working Capital:		
Accounts Receivable	(31.9)	22.1
Storage Inventory	(1.1)	(3.1)
Accounts Payable	25.8	(29.0)
Total Change in Working Capital	(7.2)	(10.0)
Cash Flow provided by Operations	0.7	(0.7)
Cash Flow provided by Investing	-	-
Cash Flow provided by Financing	-	-
Additional Capital/ (Distributions)	-	-
Net Cash Flow	\$ 0.7	\$ (0.7)
Beginning Cash Balance	\$ 0.1	\$ 0.8
Ending Cash Balance	0.8	0.1
Net Change in Cash	\$ 0.7	\$ (0.7)

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