

PARAGRAPH 10
to the
COLLATERAL ANNEX
to the
EEl MASTER POWER PURCHASE AND SALE AGREEMENT

CREDIT ELECTIONS COVER SHEET

This Paragraph 10 to the Collateral Annex to the EEl Master Power Purchase and Sale Agreement (the “Master Agreement”) is entered into between Citigroup Energy Inc. (“CEI” or “Party A”) and (“City of Rochelle” or “Party B”) as of [_____], and governs Party A’s and Party B’s obligations relating to Performance Assurance under the Master Agreement. Capitalized terms used herein shall have the meaning set forth in the following order of precedence: (a) this Collateral Annex and (b) the Master Agreement.

Paragraph 10. Elections and Variables

I. Collateral Threshold.

A. Party A Collateral Threshold.

- \$_____ (the “Threshold Amount”); *provided, however*, that the Collateral Threshold for Party A shall be zero upon the occurrence and during the continuance of an Event of Default or a Potential Event of Default with respect to Party A; *and provided further that*, in the event that, and on the date that, Party A cures the Potential Event of Default on or prior to the date that Party A is required to post Performance Assurance to Party B pursuant to a demand made by Party B pursuant to the provisions of the Collateral Annex on or after the occurrence of such Potential Event of Default, (i) the Collateral Threshold for Party A shall automatically increase from zero to the Threshold Amount and (ii) Party A shall be relieved of its obligation to post Performance Assurance pursuant to such demand.
- (a) The amount (the “Threshold Amount”) set forth below opposite the lower of the Credit Rating for Party A’s Guarantor on the relevant date of determination, or (b) zero if on the relevant date of determination its Guarantor does not have a Credit Rating from the rating agency(ies) specified below or an Event of Default or a Potential Event of Default with respect to Party A has occurred and is continuing; *provided, however*, in the event that, and on the date that, Party A cures the Potential Event of Default on or prior to the date that Party A is required to post Performance Assurance to Party B pursuant to a demand made by Party B pursuant to the provisions of the Collateral Annex on or after the occurrence of such Potential Event of Default, (i) the Collateral Threshold for Party A shall automatically increase from zero to the Threshold Amount and (ii) Party A shall be relieved of its obligation to post Performance Assurance pursuant to such demand.
- The amount of the Guaranty Agreement dated ____ from ____, as amended from time to time but in no event shall Party A’s Collateral Threshold be greater than \$_____.
- Other – see attached threshold terms.

B. Party B Collateral Threshold.

- \$_____; *provided, however*, that the Collateral Threshold for Party B shall be zero upon the occurrence and during the continuance of an Event of Default or a Potential Event of

Default with respect to Party B; *and provided further that*, in the event that, and on the date that, Party B cures the Potential Event of Default on or prior to the date that Party B is required to post Performance Assurance to Party A pursuant to a demand made by Party A pursuant to the provisions of the Collateral Annex on or after the occurrence of such Potential Event of Default, (i) the Collateral Threshold for Party B shall automatically increase from zero to the Threshold Amount and (ii) Party B shall be relieved of its obligation to post Performance Assurance pursuant to such demand.

- (a) The amount opposite the lower of the Credit Rating for Party B on the relevant date of determination, or (b) zero if on the relevant date of determination Party B does not have a Credit Rating from the rating agency(ies) specified below or an Event of Default or a Potential Event of Default with respect to Party B has occurred and is continuing; *provided, however*, in the event that, and on the date that, Party B cures the Potential Event of Default on or prior to the date that Party B is required to post Performance Assurance to Party A pursuant to a demand made by Party A pursuant to the provisions of the Collateral Annex on or after the occurrence of such Potential Event of Default, (i) the Collateral Threshold for Party B shall automatically increase from zero to the Threshold Amount and (ii) Party B shall be relieved of its obligation to post Performance Assurance pursuant to such demand:

<u>Party B</u> <u>Collateral Threshold</u>	<u>S&P Credit Rating</u>	<u>Moody's Credit Rating</u>
Infinity U.S. \$ 0	Above BBB+ BBB+ to BBB-	Above Baa1 Baa1 to Baa3

- The amount of the Guaranty Agreement dated _____ from _____, as amended from time to time but in no event shall Party B's Collateral Threshold be greater than \$_____.
- Other – see attached threshold terms.

II. Eligible Collateral and Valuation Percentage.

The following items will qualify as "Eligible Collateral" for the Party specified:

	<u>Party A</u>	<u>Party B</u>	<u>Valuation Percentage</u>
(A) Cash	[X]	[X]	100%
(B) Letters of Credit	[X]	[X]	100% unless either (i) a Letter of Credit Default shall have occurred and be continuing with respect to such Letter of Credit, or (ii) twenty (20) or fewer Business Days remain prior to the expiration of such Letter of Credit, in which cases the Valuation Percentage shall be zero (0).
(C) Other	[]	[]	_____

III. Independent Amount.

A. Party A Independent Amount.

- Party A shall have a Fixed Independent Amount equal to the aggregate of Fixed Independent Amounts specified for Party A in the relevant Confirmations with respect to outstanding Transactions. If the Fixed Independent Amount option is selected for Party A, then Party A (which shall be a Pledging Party with respect to the Fixed IA Performance Assurance) will be required to Transfer or cause to be Transferred to Party B (which shall be a Secured Party with respect to the Fixed IA Performance Assurance) Performance Assurance with a Collateral Value equal to the amount of such Independent Amount from time to time (the "Fixed IA Performance Assurance"). The Fixed IA Performance Assurance (if any) shall be required to be posted by Party A within one (1) Local Business Day of the Trade Date and must remain posted for so long as the relevant Transaction is outstanding. The Fixed IA Performance Assurance shall not otherwise be taken into account when calculating Party A's Collateral Requirement pursuant to the Collateral Annex. Except as expressly set forth above, the Fixed IA Performance Assurance shall be held and maintained in accordance with, and otherwise be subject to, Paragraphs 2, 5(b), 5(c), 6, 7 and 9 of the Collateral Annex.
- Party A shall have a Full Floating Independent Amount of \$_____. If the Full Floating Independent Amount option is selected for Party A, then for purposes of calculating Party A's Collateral Requirement pursuant to Paragraph 3 of the Collateral Annex, such Full Floating Independent Amount for Party A shall be added by Party B to its Exposure Amount for purposes of determining Net Exposure pursuant to Paragraph 3(a) of the Collateral Annex.
- Party A shall have a Partial Floating Independent Amount of \$_____. If the Partial Floating Independent Amount option is selected for Party A, then Party A will be required to Transfer or cause to be Transferred to Party B Performance Assurance with a Collateral Value equal to the amount of such Independent Amount (the "Partial Floating IA Performance Assurance") if at any time Party A otherwise has a Collateral Requirement (not taking into consideration the Partial Floating Independent Amount) pursuant to Paragraph 3 of the Collateral Annex. The Partial Floating IA Performance Assurance shall not be reduced so long as Party A has a Collateral Requirement (not taking into consideration the Partial Floating Independent Amount). The Partial Floating Independent Amount shall not be taken into account when calculating a Party's Collateral Requirements pursuant to the Collateral Annex. Except as expressly set forth above, the Partial Floating Independent Amount shall be held and maintained in accordance with, and otherwise be subject to, the Collateral Annex.

B. Party B Independent Amount.

- Party B shall have a Fixed Independent Amount equal to the aggregate of Fixed Independent Amounts specified for Party B in the relevant Confirmations with respect to outstanding Transactions. If the Fixed Independent Amount option is selected for Party B, then Party B (which shall be a Pledging Party with respect to the Fixed IA Performance Assurance) will be required to Transfer or cause to be Transferred to Party A (which shall be a Secured Party with respect to the Fixed IA Performance Assurance) Performance Assurance with a Collateral Value equal to the amount of such Independent Amount from time to time (the "Fixed IA Performance Assurance"). The Fixed IA Performance Assurance (if any) shall be required to be posted by Party B within one (1) Local Business Day of the Trade Date and must remain posted for so long as the relevant Transaction is outstanding. The Fixed IA Performance Assurance shall not otherwise be taken into account when calculating Party B's Collateral Requirement pursuant to the Collateral Annex. Except as expressly set forth above, the Fixed IA Performance Assurance shall be held and maintained in accordance with, and otherwise be subject to, Paragraphs 2, 5(b), 5(c), 6, 7 and 9 of the Collateral Annex.

- Party B shall have a Full Floating Independent Amount of \$_____. If the Full Floating Independent Amount Option is selected for Party B then for purposes of calculating Party B's Collateral Requirement pursuant to Paragraph 3 of the Collateral Annex, such Full Floating Independent Amount for Party B shall be added by Party A to its Exposure Amount for purposes of determining Net Exposure pursuant to Paragraph 3(a) of the Collateral Annex.
- Party B shall have a Partial Floating Independent Amount of \$_____. If the Partial Floating Independent Amount option is selected for Party B, then Party B will be required to Transfer or cause to be Transferred to Party A Performance Assurance with a Collateral Value equal to the amount of such Independent Amount (the "Partial Floating IA Performance Assurance") if at any time Party B otherwise has a Collateral Requirement (not taking into consideration the Partial Floating Independent Amount) pursuant to Paragraph 3 of the Collateral Annex. The Partial Floating IA Performance Assurance shall not be reduced for so long as Party B has a Collateral Requirement (not taking into consideration the Partial Floating Independent Amount). The Partial Floating Independent Amount shall not be taken into account when calculating a Party's Collateral Requirements pursuant to the Collateral Annex. Except as expressly set forth above, the Partial Floating Independent Amount shall be held and maintained in accordance with, and otherwise be subject to, the Collateral Annex.

IV. Minimum Transfer Amount.

- A. Party A Minimum Transfer Amount:** \$100,000; *provided, however*, that the Minimum Transfer Amount for Party A shall be zero upon the occurrence and during the continuance of an Event of Default or a Potential Event of Default with respect to Party A; *and provided further that*, in the event that, and on the date that, Party A cures the Potential Event of Default on or prior to the date that Party A is required to post Performance Assurance to Party B pursuant to a demand made by Party B pursuant to the provisions of the Collateral Annex on or after the occurrence of such Potential Event of Default, (i) the Minimum Transfer Amount for Party A shall automatically increase from zero to the Minimum Transfer Amount and (ii) Party A shall be relieved of its obligation to post Performance Assurance pursuant to such demand if the amount of such obligation is less than the Minimum Transfer Amount.
- B. Party B Minimum Transfer Amount:** \$100,000; *provided, however*, that the Minimum Transfer Amount for Party B shall be zero upon the occurrence and during the continuance of an Event of Default or a Potential Event of Default with respect to Party B; *and provided further that*, in the event that, and on the date that, Party B cures the Potential Event of Default on or prior to the date that Party B is required to post Performance Assurance to Party A pursuant to a demand made by Party A pursuant to the provisions of the Collateral Annex on or after the occurrence of such Potential Event of Default, (i) the Minimum Transfer Amount for Party B shall automatically increase from zero to the Minimum Transfer Amount and (ii) Party B shall be relieved of its obligation to post Performance Assurance pursuant to such demand if the amount of such obligation is less than the Minimum Transfer Amount.

V. Rounding Amount.

- A. Party A Rounding Amount:** \$10,000.
- B. Party B Rounding Amount:** \$10,000.

VI. Administration of Cash Collateral.

- A. Party A Eligibility to Hold Cash.**
 - Party A shall not be entitled to hold Performance Assurance in the form of Cash. Performance Assurance in the form of Cash shall be held in a Qualified Institution in accordance with the

provisions of Paragraph 6(a)(ii)(B) of the Collateral Annex. Party A shall pay to Party B in accordance with the terms of the Collateral Annex the amount of interest it receives from the Qualified Institution on any Performance Assurance in the form of Cash posted by Party B.

- Party A shall be entitled to hold Performance Assurance in the form of Cash provided that the following conditions are satisfied: (1) it is not a Defaulting Party, (2) Party A's Guarantor has a Credit Rating from S&P and/or Moody's and the lowest Credit Rating for Party A's Guarantor is (a) "BBB-" or higher by S&P and "Baa3" or higher by Moody's if Party A's Guarantor is rated by both S&P and Moody's or (b) "BBB-" or higher by S&P or "Baa3" or higher by Moody's if Party A's Guarantor is rated by either S&P or Moody's but not both; and (3) Cash shall be held only in any jurisdiction within the United States. To the extent Party A is entitled to hold Cash, the Interest Rate payable to Party B on Cash shall be as selected below:

Party A Interest Rate.

- Federal Funds Effective Rate - the rate for that day opposite the caption "Federal Funds (Effective)" as set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Board of Governors of the Federal Reserve System.
- Other _____.

B. Party B Eligibility to Hold Cash.

- Party B shall not be entitled to hold Performance Assurance in the form of Cash. Performance Assurance in the form of Cash shall be held in a Qualified Institution in accordance with the provisions of Paragraph 6(a)(ii)(B) of the Collateral Annex. Party B shall pay to Party A in accordance with the terms of the Collateral Annex the amount of interest it receives from the Qualified Institution on any Performance Assurance in the form of Cash posted by Party A.
- Party B shall be entitled to hold Performance Assurance in the form of Cash provided that the following conditions are satisfied: (1) it is not a Defaulting Party, (2), Party B has a Credit Rating from S&P and/or Moody's and the lowest Credit Rating for Party B is (a) "BBB-" or higher by S&P and "Baa3" or higher by Moody's if Party B is rated by both S&P and Moody's or (b) "BBB-" or higher by S&P or "Baa3" or higher by Moody's if Party B is rated by either S&P or Moody's but not both; and (3) Cash shall be held only in any jurisdiction within the United States. To the extent Party B is entitled to hold Cash, the Interest Rate payable to Party A on Cash shall be as selected below:

Party B Interest Rate.

- Federal Funds Effective Rate - the rate for that day opposite the caption "Federal Funds (Effective)" as set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Board of Governors of the Federal Reserve System.
- Other _____.

VII. Notification Time.

- Other: 10:00 a.m. New York time

VIII. General.

With respect to the Collateral Threshold, Independent Amount, Minimum Transfer Amount and Rounding Amount, if no selection is made in this Cover Sheet with respect to a Party, then the applicable amount in each case for such Party shall be zero (0). In addition, with respect to the "Administration of Cash Collateral" section of

this Paragraph 10, if no selection is made with respect to a Party, then such Party shall not be entitled to hold Performance Assurance in the form of Cash and such Cash, if any, shall be held in a Qualified Institution pursuant to Paragraph 6(a)(ii)(B) of the Collateral Annex. If a Party is eligible to hold Cash pursuant to a selection in this Paragraph 10 but no Interest Rate is selected, then the Interest Rate for such Party shall be the Federal Funds Effective Rate as defined in Section VI of this Paragraph 10.

IX. Other Provisions - Amendments to the Collateral Annex.

Amendments to Definitions:

Credit Rating Event - The definition of "Credit Rating Event" is amended by replacing "6(a)(iii)" with "6(a)(ii)."

Downgraded Party - The definition of "Downgraded Party" is amended by replacing "6(a)(i) with "6(a)(ii)."

Interest Amount – The definition of "Interest Amount" is amended by adding at the end thereof: ", compounded daily".

Notification Time - Within the definition of "Notification Time", add "a.m." immediately after "11:00".

Performance Assurance - Within the definition of "Performance Assurance", change "6(a)(iv)" to "6(a)(iii)".

Qualified Institution – Within the definition of "Qualified Institution", change "capital and surplus" to "capital surplus".

Secured Party - The definition of "Secured Party" is amended by replacing "3(b)" with "3(a)."

Amendment to Paragraph 3:

Paragraph 3(a) is amended by adding the following new sentence at the end thereof:

"All references to Net Exposure in Paragraph 3 shall be deemed to include the Fixed Independent Amount, if any."

Amendment to Paragraph 4:

Paragraph 4 is amended by deleting the third sentence in its entirety and replacing it with: "Unless otherwise agreed in writing by the Parties, (i) Performance Assurance demanded of a Pledging Party on or before the Notification Time on a Local Business Day shall be provided by the close of business on such day and (ii) Performance Assurance demanded of a Pledging Party after the Notification Time on a Local Business Day shall be provided by the close of business on the next Local Business Day thereafter."

Amendments to Paragraph 5:

Paragraph 5(a) is amended by inserting "so long as the amount of the requested reduction is equal to or greater than the Secured Party's Minimum Transfer Amount" after "the Pledging Party for the benefit of the Secured Party" in the third line thereof.

Amendments to Paragraph 6:

Paragraph 6(a)(ii)(A) of the Collateral Annex is amended by inserting "(other than subparagraph (B) below)" after "the provisions of this Paragraph 6(a)(ii)" in the first line thereof.

Paragraph 6(a)(ii)(B) of the Collateral Annex is amended by deleting the term "non-Downgraded Party" in the twelfth line thereof and inserting the term "Downgraded Party" in lieu thereof.

Paragraph 6(a)(iii) is amended by deleting the second sentence and adding in replacement thereof: "The Secured Party will Transfer the Interest Amount in arrears on the last Local Business Day of each calendar month."

Paragraph 6 to the Collateral Annex is amended by adding the following as subparagraph (vi) of Paragraph 6(b):

“(vi) The Pledging Party covenants and agrees that so long as a Transaction shall remain outstanding under the Master Agreement, no Letter of Credit shall be secured by any mortgage, security interest, pledge lien or other encumbrance upon the property of the Pledging Party.”

Amendments to Paragraph 8:

Paragraph 8 of the Collateral Annex is amended as follows:

All references to the resolution of disputes regarding Net Exposure in Paragraph 8 of the Collateral Annex shall be deemed to include any dispute regarding any component of the Fixed Independent Amount.

Amendments to Paragraph 9:

Paragraph 9 of the Collateral Annex is amended by adding the following new provisions at the end thereof:

“(g) All Transfers of Eligible Collateral hereunder (including the grant of a security interest in Eligible Collateral hereunder) are "transfers" "under" the Agreement within the meaning of Section 546(g) of the United States Bankruptcy Code and transfers of Eligible Collateral hereunder are intended to be “margin payments” within the meaning of Section 101(38) of the United States Bankruptcy Code.”

**EXHIBIT A
to Paragraph 10
to the Collateral Annex**

IRREVOCABLE TRANSFERABLE STANDBY LETTER OF CREDIT

Letter of Credit No. _____

Issue Date: _____, 20__

Beneficiary:

Account Party:

[Name of Beneficiary]

[Name of Account Party]

[Address]

[Address of Account Party]

Attn: _____

Attn: _____

Ladies and Gentlemen:

We hereby establish in favor of you, [_____] (the "Beneficiary"), at the request and for the account of [name of account party] (the "Account Party"), with respect to the Master Power Purchase and Sale Agreement dated as of _____, 20__, by and between you and the Account Party, as may be amended from time to time, our Irrevocable Transferable Standby Letter of Credit No. _____ (the "Credit") whereby we irrevocably authorize you to draw on us, in accordance with the terms and conditions hereinafter set forth, in an amount not to exceed in the aggregate \$_____.

Subject to the terms hereof, funds are available to you hereunder against presentation of a completed certificate (a "Certificate"), dated and signed by your representative, including one of the following statements:

1. An Event of Default (as defined in the Master Power Purchase and Sale Agreement dated as of _____, 20__, by and between you and [name of Account Party], as may be amended from time to time) has occurred and is continuing with respect to the Account Party under the Master Power Purchase and Sale Agreement. Therefore the Beneficiary does hereby demand payment of the entire undrawn amount of the Credit; or
2. An Early Termination Date (as defined in the Master Power Purchase and Sale Agreement dated as of _____, 20__, by and between you and [name of Account Party], as may be amended from time to time) has occurred as a result of a Termination Event (as defined in such Master Agreement) and Account Party has failed to make payments in an aggregate amount of \$_____ due and owing to the Beneficiary in accordance with the terms of the Master Agreement. Wherefore the Beneficiary does hereby demand payment of \$_____.

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

Presentation of your Certificate shall be made on any day which is a New York Banking Day for us at or prior to [5:00 p.m. (New York time)] at our office located at _____. Presentation must be made by hand, mail or courier service, to such address [, or by tested telex or SWIFT]. If your presentation is made at such office, in compliance with the other terms and conditions of this Credit, on or prior to the expiry date hereof, we hereby irrevocably undertake to honor such presentation [by close of business on the next New York Banking Day].

This Credit is effective immediately and expires at our close of business on _____, 20__, [(the "Initial Expiry Date"); provided however, that this Credit shall be automatically extended without amendment for one or more additional one-year periods from the Initial Expiry Date or any subsequent expiry date, unless at least 60 days prior to such date you receive a notice in writing by certified mail, [tested telex or SWIFT] at the above address, that we elect not to extend this Credit for such additional period. Upon your receipt of such a notice of non-extension, you shall be entitled to make immediate demand for payment of the full amount available under this Credit, by presentation of your Certificate.

This Credit shall be subject to the provisions of the International Standby Practices 1998, International Chamber of Commerce Publication No. 590 (“ISP”), and as to matters not addressed by ISP, shall be governed by the laws of the State of New York and applicable U.S. federal laws.

This Credit is transferable, and we hereby consent to such transfer, but otherwise may not be amended, changed or modified without our express written consent and that of the Beneficiary and the Account Party.

Very truly yours,

[ISSUING BANK]