

# ATTACHMENT A

# Base Contract for Sale and Purchase of Natural Gas

This Base Contract is entered into as of the following date: December 20<sup>th</sup>, 2024

The parties to this Base Contract are the following:

<b>PARTY A</b> City of Victorville	<i>PARTY NAME</i>	<b>PARTY B</b> MORGAN STANLEY CAPITAL GROUP INC.
<u>14343 Civic Drive, Victorville, CA 92392</u>	<i>ADDRESS</i>	1585 Broadway, 3rd Floor New York, NY 10036
<a href="http://victorvilleca.gov">Victorville, CA (victorvilleca.gov)</a>	<i>BUSINESS WEBSITE</i>	<a href="http://www.morganstanley.com">www.morganstanley.com</a>
<b>09-324-0653</b>	<i>CONTRACT NUMBER</i>	<b>130198013</b>
<input checked="" type="checkbox"/> US FEDERAL: 95-2235918 <input type="checkbox"/> OTHER:	<i>TAX ID NUMBERS</i>	<input checked="" type="checkbox"/> US FEDERAL: 13-3200368 <input type="checkbox"/> OTHER:
California	<i>JURISDICTION OF ORGANIZATION</i>	Delaware
<input type="checkbox"/> Corporation <input type="checkbox"/> LLC <input type="checkbox"/> Limited Partnership <input type="checkbox"/> Partnership <input type="checkbox"/> LLP <input checked="" type="checkbox"/> Other: <b>Municipal Corporation</b>	<i>COMPANY TYPE</i>	<input checked="" type="checkbox"/> Corporation <input type="checkbox"/> LLC <input type="checkbox"/> Limited Partnership <input type="checkbox"/> Partnership <input type="checkbox"/> LLP <input type="checkbox"/> Other: _____
<i>GUARANTOR (IF APPLICABLE)</i>		
<b>CONTACT INFORMATION</b>		
ATTN: <u>Victorville Municipal Utility Services</u> TEL#: <u>760-243-6340</u> FAX#: <u>760-269-0039</u> EMAIL: <u>Utilityservices@victorvilleca.gov</u>	▪ <b>COMMERCIAL</b>	1585 Broadway, New York, NY 10036 ATTN: <u>Manager, Nat Gas Ops</u> TEL#: <u>914-225-1500</u> FAX#: <u>914-701-5542</u> EMAIL: <u>natgas_schedulers@morganstanley.com</u>
ATTN: <u>Victorville Municipal Utility Services</u> TEL#: <u>760-243-6340</u> FAX#: <u>760-269-0039</u> EMAIL: <u>Utilityservices@victorvilleca.gov</u>	▪ <b>SCHEDULING</b>	1585 Broadway, New York, NY 10036 ATTN: <u>Manager, Nat Gas Ops</u> TEL#: <u>914-225-1500</u> FAX#: <u>914-701-5542</u> EMAIL: <u>natgas_schedulers@morganstanley.com</u>
ATTN: <u>Victorville Municipal Utility Services</u> TEL#: <u>760-243-6340</u> FAX#: <u>760-269-0039</u> EMAIL: <u>Utilityservices@victorvilleca.gov</u>	▪ <b>CONTRACT AND LEGAL NOTICES</b>	1585 Broadway, New York, NY 10036 ATTN: <u>Legal - Commodities</u> TEL#: <u>N/A</u> FAX#: <u>212-404-9899</u> EMAIL: <u>msdoc-termination-notices@morganstanley.com</u>
ATTN: <u>Victorville Municipal Utility Services</u> TEL#: <u>760-243-6340</u> FAX#: <u>760-269-0039</u> EMAIL: <u>Utilityservices@victorvilleca.gov</u>	▪ <b>CREDIT</b>	1585 Broadway, New York, NY 10036 ATTN: <u>Credit Risk Manager</u> TEL#: <u>(212) 296-8690</u> FAX#: _____ EMAIL: <u>commodity@morganstanley.com</u>
ATTN: <u>Victorville Municipal Utility Services</u> TEL#: <u>760-243-6340</u> FAX#: <u>760-269-0039</u> EMAIL: <u>Utilityservices@victorvilleca.gov</u>	▪ <b>TRANSACTION CONFIRMATIONS</b>	1585 Broadway, New York, NY 10036 ATTN: <u>Manager, Nat Gas Ops</u> TEL#: <u>914-225-5300</u> FAX#: <u>914-750-0408</u> EMAIL: <u>commodconfsny@morganstanley.com</u>
ATTN: _____ TEL#: _____      FAX#: _____ EMAIL: _____	▪ <b>FORCE MAJEURE NOTICES</b>	1585 Broadway, 3 <sup>rd</sup> Floor New York, NY 10036 ATTN: <u>Manager, Gas Ops</u> TEL#: <u>914-225-1436 / 1501 (East) / 914.225.1611 / 1501 (West)</u> FAX#: <u>212.507.6778 (East) / 914.750.1487 (West)</u> EMAIL: <u>Natgas_schedulers@morganstanley.com</u>
<b>ACCOUNTING INFORMATION</b>		
ATTN: <u>Accounts Payable</u> TEL#: <u>760-243-1956</u> FAX#: _____ EMAIL: <u>accountspayable@victorvilleca.gov</u>	▪ <b>INVOICES</b> ▪ <b>PAYMENTS</b> ▪ <b>SETTLEMENTS</b>	1585 Broadway, New York, NY 10036 ATTN: <u>Manager Natural Gas, Ops</u> TEL#: <u>443-627-6673</u> FAX#: <u>914-750-1494</u> EMAIL: <u>physngsettle@morganstanley.com</u>
BANK: <u>Wells Fargo Bank</u> ABA: <u>121000248</u> ACCT: <u>9940075261</u> OTHER DETAILS: _____	<i>WIRE TRANSFER NUMBERS (IF APPLICABLE)</i>	BANK: <u>Northern Trust International NY</u> ABA: <u>026001122</u> ACCT: <u>102897-20010</u> OTHER DETAILS: _____

<b>BANK:</b> <u>Wells Fargo Bank</u> <b>ABA:</b> <u>121042882</u> <b>ACCT:</b> <u>9940075261</u> <b>OTHER DETAILS:</b> _____	<b>ACH NUMBERS</b> (IF APPLICABLE)	<b>BANK:</b> _____ <b>ABA:</b> _____ <b>ACCT:</b> _____ <b>OTHER DETAILS:</b> _____
<b>ATTN:</b> <u>Accounts Receivable</u> <b>ADDRESS:</b> <u>14343 Civic Drive, PO Box 5001</u> <u>Victorville, CA 92393-5001</u>	<b>CHECKS</b> (IF APPLICABLE)	<b>ATTN:</b> _____ <b>ADDRESS:</b> _____

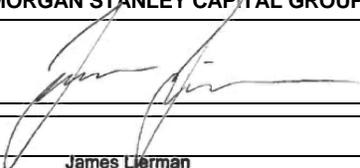
## Base Contract for Sale and Purchase of Natural Gas

(Continued)

This Base Contract incorporates by reference for all purposes the General Terms and Conditions for Sale and Purchase of Natural Gas published by the North American Energy Standards Board. The parties hereby agree to the following provisions offered in said General Terms and Conditions. In the event the parties fail to check a box, the specified default provision shall apply. Select the appropriate box(es) from each section:

<b>Section 1.2</b> Transaction Procedure <input checked="" type="checkbox"/> Oral (default) OR <input type="checkbox"/> Written	<input type="checkbox"/> No Additional Events of Default (default)  <input checked="" type="checkbox"/> Indebtedness Cross Default <input checked="" type="checkbox"/> Party A: <u>_\$10,000,000__</u> <input checked="" type="checkbox"/> Party B: <u>\$10,000,000</u>
<b>Section 2.7</b> Confirm Deadline <input checked="" type="checkbox"/> 2 Business Days after receipt (default) OR <input type="checkbox"/> Business Days after receipt	<b>Section 10.2</b> Additional Events of Default <input checked="" type="checkbox"/> Transactional Cross Default <u>Specified Transactions:</u> "Specified Transactions" means any contract or transaction, including an agreement with respect thereto (whether or not documented under or effected pursuant to a master agreement), now existing or hereafter entered into between one Party (or any guarantor of such Party or any Affiliate of such Party) and the other Party (or any guarantor of such Party or any Affiliate of such Party).
<b>Section 2.8</b> Confirming Party <input type="checkbox"/> Seller (default) OR <input type="checkbox"/> Buyer OR <input checked="" type="checkbox"/> Other: <u>Party B</u>	<b>Section 10.3.1</b> Early Termination Damages <input checked="" type="checkbox"/> Early Termination Damages Apply (default) OR <input type="checkbox"/> Early Termination Damages Do Not Apply
<b>Section 3.2</b> Performance Obligation <input checked="" type="checkbox"/> Cover Standard (default) OR <input type="checkbox"/> Spot Price Standard	<b>Section 10.3.2</b> Other Agreement Setoffs <input checked="" type="checkbox"/> Other Agreement Setoffs Apply (default) <input checked="" type="checkbox"/> Bilateral (default) <input type="checkbox"/> Triangular OR <input type="checkbox"/> Other Agreement Setoffs Do Not Apply
<b>Note: The following Spot Price Publication applies to both of the immediately preceding.</b>	
<b>Section 2.31</b> Spot Price Publication <input checked="" type="checkbox"/> Gas Daily Midpoint (default) OR <input type="checkbox"/> _____	<b>Section 15.5</b> Choice Of Law <u>California</u>
<b>Section 6</b> Taxes <input checked="" type="checkbox"/> Buyer Pays At and After Delivery Point (default) OR <input type="checkbox"/> Seller Pays Before and At Delivery Point	<b>Section 15.10</b> Confidentiality <input checked="" type="checkbox"/> Confidentiality applies (default) OR <input type="checkbox"/> Confidentiality does not apply
<b>Section 7.2</b> Payment Date <input checked="" type="checkbox"/> <b>25<sup>th</sup> Day</b> of Month following Month of delivery (default) OR <input type="checkbox"/> Day of Month following Month of delivery	
<b>Section 7.2</b> Method of Payment <input checked="" type="checkbox"/> Wire transfer (default) <input checked="" type="checkbox"/> Automated Clearinghouse Credit (ACH) <input type="checkbox"/> Check	
<b>Section 7.7</b> Netting <input checked="" type="checkbox"/> Netting applies (default) OR <input type="checkbox"/> Netting does not apply	
<input checked="" type="checkbox"/> <b>Special Provisions:</b> Number of sheets attached: 14 <input checked="" type="checkbox"/> <b>Addendum(s):</b> Credit Support Annex	

IN WITNESS WHEREOF, the parties hereto have executed this Base Contract in duplicate.

<b>CITY OF VICTORVILLE</b>	<i>PARTY NAME</i>	<b>MORGAN STANLEY CAPITAL GROUP INC.</b>
By: _____	<i>SIGNATURE</i>	By: 
	<i>PRINTED NAME</i>	
	<i>TITLE</i>	James Lerman Authorized Signatory



# General Terms and Conditions

## Base Contract for Sale and Purchase of Natural Gas

### SECTION 1. PURPOSE AND PROCEDURES

1.1. These General Terms and Conditions are intended to facilitate purchase and sale transactions of Gas on a Firm or Interruptible basis. "Buyer" refers to the party receiving Gas and "Seller" refers to the party delivering Gas. The entire agreement between the parties shall be the Contract as defined in Section 2.9.

**The parties have selected either the "Oral Transaction Procedure" or the "Written Transaction Procedure" as indicated on the Base Contract.**

**Oral Transaction Procedure:**

1.2. The parties will use the following Transaction Confirmation procedure. Any Gas purchase and sale transaction may be effectuated in an EDI transmission or telephone conversation with the offer and acceptance constituting the agreement of the parties. The parties shall be legally bound from the time they so agree to transaction terms and may each rely thereon. Any such transaction shall be considered a "writing" and to have been "signed". Notwithstanding the foregoing sentence, the parties agree that Confirming Party shall, and the other party may, confirm a telephonic transaction by sending the other party a Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means within three Business Days of a transaction covered by this Section 1.2 (Oral Transaction Procedure) provided that the failure to send a Transaction Confirmation shall not invalidate the oral agreement of the parties. Confirming Party adopts its confirming letterhead, or the like, as its signature on any Transaction Confirmation as the identification and authentication of Confirming Party. If the Transaction Confirmation contains any provisions other than those relating to the commercial terms of the transaction (i.e., price, quantity, performance obligation, delivery point, period of delivery and/or transportation conditions), which modify or supplement the Base Contract or General Terms and Conditions of this Contract (e.g., arbitration or additional representations and warranties), such provisions shall not be deemed to be accepted pursuant to Section 1.3 but must be expressly agreed to by both parties; provided that the foregoing shall not invalidate any transaction agreed to by the parties.

**Written Transaction Procedure:**

1.2. The parties will use the following Transaction Confirmation procedure. Should the parties come to an agreement regarding a Gas purchase and sale transaction for a particular Delivery Period, the Confirming Party shall, and the other party may, record that agreement on a Transaction Confirmation and communicate such Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means, to the other party by the close of the Business Day following the date of agreement. The parties acknowledge that their agreement will not be binding until the exchange of nonconflicting Transaction Confirmations or the passage of the Confirm Deadline without objection from the receiving party, as provided in Section 1.3.

1.3. If a sending party's Transaction Confirmation is materially different from the receiving party's understanding of the agreement referred to in Section 1.2, such receiving party shall notify the sending party via facsimile, EDI or mutually agreeable electronic means by the Confirm Deadline, unless such receiving party has previously sent a Transaction Confirmation to the sending party. The failure of the receiving party to so notify the sending party in writing by the Confirm Deadline constitutes the receiving party's agreement to the terms of the transaction described in the sending party's Transaction Confirmation. If there are any material differences between timely sent Transaction Confirmations governing the same transaction, then neither Transaction Confirmation shall be binding until or unless such differences are resolved including the use of any evidence that clearly resolves the differences in the Transaction Confirmations. In the event of a conflict among the terms of (i) a binding Transaction Confirmation pursuant to Section 1.2, (ii) the oral agreement of the parties which may be evidenced by a recorded conversation, where the parties have selected the Oral Transaction Procedure of the Base Contract, (iii) the Base Contract, and (iv) these General Terms and Conditions, the terms of the documents shall govern in the priority listed in this sentence.

1.4. The parties agree that each party may electronically record all telephone conversations with respect to this Contract between their respective employees, without any special or further notice to the other party. Each party shall obtain any necessary consent of its agents and employees to such recording. Where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, the parties agree not to contest the validity or enforceability of telephonic recordings entered into in accordance with the requirements of this Base Contract.

### SECTION 2. DEFINITIONS

The terms set forth below shall have the meaning ascribed to them below. Other terms are also defined elsewhere in the Contract and shall have the meanings ascribed to them herein.

2.1. "Additional Event of Default" shall mean Transactional Cross Default or Indebtedness Cross Default, each as and if selected by the parties pursuant to the Base Contract.

2.2. "Affiliate" shall mean, 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 at least 50 percent of the voting power of the entity or person.

- 2.3. "Alternative Damages" shall mean such damages, expressed in dollars or dollars per MMBtu, as the parties shall agree upon in the Transaction Confirmation, in the event either Seller or Buyer fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer.
- 2.4. "Base Contract" shall mean a contract executed by the parties that incorporates these General Terms and Conditions by reference; that specifies the agreed selections of provisions contained herein; and that sets forth other information required herein and any Special Provisions and addendum(s) as identified on page one.
- 2.5. "British thermal unit" or "Btu" shall mean the International BTU, which is also called the Btu (IT).
- 2.6. "Business Day(s)" shall mean Monday through Friday, excluding Federal Banking Holidays for transactions in the U.S.
- 2.7. "Confirm Deadline" shall mean 5:00 p.m. in the receiving party's time zone on the second Business Day following the Day a Transaction Confirmation is received or, if applicable, on the Business Day agreed to by the parties in the Base Contract; provided, if the Transaction Confirmation is time stamped after 5:00 p.m. in the receiving party's time zone, it shall be deemed received at the opening of the next Business Day.
- 2.8. "Confirming Party" shall mean the party designated in the Base Contract to prepare and forward Transaction Confirmations to the other party.
- 2.9. "Contract" shall mean the legally-binding relationship established by (i) the Base Contract, (ii) any and all binding Transaction Confirmations and (iii) where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, any and all transactions that the parties have entered into through an EDI transmission or by telephone, but that have not been confirmed in a binding Transaction Confirmation, all of which shall form a single integrated agreement between the parties.
- 2.10. "Contract Price" shall mean the amount expressed in U.S. Dollars per MMBtu to be paid by Buyer to Seller for the purchase of Gas as agreed to by the parties in a transaction.
- 2.11. "Contract Quantity" shall mean the quantity of Gas to be delivered and taken as agreed to by the parties in a transaction.
- 2.12. "Cover Standard", as referred to in Section 3.2, shall mean that if there is an unexcused failure to take or deliver any quantity of Gas pursuant to this Contract, then the performing party shall use commercially reasonable efforts to (i) if Buyer is the performing party, obtain Gas, (or an alternate fuel if elected by Buyer and replacement Gas is not available), or (ii) if Seller is the performing party, sell Gas, in either case, at a price reasonable for the delivery or production area, as applicable, consistent with: the amount of notice provided by the nonperforming party; the immediacy of the Buyer's Gas consumption needs or Seller's Gas sales requirements, as applicable; the quantities involved; and the anticipated length of failure by the nonperforming party.
- 2.13. "Credit Support Obligation(s)" shall mean any obligation(s) to provide or establish credit support for, or on behalf of, a party to this Contract such as cash, an irrevocable standby letter of credit, a margin agreement, a prepayment, a security interest in an asset, guaranty, or other good and sufficient security of a continuing nature.
- 2.14. "Day" shall mean a period of 24 consecutive hours, coextensive with a "day" as defined by the Receiving Transporter in a particular transaction.
- 2.15. "Delivery Period" shall be the period during which deliveries are to be made as agreed to by the parties in a transaction.
- 2.16. "Delivery Point(s)" shall mean such point(s) as are agreed to by the parties in a transaction.
- 2.17. "EDI" shall mean an electronic data interchange pursuant to an agreement entered into by the parties, specifically relating to the communication of Transaction Confirmations under this Contract.
- 2.18. "EFP" shall mean the purchase, sale or exchange of natural Gas as the "physical" side of an exchange for physical transaction involving gas futures contracts. EFP shall incorporate the meaning and remedies of "Firm", provided that a party's excuse for nonperformance of its obligations to deliver or receive Gas will be governed by the rules of the relevant futures exchange regulated under the Commodity Exchange Act.
- 2.19. "Firm" shall mean that either party may interrupt its performance without liability only to the extent that such performance is prevented for reasons of Force Majeure; provided, however, that during Force Majeure interruptions, the party invoking Force Majeure may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by the Transporter.
- 2.20. "Gas" shall mean any mixture of hydrocarbons and noncombustible gases in a gaseous state consisting primarily of methane.
- 2.21. "Guarantor" shall mean any entity that has provided a guaranty of the obligations of a party hereunder.
- 2.22. "Imbalance Charges" shall mean any fees, penalties, costs or charges (in cash or in kind) assessed by a Transporter for failure to satisfy the Transporter's balance and/or nomination requirements.
- 2.23. "Indebtedness Cross Default" shall mean if selected on the Base Contract by the parties with respect to a party, that it or its Guarantor, if any, experiences a default, or similar condition or event however therein defined, under one or more agreements or instruments, individually or collectively, relating to indebtedness (such indebtedness to include any obligation whether present or future, contingent or otherwise, as principal or surety or otherwise) for the payment or repayment of borrowed money in an aggregate amount greater than the threshold specified in the Base Contract with respect to such party or its Guarantor, if any, which results in such indebtedness becoming immediately due and payable.

- 2.24. "Interruptible" shall mean that either party may interrupt its performance at any time for any reason, whether or not caused by an event of Force Majeure, with no liability, except such interrupting party may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by Transporter.
- 2.25. "MMBtu" shall mean one million British thermal units, which is equivalent to one dekatherm.
- 2.26. "Month" shall mean the period beginning on the first Day of the calendar month and ending immediately prior to the commencement of the first Day of the next calendar month.
- 2.27. "Payment Date" shall mean a date, as indicated on the Base Contract, on or before which payment is due Seller for Gas received by Buyer in the previous Month.
- 2.28. "Receiving Transporter" shall mean the Transporter receiving Gas at a Delivery Point, or absent such receiving Transporter, the Transporter delivering Gas at a Delivery Point.
- 2.29. "Scheduled Gas" shall mean the quantity of Gas confirmed by Transporter(s) for movement, transportation or management.
- 2.30. "Specified Transaction(s)" shall mean any other transaction or agreement between the parties for the purchase, sale or exchange of physical Gas, and any other transaction or agreement identified as a Specified Transaction under the Base Contract.
- 2.31. "Spot Price " as referred to in Section 3.2 shall mean the price listed in the publication indicated on the Base Contract, under the listing applicable to the geographic location closest in proximity to the Delivery Point(s) for the relevant Day; provided, if there is no single price published for such location for such Day, but there is published a range of prices, then the Spot Price shall be the average of such high and low prices. If no price or range of prices is published for such Day, then the Spot Price shall be the average of the following: (i) the price (determined as stated above) for the first Day for which a price or range of prices is published that next precedes the relevant Day; and (ii) the price (determined as stated above) for the first Day for which a price or range of prices is published that next follows the relevant Day.
- 2.32. "Transaction Confirmation" shall mean a document, similar to the form of Exhibit A, setting forth the terms of a transaction formed pursuant to Section 1 for a particular Delivery Period.
- 2.33. "Transactional Cross Default" shall mean if selected on the Base Contract by the parties with respect to a party, that it shall be in default, however therein defined, under any Specified Transaction.
- 2.34. "Termination Option" shall mean the option of either party to terminate a transaction in the event that the other party fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer for a designated number of days during a period as specified on the applicable Transaction Confirmation.
- 2.35. "Transporter(s)" shall mean all Gas gathering or pipeline companies, or local distribution companies, acting in the capacity of a transporter, transporting Gas for Seller or Buyer upstream or downstream, respectively, of the Delivery Point pursuant to a particular transaction.

### SECTION 3. PERFORMANCE OBLIGATION

- 3.1. Seller agrees to sell and deliver, and Buyer agrees to receive and purchase, the Contract Quantity for a particular transaction in accordance with the terms of the Contract. Sales and purchases will be on a Firm or Interruptible basis, as agreed to by the parties in a transaction.

**The parties have selected either the "Cover Standard" or the "Spot Price Standard" as indicated on the Base Contract.**

**Cover Standard:**

3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the positive difference, if any, between the purchase price paid by Buyer utilizing the Cover Standard and the Contract Price, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller for such Day(s) excluding any quantity for which no replacement is available; or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in the amount equal to the positive difference, if any, between the Contract Price and the price received by Seller utilizing the Cover Standard for the resale of such Gas, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually taken by Buyer for such Day(s) excluding any quantity for which no sale is available; and (iii) in the event that Buyer has used commercially reasonable efforts to replace the Gas or Seller has used commercially reasonable efforts to sell the Gas to a third party, and no such replacement or sale is available for all or any portion of the Contract Quantity of Gas, then in addition to (i) or (ii) above, as applicable, the sole and exclusive remedy of the performing party with respect to the Gas not replaced or sold shall be an amount equal to any unfavorable difference between the Contract Price and the Spot Price, adjusted for such transportation to the applicable Delivery Point, multiplied by the quantity of such Gas not replaced or sold. Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

**Spot Price Standard:**

3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the Contract Price from the Spot Price; or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the applicable Spot Price from the Contract Price. Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party's invoice, which shall set forth the basis upon which such amount was calculated.

3.3. Notwithstanding Section 3.2, the parties may agree to Alternative Damages in a Transaction Confirmation executed in writing by both parties.

3.4. In addition to Sections 3.2 and 3.3, the parties may provide for a Termination Option in a Transaction Confirmation executed in writing by both parties. The Transaction Confirmation containing the Termination Option will designate the length of nonperformance triggering the Termination Option and the procedures for exercise thereof, how damages for nonperformance will be compensated, and how liquidation costs will be calculated.

## SECTION 4. TRANSPORTATION, NOMINATIONS, AND IMBALANCES

4.1. Seller shall have the sole responsibility for transporting the Gas to the Delivery Point(s). Buyer shall have the sole responsibility for transporting the Gas from the Delivery Point(s).

4.2. The parties shall coordinate their nomination activities, giving sufficient time to meet the deadlines of the affected Transporter(s). Each party shall give the other party timely prior Notice, sufficient to meet the requirements of all Transporter(s) involved in the transaction, of the quantities of Gas to be delivered and purchased each Day. Should either party become aware that actual deliveries at the Delivery Point(s) are greater or lesser than the Scheduled Gas, such party shall promptly notify the other party.

4.3. The parties shall use commercially reasonable efforts to avoid imposition of any Imbalance Charges. If Buyer or Seller receives an invoice from a Transporter that includes Imbalance Charges, the parties shall determine the validity as well as the cause of such Imbalance Charges. If the Imbalance Charges were incurred as a result of Buyer's receipt of quantities of Gas greater than or less than the Scheduled Gas, then Buyer shall pay for such Imbalance Charges or reimburse Seller for such Imbalance Charges paid by Seller. If the Imbalance Charges were incurred as a result of Seller's delivery of quantities of Gas greater than or less than the Scheduled Gas, then Seller shall pay for such Imbalance Charges or reimburse Buyer for such Imbalance Charges paid by Buyer.

## SECTION 5. QUALITY AND MEASUREMENT

All Gas delivered by Seller shall meet the pressure, quality and heat content requirements of the Receiving Transporter. The unit of quantity measurement for purposes of this Contract shall be one MMBtu dry. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

## SECTION 6. TAXES

**The parties have selected either "Buyer Pays At and After Delivery Point" or "Seller Pays Before and At Delivery Point" as indicated on the Base Contract.**

### **Buyer Pays At and After Delivery Point:**

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas at the Delivery Point(s) and all Taxes after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

### **Seller Pays Before and At Delivery Point:**

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s) and all Taxes at the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

## SECTION 7. BILLING, PAYMENT, AND AUDIT

7.1. Seller shall invoice Buyer for Gas delivered and received in the preceding Month and for any other applicable charges, providing supporting documentation acceptable in industry practice to support the amount charged. If the actual quantity delivered is not known by the billing date, billing will be prepared based on the quantity of Scheduled Gas. The invoiced quantity will then be adjusted to the actual quantity on the following Month's billing or as soon thereafter as actual delivery information is available.

7.2. Buyer shall remit the amount due under Section 7.1 in the manner specified in the Base Contract, in immediately available funds, on or before the later of the Payment Date or 10 Days after receipt of the invoice by Buyer; provided that if the Payment Date is not a Business Day, payment is due on the next Business Day following that date. In the event any payments are due Buyer hereunder, payment to Buyer shall be made in accordance with this Section 7.2.

7.3. In the event payments become due pursuant to Sections 3.2 or 3.3, the performing party may submit an invoice to the nonperforming party for an accelerated payment setting forth the basis upon which the invoiced amount was calculated. Payment from the nonperforming party will be due five Business Days after receipt of invoice.

7.4. If the invoiced party, in good faith, disputes the amount of any such invoice or any part thereof, such invoiced party will pay such amount as it concedes to be correct; provided, however, if the invoiced party disputes the amount due, it must provide supporting documentation acceptable in industry practice to support the amount paid or disputed without undue delay. In the event the parties are unable to resolve such dispute, either party may pursue any remedy available at law or in equity to enforce its rights pursuant to this Section.

7.5. If the invoiced party fails to remit the full amount payable when due, interest on the unpaid portion shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

7.6. A party shall have the right, at its own expense, upon reasonable Notice and at reasonable times, to examine and audit and to obtain copies of the relevant portion of the books, records, and telephone recordings of the other party only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, or computation made under the Contract. This right to examine, audit, and to obtain copies shall not be available with respect to proprietary information not directly relevant to transactions under this Contract. All invoices and billings shall be conclusively presumed final and accurate and all associated claims for under- or overpayments shall be deemed waived unless such invoices or billings are objected to in writing, with adequate explanation and/or documentation, within two years after the Month of Gas delivery. All retroactive adjustments under Section 7 shall be paid in full by the party owing payment within 30 Days of Notice and substantiation of such inaccuracy.

7.7. Unless the parties have elected on the Base Contract not to make this Section 7.7 applicable to this Contract, the parties shall net all undisputed amounts due and owing, and/or past due, arising under the Contract such that the party owing the greater amount shall make a single payment of the net amount to the other party in accordance with Section 7; provided that no payment required to be made pursuant to the terms of any Credit Support Obligation or pursuant to Section 7.3 shall be subject to netting under this Section. If the parties have executed a separate netting agreement, the terms and conditions therein shall prevail to the extent inconsistent herewith.

## **SECTION 8. TITLE, WARRANTY, AND INDEMNITY**

8.1. Unless otherwise specifically agreed, title to the Gas shall pass from Seller to Buyer at the Delivery Point(s). Seller shall have responsibility for and assume any liability with respect to the Gas prior to its delivery to Buyer at the specified Delivery Point(s). Buyer shall have responsibility for and assume any liability with respect to said Gas after its delivery to Buyer at the Delivery Point(s).

8.2. Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by it to Buyer, free and clear of all liens, encumbrances, and claims. EXCEPT AS PROVIDED IN THIS SECTION 8.2 AND IN SECTION 15.8, ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE, ARE DISCLAIMED.

8.3. Seller agrees to indemnify Buyer and save it harmless from all losses, liabilities or claims including reasonable attorneys' fees and costs of court ("Claims"), from any and all persons, arising from or out of claims of title, personal injury (including death) or property damage from said Gas or other charges thereon which attach before title passes to Buyer. Buyer agrees to indemnify Seller and save it harmless from all Claims, from any and all persons, arising from or out of claims regarding payment, personal injury (including death) or property damage from said Gas or other charges thereon which attach after title passes to Buyer.

8.4. The parties agree that the delivery of and the transfer of title to all Gas under this Contract shall take place within the Customs Territory of the United States (as defined in general note 2 of the Harmonized Tariff Schedule of the United States 19 U.S.C. §1202, General Notes, page 3); provided, however, that in the event Seller took title to the Gas outside the Customs Territory of the United States, Seller represents and warrants that it is the importer of record for all Gas entered and delivered into the United States, and shall be responsible for entry and entry summary filings as well as the payment of duties, taxes and fees, if any, and all applicable record keeping requirements.

8.5. Notwithstanding the other provisions of this Section 8, as between Seller and Buyer, Seller will be liable for all Claims to the extent that such arise from the failure of Gas delivered by Seller to meet the quality requirements of Section 5.

## **SECTION 9. NOTICES**

9.1. All Transaction Confirmations, invoices, payment instructions, and other communications made pursuant to the Base Contract ("Notices") shall be made to the addresses specified in writing by the respective parties from time to time.

9.2. All Notices required hereunder shall be in writing and may be sent by facsimile or mutually acceptable electronic means, a nationally recognized overnight courier service, first class mail or hand delivered.

9.3. Notice shall be given when received on a Business Day by the addressee. In the absence of proof of the actual receipt date, the following presumptions will apply. Notices sent by facsimile shall be deemed to have been received upon the sending party's receipt of its facsimile machine's confirmation of successful transmission. If the day on which such facsimile is received is not a Business Day or is after five p.m. on a Business Day, then such facsimile shall be deemed to have been received on the next

following Business Day. Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving party. Notice via first class mail shall be considered delivered five Business Days after mailing.

9.4. The party receiving a commercially acceptable Notice of change in payment instructions or other payment information shall not be obligated to implement such change until ten Business Days after receipt of such Notice.

## SECTION 10. FINANCIAL RESPONSIBILITY

10.1. If either party ("X") has reasonable grounds for insecurity regarding the performance of any obligation under this Contract (whether or not then due) by the other party ("Y") (including, without limitation, the occurrence of a material change in the creditworthiness of Y or its Guarantor, if applicable), X may demand Adequate Assurance of Performance. "Adequate Assurance of Performance" shall mean sufficient security in the form, amount, for a term, and from an issuer, all as reasonably acceptable to X, including, but not limited to cash, a standby irrevocable letter of credit, a prepayment, a security interest in an asset or guaranty. Y hereby grants to X a continuing first priority security interest in, lien on, and right of setoff against all Adequate Assurance of Performance in the form of cash transferred by Y to X pursuant to this Section 10.1. Upon the return by X to Y of such Adequate Assurance of Performance, the security interest and lien granted hereunder on that Adequate Assurance of Performance shall be released automatically and, to the extent possible, without any further action by either party.

10.2. In the event (each an "Event of Default") either party (the "Defaulting Party") or its Guarantor shall: (i) make an assignment or any general arrangement for the benefit of creditors; (ii) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it; (iii) otherwise become bankrupt or insolvent (however evidenced); (iv) be unable to pay its debts as they fall due; (v) have a receiver, provisional liquidator, conservator, custodian, trustee or other similar official appointed with respect to it or substantially all of its assets; (vi) fail to perform any obligation to the other party with respect to any Credit Support Obligations relating to the Contract; (vii) fail to give Adequate Assurance of Performance under Section 10.1 within 48 hours but at least one Business Day of a written request by the other party; (viii) not have paid any amount due the other party hereunder on or before the second Business Day following written Notice that such payment is due; or ix) be the affected party with respect to any Additional Event of Default; then the other party (the "Non-Defaulting Party") shall have the right, at its sole election, to immediately withhold and/or suspend deliveries or payments upon Notice and/or to terminate and liquidate the transactions under the Contract, in the manner provided in Section 10.3, in addition to any and all other remedies available hereunder.

10.3. If an Event of Default has occurred and is continuing, the Non-Defaulting Party shall have the right, by Notice to the Defaulting Party, to designate a Day, no earlier than the Day such Notice is given and no later than 20 Days after such Notice is given, as an early termination date (the "Early Termination Date") for the liquidation and termination pursuant to Section 10.3.1 of all transactions under the Contract, each a "Terminated Transaction". On the Early Termination Date, all transactions will terminate, other than those transactions, if any, that may not be liquidated and terminated under applicable law ("Excluded Transactions"), which Excluded Transactions must be liquidated and terminated as soon thereafter as is legally permissible, and upon termination shall be a Terminated Transaction and be valued consistent with Section 10.3.1 below. With respect to each Excluded Transaction, its actual termination date shall be the Early Termination Date for purposes of Section 10.3.1.

**The parties have selected either "Early Termination Damages Apply" or "Early Termination Damages Do Not Apply" as indicated on the Base Contract.**

**Early Termination Damages Apply:**

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, (i) the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract and (ii) the Market Value, as defined below, of each Terminated Transaction. The Non-Defaulting Party shall (x) liquidate and accelerate each Terminated Transaction at its Market Value, so that each amount equal to the difference between such Market Value and the Contract Value, as defined below, of such Terminated Transaction(s) shall be due to the Buyer under the Terminated Transaction(s) if such Market Value exceeds the Contract Value and to the Seller if the opposite is the case; and (y) where appropriate, discount each amount then due under clause (x) above to present value in a commercially reasonable manner as of the Early Termination Date (to take account of the period between the date of liquidation and the date on which such amount would have otherwise been due pursuant to the relevant Terminated Transactions).

For purposes of this Section 10.3.1, "Contract Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the Contract Price, and "Market Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the market price for a similar transaction at the Delivery Point determined by the Non-Defaulting Party in a commercially reasonable manner. To ascertain the Market Value, the Non-Defaulting Party may consider, among other valuations, any or all of the settlement prices of NYMEX Gas futures contracts, quotations from leading dealers in energy swap contracts or physical gas trading markets, similar sales or purchases and any other bona fide third-party offers, all adjusted for the length of the term and differences in transportation costs. A party shall not be required to enter into a replacement transaction(s) in order to determine the Market Value. Any extension(s) of the term of a transaction to which parties are not bound as of the Early Termination Date (including but not limited to "evergreen provisions") shall not be considered in determining Contract Values and Market Values. For the avoidance of doubt, any option pursuant to which one party has the right to extend

the term of a transaction shall be considered in determining Contract Values and Market Values. The rate of interest used in calculating net present value shall be determined by the Non-Defaulting Party in a commercially reasonable manner.

**Early Termination Damages Do Not Apply:**

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract.

**The parties have selected either "Other Agreement Setoffs Apply" or "Other Agreement Setoffs Do Not Apply" as indicated on the Base Contract.**

**Other Agreement Setoffs Apply:**

**Bilateral Setoff Option:**

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party is hereby authorized to setoff any Net Settlement Amount against (i) any margin or other collateral held by a party in connection with any Credit Support Obligation relating to the Contract; and (ii) any amount(s) (including any excess cash margin or excess cash collateral) owed or held by the party that is entitled to the Net Settlement Amount under any other agreement or arrangement between the parties.

**Triangular Setoff Option:**

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option, and without prior Notice to the Defaulting Party, the Non-Defaulting Party is hereby authorized to setoff (i) any Net Settlement Amount against any margin or other collateral held by a party in connection with any Credit Support Obligation relating to the Contract; (ii) any Net Settlement Amount against any amount(s) (including any excess cash margin or excess cash collateral) owed by or to a party under any other agreement or arrangement between the parties; (iii) any Net Settlement Amount owed to the Non-Defaulting Party against any amount(s) (including any excess cash margin or excess cash collateral) owed by the Non-Defaulting Party or its Affiliates to the Defaulting Party under any other agreement or arrangement; (iv) any Net Settlement Amount owed to the Defaulting Party against any amount(s) (including any excess cash margin or excess cash collateral) owed by the Defaulting Party to the Non-Defaulting Party or its Affiliates under any other agreement or arrangement; and/or (v) any Net Settlement Amount owed to the Defaulting Party against any amount(s) (including any excess cash margin or excess cash collateral) owed by the Defaulting Party or its Affiliates to the Non-Defaulting Party under any other agreement or arrangement.

**Other Agreement Setoffs Do Not Apply:**

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party may setoff any Net Settlement Amount against any margin or other collateral held by a party in connection with any Credit Support Obligation relating to the Contract.

10.3.3. If any obligation that is to be included in any netting, aggregation or setoff pursuant to Section 10.3.2 is unascertained, the Non-Defaulting Party may in good faith estimate that obligation and net, aggregate or setoff, as applicable, in respect of the estimate, subject to the Non-Defaulting Party accounting to the Defaulting Party when the obligation is ascertained. Any amount not then due which is included in any netting, aggregation or setoff pursuant to Section 10.3.2 shall be discounted to net present value in a commercially reasonable manner determined by the Non-Defaulting Party.

10.4. As soon as practicable after a liquidation, Notice shall be given by the Non-Defaulting Party to the Defaulting Party of the Net Settlement Amount, and whether the Net Settlement Amount is due to or due from the Non-Defaulting Party. The Notice shall include a written statement explaining in reasonable detail the calculation of the Net Settlement Amount, provided that failure to give such Notice shall not affect the validity or enforceability of the liquidation or give rise to any claim by the Defaulting Party against the Non-Defaulting Party. The Net Settlement Amount as well as any setoffs applied against such amount pursuant to Section 10.3.2, shall be paid by the close of business on the second Business Day following such Notice, which date shall not be earlier than the Early Termination Date. Interest on any unpaid portion of the Net Settlement Amount as adjusted by setoffs, shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

10.5. The parties agree that the transactions hereunder constitute a "forward contract" within the meaning of the United States Bankruptcy Code and that Buyer and Seller are each "forward contract merchants" within the meaning of the United States Bankruptcy Code.

10.6. The Non-Defaulting Party's remedies under this Section 10 are the sole and exclusive remedies of the Non-Defaulting Party with respect to the occurrence of any Early Termination Date. Each party reserves to itself all other rights, setoffs, counterclaims and other defenses that it is or may be entitled to arising from the Contract.

10.7. With respect to this Section 10, if the parties have executed a separate netting agreement with close-out netting provisions, the terms and conditions therein shall prevail to the extent inconsistent herewith.

## SECTION 11. FORCE MAJEURE

11.1. Except with regard to a party's obligation to make payment(s) due under Section 7, Section 10.4, and Imbalance Charges under Section 4, neither party shall be liable to the other for failure to perform a Firm obligation, to the extent such failure was caused by Force Majeure. The term "Force Majeure" as employed herein means any cause not reasonably within the control of the party claiming suspension, as further defined in Section 11.2.

11.2. Force Majeure shall include, but not be limited to, the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption and/or curtailment of Firm transportation and/or storage by Transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars, or acts of terror; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, regulation, or policy having the effect of law promulgated by a governmental authority having jurisdiction. Seller and Buyer shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

11.3. Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary Firm transportation unless primary, in-path, Firm transportation is also curtailed; (ii) the party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (iii) economic hardship, to include, without limitation, Seller's ability to sell Gas at a higher or more advantageous price than the Contract Price, Buyer's ability to purchase Gas at a lower or more advantageous price than the Contract Price, or a regulatory agency disallowing, in whole or in part, the pass through of costs resulting from this Contract; (iv) the loss of Buyer's market(s) or Buyer's inability to use or resell Gas purchased hereunder, except, in either case, as provided in Section 11.2; or (v) the loss or failure of Seller's gas supply or depletion of reserves, except, in either case, as provided in Section 11.2. The party claiming Force Majeure shall not be excused from its responsibility for Imbalance Charges.

11.4. Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be within the sole discretion of the party experiencing such disturbance.

11.5. The party whose performance is prevented by Force Majeure must provide Notice to the other party. Initial Notice may be given orally; however, written Notice with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written Notice of Force Majeure to the other party, the affected party will be relieved of its obligation, from the onset of the Force Majeure event, to make or accept delivery of Gas, as applicable, to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

11.6. Notwithstanding Sections 11.2 and 11.3, the parties may agree to alternative Force Majeure provisions in a Transaction Confirmation executed in writing by both parties.

## SECTION 12. TERM

This Contract may be terminated on 30 Day's written Notice, but shall remain in effect until the expiration of the latest Delivery Period of any transaction(s). The rights of either party pursuant to Section 7.6, Section 10, Section 13, the obligations to make payment hereunder, and the obligation of either party to indemnify the other, pursuant hereto shall survive the termination of the Base Contract or any transaction.

## SECTION 13. LIMITATIONS

FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY. A PARTY'S LIABILITY HEREUNDER SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN OR IN A TRANSACTION, A PARTY'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY. SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

## SECTION 14. MARKET DISRUPTION

If a Market Disruption Event has occurred then the parties shall negotiate in good faith to agree on a replacement price for the Floating Price (or on a method for determining a replacement price for the Floating Price) for the affected Day, and if the parties have not so agreed on or before the second Business Day following the affected Day then the replacement price for the Floating Price shall be determined within the next two following Business Days with each party obtaining, in good faith and from non-affiliated market participants in the relevant market, two quotes for prices of Gas for the affected Day of a similar quality and quantity in the geographical location closest in proximity to the Delivery Point and averaging the four quotes. If either party fails to provide two quotes then the average of the other party's two quotes shall determine the replacement price for the Floating Price. "Floating Price" means the price or a factor of the price agreed to in the transaction as being based upon a specified index. "Market Disruption Event" means, with respect to an index specified for a transaction, any of the following events: (a) the failure of the index to announce or publish information necessary for determining the Floating Price; (b) the failure of trading to commence or the permanent discontinuation or material suspension of trading on the exchange or market acting as the index; (c) the temporary or permanent discontinuance or unavailability of the index; (d) the temporary or permanent closing of any exchange acting as the index; or (e) both parties agree that a material change in the formula for or the method of determining the Floating Price has occurred. For the purposes of the calculation of a replacement price for the Floating Price, all numbers shall be rounded to three decimal places. If the fourth decimal number is five or greater, then the third decimal number shall be increased by one and if the fourth decimal number is less than five, then the third decimal number shall remain unchanged.

## SECTION 15. MISCELLANEOUS

15.1. This Contract shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, and heirs of the respective parties hereto, and the covenants, conditions, rights and obligations of this Contract shall run for the full term of this Contract. No assignment of this Contract, in whole or in part, will be made without the prior written consent of the non-assigning party (and shall not relieve the assigning party from liability hereunder), which consent will not be unreasonably withheld or delayed; provided, either party may (i) transfer, sell, pledge, encumber, or assign this Contract or the accounts, revenues, or proceeds hereof in connection with any financing or other financial arrangements, or (ii) transfer its interest to any parent or Affiliate by assignment, merger or otherwise without the prior approval of the other party. Upon any such assignment, transfer and assumption, the transferor shall remain principally liable for and shall not be relieved of or discharged from any obligations hereunder.

15.2. If any provision in this Contract is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant of this Contract.

15.3. No waiver of any breach of this Contract shall be held to be a waiver of any other or subsequent breach.

15.4. This Contract sets forth all understandings between the parties respecting each transaction subject hereto, and any prior contracts, understandings and representations, whether oral or written, relating to such transactions are merged into and superseded by this Contract and any effective transaction(s). This Contract may be amended only by a writing executed by both parties.

15.5. The interpretation and performance of this Contract shall be governed by the laws of the jurisdiction as indicated on the Base Contract, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction.

15.6. This Contract and all provisions herein will be subject to all applicable and valid statutes, rules, orders and regulations of any governmental authority having jurisdiction over the parties, their facilities, or Gas supply, this Contract or transaction or any provisions thereof.

15.7. There is no third party beneficiary to this Contract.

15.8. Each party to this Contract represents and warrants that it has full and complete authority to enter into and perform this Contract. Each person who executes this Contract on behalf of either party represents and warrants that it has full and complete authority to do so and that such party will be bound thereby.

15.9. The headings and subheadings contained in this Contract are used solely for convenience and do not constitute a part of this Contract between the parties and shall not be used to construe or interpret the provisions of this Contract.

15.10. Unless the parties have elected on the Base Contract not to make this Section 15.10 applicable to this Contract, neither party shall disclose directly or indirectly without the prior written consent of the other party the terms of any transaction to a third party (other than the employees, lenders, royalty owners, counsel, accountants and other agents of the party, or prospective purchasers of all or substantially all of a party's assets or of any rights under this Contract, provided such persons shall have agreed to keep such terms confidential) except (i) in order to comply with any applicable law, order, regulation, or exchange rule, (ii) to the extent necessary for the enforcement of this Contract, (iii) to the extent necessary to implement any transaction, (iv) to the extent necessary to comply with a regulatory agency's reporting requirements including but not limited to gas cost recovery proceedings; or (v) to the extent such information is delivered to such third party for the sole purpose of calculating a published index. Each party shall notify the other party of any proceeding of which it is aware which may result in disclosure of the terms of any transaction (other than as permitted hereunder) and use reasonable efforts to prevent or limit the disclosure. The existence of this Contract is not subject to this confidentiality obligation. Subject to Section 13, the parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with this confidentiality obligation. The terms of any transaction hereunder shall be kept confidential by the parties hereto for one year from the expiration of the transaction.

In the event that disclosure is required by a governmental body or applicable law, the party subject to such requirement may disclose the material terms of this Contract to the extent so required, but shall promptly notify the other party, prior to disclosure, and shall cooperate (consistent with the disclosing party's legal obligations) with the other party's efforts to obtain protective orders or similar restraints with respect to such disclosure at the expense of the other party.

15.11. The parties may agree to dispute resolution procedures in Special Provisions attached to the Base Contract or in a Transaction Confirmation executed in writing by both parties

15.12. Any original executed Base Contract, Transaction Confirmation or other related document may be digitally copied, photocopied, or stored on computer tapes and disks (the "Imaged Agreement"). The Imaged Agreement, if introduced as evidence on paper, the Transaction Confirmation, if introduced as evidence in automated facsimile form, the recording, if introduced as evidence in its original form, and all computer records of the foregoing, if introduced as evidence in printed format, in any judicial, arbitration, mediation or administrative proceedings will be admissible as between the parties to the same extent and under the same conditions as other business records originated and maintained in documentary form. Neither Party shall object to the admissibility of the recording, the Transaction Confirmation, or the Imaged Agreement on the basis that such were not originated or maintained in documentary form. However, nothing herein shall be construed as a waiver of any other objection to the admissibility of such evidence.

**DISCLAIMER:** The purposes of this Contract are to facilitate trade, avoid misunderstandings and make more definite the terms of contracts of purchase and sale of natural gas. Further, NAESB does not mandate the use of this Contract by any party. **NAESB DISCLAIMS AND EXCLUDES, AND ANY USER OF THIS CONTRACT ACKNOWLEDGES AND AGREES TO NAESB'S DISCLAIMER OF, ANY AND ALL WARRANTIES, CONDITIONS OR REPRESENTATIONS, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THIS CONTRACT OR ANY PART THEREOF, INCLUDING ANY AND ALL IMPLIED WARRANTIES OR CONDITIONS OF TITLE, NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE (WHETHER OR NOT NAESB KNOWS, HAS REASON TO KNOW, HAS BEEN ADVISED, OR IS OTHERWISE IN FACT AWARE OF ANY SUCH PURPOSE), WHETHER ALLEGED TO ARISE BY LAW, BY REASON OF CUSTOM OR USAGE IN THE TRADE, OR BY COURSE OF DEALING. EACH USER OF THIS CONTRACT ALSO AGREES THAT UNDER NO CIRCUMSTANCES WILL NAESB BE LIABLE FOR ANY DIRECT, SPECIAL, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY USE OF THIS CONTRACT.**



TRANSACTION CONFIRMATION  
FOR IMMEDIATE DELIVERY

EXHIBIT A

Letterhead/Logo	Date: _____, ____ Transaction Confirmation #: _____			
This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated _____. The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.				
<b>SELLER:</b> _____ _____ Attn: _____ Phone: _____ Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____	<b>BUYER:</b> _____ _____ Attn: _____ Phone: _____ Fax: _____ Base Contract No. _____ Transporter: _____ Transporter Contract Number: _____			
Contract Price: \$ _____/MMBtu or _____				
Delivery Period: Begin: _____, ____ End: _____, ____				
<b>Performance Obligation and Contract Quantity:</b> (Select One) <table style="width: 100%; border: none;"> <tr> <td style="width: 33%; vertical-align: top; padding: 5px;"> <b>Firm (Fixed Quantity):</b>                      _____ MMBtus/day  <input type="checkbox"/> EFP                 </td> <td style="width: 33%; vertical-align: top; padding: 5px;"> <b>Firm (Variable Quantity):</b>                      _____ MMBtus/day Minimum                      _____ MMBtus/day Maximum                      subject to Section 4.2. at election of  <input type="checkbox"/> Buyer or <input type="checkbox"/> Seller                 </td> <td style="width: 33%; vertical-align: top; padding: 5px;"> <b>Interruptible:</b>                      Up to _____ MMBtus/day                 </td> </tr> </table>		<b>Firm (Fixed Quantity):</b> _____ MMBtus/day <input type="checkbox"/> EFP	<b>Firm (Variable Quantity):</b> _____ MMBtus/day Minimum _____ MMBtus/day Maximum subject to Section 4.2. at election of <input type="checkbox"/> Buyer or <input type="checkbox"/> Seller	<b>Interruptible:</b> Up to _____ MMBtus/day
<b>Firm (Fixed Quantity):</b> _____ MMBtus/day <input type="checkbox"/> EFP	<b>Firm (Variable Quantity):</b> _____ MMBtus/day Minimum _____ MMBtus/day Maximum subject to Section 4.2. at election of <input type="checkbox"/> Buyer or <input type="checkbox"/> Seller	<b>Interruptible:</b> Up to _____ MMBtus/day		
<b>Delivery Point(s):</b> _____ (If a pooling point is used, list a specific geographic and pipeline location):				
<b>Special Conditions:</b> _____ _____ _____				
Seller: _____ By: _____ Title: _____ Date: _____	Buyer: _____ By: _____ Title: _____ Date: _____			

**Special Provisions to Base Contract for Sale and Purchase of Natural Gas (the “NAESB”)**

**Between**

**City of Victorville (“Party A”)**

**and**

**Morgan Stanley Capital Group Inc. (“Party B”)**

**dated December 20<sup>th</sup>, 2024**

Party A and Party B (each a “Party” and together the “Parties”) hereby agree to these Special Provisions, which modify and are incorporated into the NAESB Base Contract for Sale and Purchase of Natural Gas (NAESB Standard 6.3.1, released Sept. 5; 2006) (“Base Contract”) executed by the Parties on December 20<sup>th</sup>, 2024 (the “Effective Date”). All Transactions are entered into in reliance on the fact that all components of the Contract form a single agreement between the Parties; the Parties would not otherwise enter into any Transactions. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Base Contract.

**Amendments to Section 1. Purpose & Procedures**

Section 1.3 is amended by:

Deleting the third sentence of Section 1.3 in its entirety.

In the last sentence of Section 1.3, deleting the subparagraph “(ii)” and replacing it with the following:

“(ii) the oral agreement, or electronic agreement formed on an electronic trading system (“ETS”) of the Parties which may be evidenced by a recorded conversation or electronic confirmation from an ETS, where the Parties have selected the Oral Transaction Procedure of the Base Contract,”

Section 1.4 is amended by adding at the end thereof:

“The Parties agree not to contest, the validity or enforceability of this Base Contract including the validity or enforceability of any Transaction on the grounds that it does not meet the statute of frauds or any other statute, regulation or judicial decision that agreements be written or signed.”

**Amendments to Section 2. Definitions**

Section 2 is amended by:

(1) adding the following at the end of Section 2.6:

“A Business Day shall open at 8:00 a.m. and close at 5:00 p.m. local time at the relevant Party’s principal place of business. The relevant Party is the intended recipient of a Notice, demand for Adequate Assurance of Performance, Transaction Confirmation, payment or other item.”

The following additional definitions are added at the end of Section 2:

“2.36 “Affiliate” means, in relation to any person, any entity controlled, directly or indirectly, by such person, any entity that controls, directly or indirectly, such person, or any entity directly or indirectly under common control with such person. For this purpose, “control” of any entity or person means ownership of a majority of the voting power of the entity or person. Notwithstanding the foregoing, with respect to Party, the term Affiliate shall include, but not be limited to, any political subdivision of Party A, or an instrumentality, agency or department of Party A, guarantor of Party A.

2.37 “Authorizing Law” means the statute(s) under which Party A is created, organized and authorized to enter into this Contract and each Transaction, and includes, but is not limited to, (i) the California Constitution (including without limitation Article XI, Sections 5 and 9; (ii) California Government Code Section 39732; (iii) California Public Utilities Code, Division 5, beginning with Section 10001; (iv) the Charter of the City of Victorville; (v) Resolutions and Ordinances of the Victorville City Council; and (vi) the provisions of the Victorville Municipal Code, as amended and supplemented from time to time.

2.38 “Breakage Costs” means all costs and losses which the Non-Defaulting Party may incur in terminating and liquidating under Section 10 any Terminated Transactions and Specified Transactions, including, without limitation, attorneys fees, and costs (including, but not limited to, funding costs) and losses incurred in maintaining, terminating and/or re-establishing any hedge or related trading positions, except for such of the foregoing amounts already included in the Net Settlement Amount.

2.39 “Incipient Illegality” means (a) the enactment by any legislative body with competent jurisdiction over Party A of legislation which, if adopted as law, would render unlawful (i) the performance by such party of any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of a Transaction or the compliance by such party with any other material provision of this Contract relating to such Transaction or (ii) the performance by Party A of any contingent or other obligation which Party A has under any Credit Support Obligation relating to such Transaction, (b) any assertion in any proceeding, forum or action by Party A, in respect of such party or in respect of any entity located or organized under the laws of the state in which such party is located to the effect that performance under this Contract or similar agreements is unlawful or (c) the occurrence with respect to Party A or any Guarantor of Party A of any event that constitutes an Illegality.

2.40 “Illegality” After giving effect to any applicable provision, disruption fallback or remedy specified in, or pursuant to, the relevant Transaction Confirmation or elsewhere in this Contract, due to an event or circumstance (other than any action taken by a party or, if applicable, any Guarantor 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 Guarantor, 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 Sections 15.6 or 15.8) for such party or any Guarantor of such party (which will be the Defaulting Party) to perform any absolute or contingent obligation to make a payment or delivery which such party or Guarantor has under any Transaction or Credit Support Obligation relating to such Transaction, to receive a payment or delivery under such Transaction or Credit Support Obligation or to comply with any other material provision of such Transaction or Credit Support Obligation.”

**Amendments to Section 3. Performance Obligation**

Section 3 is amended by inserting the following new sections:

The following new Section 3.5 is hereby added:

<u>“Party required to deliver document</u>	<u>Form/Document/Certificate</u>	<u>Date by which to be delivered</u>
Party A and Party B	(i) A secretary’s certificate and resolutions (“authorizing resolutions”) or (ii) other authority documentation, in either case, which (x) authorizes the Party to enter into Transactions of the type contemplated by the Parties and (y) is reasonably satisfactory in form and substance to the other Party.	Upon execution of this Base Contract and as deemed necessary for any further documentation.
Party A and Party B	Certified copies of documents evidencing each Party’s capacity to execute the Base Contract, each Confirmation and any Credit Support Obligation (if applicable) and to perform its obligations hereunder and thereunder.	Upon the execution of this Base Contract, and, with respect to a Confirmation, upon the other Party’s request.
Party B	A copy of the annual report of Morgan Stanley containing audited consolidated financial statements for each such fiscal year, certified by independent certified public accountants and prepared in accordance with generally accepted accounting principles in the country in which such Party is organized; provided however that Party B shall not be required to deliver such annual report if it is publicly available at <a href="http://www.morganstanley.com">www.morganstanley.com</a> , or at <a href="http://www.sec.gov">www.sec.gov</a> .	As soon as practicable after the execution of this Contract and also within 120 calendar days after the end of each fiscal year while there are any obligations outstanding under this Base Contract.

Party A	A copy of the annual report of such Party containing audited consolidated financial statements for each such fiscal year, certified by independent certified public accountants, and prepared in accordance with generally accepted accounting principles in the country in which such Party is organized.	As soon as practicable after the execution of this Contract and also within 180 calendar days after the end of each fiscal year while there are any obligations outstanding under this Base Contract.
Party A	A notice of Incipient Illegality specifying the nature of that Incipient Illegality and such other information about that Incipient Illegality as Party B may reasonably require.	Promptly upon becoming aware of occurrence of an Incipient Illegality and as deemed necessary for any other information Party B may reasonably require.
Party A	Certified copies of the Authorizing Law, any other charter, statute or comparable legislation creating Party A and authorizing Party A to enter into the Contract;	On the Effective Date and as a condition to the obligations of Party B under this Contract.
Party A	A written opinion of legal counsel to Party A (and any Guarantor) reasonably satisfactory to Party B.	On the Effective Date and as a condition to the obligations of Party B under this Contract.”

**Amendments to Section 8. Title, Warranty And Indemnity**

Section 8 is amended by replacing in Section 8.2 the words “THIS SECTION 8.2” with “THIS SECTION 8”.

**Amendments to Section 9. Notices.**

Section 9.2 is amended by adding the following at the end thereof:

“provided, however, that: (i) all notices permitted or required under Section 10 must be either sent by a nationally recognized overnight courier service or hand delivered; and (ii) a copy of such notices to Party B must also be sent by facsimile to:

Morgan Stanley Capital Group Inc.  
1585 Broadway  
New York, New York 10036-8293  
Attention: Close-out Notices  
With a mandatory copy to:  
Email.: [msdoc-termination-notices@morganstanley.com](mailto:msdoc-termination-notices@morganstanley.com)”

**Amendments to Section 10. Financial Responsibility**

Section 10.1 shall be deleted in its entirety.

Section 10.2 shall be amended by the following:

a. Clause (v) is hereby deleted and replaced with the following:

“(v) seek or become subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or substantially all its assets; or (b) in the case of Party A, any guarantor of Party A, or any Affiliate of Party A (1) there shall be appointed or designated with respect to it, an entity such as an organization, board, commission, authority, agency or other body to monitor, review, oversee, recommend or declare a financial emergency or similar state of financial distress with respect to it, or (2) there shall be declared or introduced or proposed by it or any legislative or regulatory body the existence of a state of financial emergency in respect of it;”

b. On the seventh line, in subsection 10.2(vii), replacing “48 hours but at least one Business Day” with “two (2) Business Days “;

c. On the ninth line, deleting the word “or” before the number “(ix)”;

d. On the ninth line, adding the following as clauses (x) through (xv):

“ (x) have failed to perform any other covenant or material obligation under the Contract for reasons other than Force Majeure, if such breach is not cured within thirty (30) calendar days from notice of a demand for cure;”

(xi) consolidate or amalgamate with, or merge with or into, or transfer all or substantially all its assets to, or reorganize, incorporate, reincorporate, or reconstitute into or as, another entity, or another entity transfers all or substantially all its assets to, or reorganizes, incorporates, reincorporates, or reconstitutes into or as, the Defaulting Party or its Guarantor, or in the case of Party A, an entity such as an organization, board, commission, authority, agency or body succeeds to the principal functions of, or powers and duties granted to Party A, (a) the creditworthiness of the Defaulting Party, its Guarantor or the resulting, surviving, transferee or successor entity is materially weaker than that of the Defaulting Party or such Guarantor, as the case may be, immediately prior to such action; (b) the resulting, surviving, transferee or successor entity fails to assume all the obligations of the Defaulting Party or such Guarantor under this Contract or any Credit Support Obligations to which it or its predecessor was a Party, by either operation of law or pursuant to an agreement reasonably satisfactory to the Non-Defaulting Party; (c) the benefits of any Credit Support Obligation fail to extend (without the consent of the Non-Defaulting Party) to the performance by such resulting, surviving, transferee or successor entity of its obligations under this Contract, or (d) in the case of Party A, the sources of payment for its obligations as set forth in the Schedule are no longer available for the satisfaction of such resulting, surviving, transferee or successor entity’s obligations to the other party hereto;

(xii) make a materially incorrect or misleading representation or warranty under the Contract or a Credit Support Obligation;

(xiii) a Credit Support Obligation expires or terminates with respect to the obligations of a Party under this Contract or a Transaction Confirmation, or such Credit Support Obligation fails or ceases to be in full force or effect for the purpose of this Contract or a Transaction Confirmation (in either case other than in accordance with the terms of this Contract and any applicable Transaction Confirmation) before the satisfaction of all obligations of such Party under this Contract and under each Transaction to which such Credit Support Obligation relates, without the written consent of the other Party; or

(xiv) repudiate any obligation under (a) this Contract, (b) any Credit Support Obligation, or (c) any Specified Transaction.

Section 10.3 is amended by:

(1) replacing the first sentence with the following:

If an Event of Default has occurred and is continuing, the Non-Defaulting Party shall have the right, by Notice to the Defaulting Party, to: (i) suspend its performance hereunder; (ii) withhold any payments due to the Defaulting Party under this Contract; and/or (iii) designate a Day, which day shall be no earlier than the Day such Notice is given and no later than 20 Days after such Notice is given, as an early termination date for the liquidation and termination pursuant to Section 10.3.1 of all transactions under the Contract (the "Early Termination Date"), each a "Terminated Transaction. Notwithstanding the foregoing, if Party A is the Defaulting Party, an Early Termination Date in respect of all outstanding transactions shall occur immediately upon the occurrence with respect to Party A of an Event of Default specified in Section 10.2 (i), (ii), (iii), (iv), and (v) (an "Automatic Early Termination");

(2) deleting the words "legally permissible" and replacing them with "commercially practicable"; and

(3) adding the following as a new final sentence:

If an Early Termination Date occurs as a result of Automatic Early Termination, the Defaulting Party shall fully indemnify the Non-Defaulting Party on demand against all direct expense, loss, damage or liability that the Performing Party may incur in respect of this Contract, as a consequence of movements in commodity, exchange or other relevant rates or prices or Breakage Costs between the Early Termination Date and the Business Day on which the Performing Party first becomes aware that the Early Termination Date has occurred."

The "Early Termination Damages Apply" version of Section 10.3.1 is amended by adding:

(i) "together with (iii) any Breakage Costs incurred by the Non-Defaulting Party." at the end of the first sentence, and

(ii) "adjusted for Breakage Cost, if any" in the second sentence after the words "as defined below, of such Terminated Transaction(s)" and before the words "shall be due to the Buyer".

Section 10.3.1 is further amended by adding "and any similar information from internal sources if that information is of the same type used by the Non-Defaulting Party in the regular course of its business for the valuation of similar Transactions" after "bona fide third Party offers" in the definition of "Market Value".

### **Amendments to Section 11. Force Majeure**

Section 11.3 is amended by:

(1) replacing "curtailment" with "loss, interruption or curtailment" in the second line thereof;

(2) adding ", on any transporter necessary to effect receipt or delivery of Gas hereunder" between "transportation" and "unless" in the second line thereof;

- (3) in clause (i), replacing “curtailed” with “lost, interrupted or curtailed, and then only to the extent of such loss, interruption or curtailment on the affected pipeline segment”;
- (4) replacing “Buyer’s inability” with “Buyer’s inability or inability economically”;
- (5) replacing “or (v)” with “(v)”; and
- (6) adding the following at the end of the second to last sentence of Section 11.3:
  - “(vi) increases or decreases in natural gas supply due to allocation or reallocation of production by producers, well operators, or other parties controlling production or well operation (except for an allocation or reallocation of production pursuant to a governmental order); or
  - (vii) failure of specific, individual wells or appurtenant facilities in the absence of a force majeure event broadly affecting other wells in the same geographic area.”

Section 11.5 is amended by replacing “Upon providing written Notice of Force Majeure to the other Party,” in the beginning of the third sentence with “If the Party receiving notice of Force Majeure has not provided the Party claiming Force Majeure with a notice of objection or dispute by the end of the third Business Day following receipt of the claiming Party’s written Force Majeure notice, then”.

#### **Amendments to Section 14. Market Disruption Event**

Section 14 is amended by deleting the sentence beginning “If either Party fails to provide” and replacing it with the following:

“If either Party fails to provide two quotes, then the Parties shall use the average of all of the quotes obtained to determine the replacement price for the Floating Price.”

#### **Amendments to Section 15. Miscellaneous**

Section 15.3 is amended by adding the following at the end thereof:

“No failure on the part of any Party to exercise, and no delay in exercising, any right under the Contract, a Transaction, or a Transaction Confirmation shall operate as waiver thereof, nor shall any partial exercise of any such right preclude the exercise of any other right. No waiver shall be valid unless set forth in a signed writing.”

Section 15.5 is amended by inserting the following at the end thereof:

“(a) Reference Proceedings. Any dispute between the parties arising out of or in connection with this Contract or its performance, breach, or termination (including the existence, validity and interpretation of this Contract and the applicability of any statute of limitation period) (each, a “Dispute”) shall be resolved by a reference proceeding in California in accordance with the provisions of Sections 638 et seq. of the California Code of Civil Procedure (“CCP”), or their successor sections (a “Reference Proceeding”), which shall constitute the exclusive remedy for the resolution of any Dispute. As a condition precedent to initiating a Reference Proceeding with respect to any Dispute, the parties shall comply with the provisions of Section 15.5(b).

(b) Notice of Dispute. Prior to initiating the Reference Proceeding, a party (the “Disputing Party”) shall provide the other party (the “Responding Party”) with a written notice of each issue in dispute, a proposed means for resolving each such issue, and support for such position (the “Notice of

Dispute”). Within 10 days after receiving the Notice of Dispute, the Responding Party shall provide the Disputing Party with a written notice of each additional issue (if any) with respect to the Dispute raised by the Notice of Dispute, a proposed means for resolving every issue in dispute, and support for such position (the “Dispute Response”). Thereafter, the parties shall meet to discuss the matter and attempt in good faith to reach a negotiated resolution of the dispute. If the parties do not resolve the Dispute by mutual agreement within 60 days after receipt of the Dispute Response, (the “Negotiation Period”), then either party may provide to the other party written notice of intent for judicial reference (the “Impasse Notice”) in accordance with the further provisions of this Section 15.5(b).

(c) Applicability; Selection of Referees.

(i) The party that provides the Impasse Notice shall nominate one referee at the same time it provides the Impasse Notice. The other party shall nominate one referee within 10 days of receiving the Impasse Notice. The two referees (the “Party-Appointed Referees”) shall appoint a third referee (the “Third Referee”, together with the Party-Appointed Referees, the “Referees”). The Party-Appointed Referees shall be competent and experienced in matters involving the natural gas energy business in the United States, with at least 10 years of natural gas industry experience as a practicing attorney. The Third Referee shall be an active or retired California state or federal judge. Each of the Party-Appointed Referees and the Third Referee shall be impartial and independent of either party and of the other referees and not employed by any of the parties in any prior matter.

(ii) If the Party-Appointed Referees are unable to agree on the Third Referee within 45 days from delivery of the Impasse Notice, then the Third Referee shall be appointed pursuant to CCP Section 640(b) in an action filed in the Superior Court of California, County of San Francisco (the “Court”), and with due regard given to the selection criteria above. A request for appointment of a referee may be heard on an ex parte or expedited basis, and the parties agree that irreparable harm would result if ex parte relief is not granted. Pursuant to CCP Section 170.6, each party shall have one peremptory challenge to the referee selected by the Court.

(d) Discovery; Proceedings.

(i) The parties agree that time is of the essence in conducting the Reference Proceeding. Accordingly, the referees shall be requested, subject to change in the time periods specified herein for good cause shown, to (i) set the matter for a status and trial-setting conference within 20 days after the date of selection of the Third Referee, (ii) if practicable, try all issues of law or fact within 180 days after the date of the conference, and (iii) report a statement of decision within 20 days after the matter has been submitted for decision.

(ii) Discovery and other pre-hearing procedures shall be conducted as agreed to by the parties, or if they cannot agree, as determined by the Third Referee after discussion with the parties regarding the need for discovery and other pre-hearing procedures.

(iii) Except as expressly set forth herein, the Third Referee shall determine the manner in which the Reference Proceeding is conducted, including the time and place of hearings, the order of presentation of evidence, and all other questions that arise with respect to the course of the Reference Proceeding. The Reference Proceeding, including the trial, shall be conducted at a neutral location selected by the parties, or if not agreed by the parties, by the Third Referee, in San Francisco, California.

(iv) All proceedings and hearings conducted before the referees, except for trial, shall be conducted without a court reporter, except that when any party so requests, a court reporter will be used at any hearing conducted before the referees, and the referees will be provided a courtesy

copy of the transcript. The party making such a request shall have the obligation to arrange for and pay the court reporter.

(e) Decision. The referees shall render a written statement of decision setting forth findings of fact and conclusions of law. The decision shall be entered as a judgment in the court in accordance with the provisions of CCP Sections 644 and 645. The decision shall be appealable to the same extent and in the same manner that such decision would be appealable if rendered by a judge of the Court. The parties intend this general reference agreement to be specifically enforceable in accordance with the CCP.

(f) Expenses. Each party shall bear the compensation and expenses of its respective Party Appointed Referee, own counsel, witnesses, consultants and employees. All other expenses of judicial reference shall be split equally between the parties.

(g) THE PARTIES WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY JUDICIAL ACTION ARISING HEREUNDER. In the event such judicial proceedings are instituted by either Party, the prevailing Party shall be entitled to award of its costs and attorneys' fees incurred in connection with such proceedings"

Section 15.8 is amended by inserting the following at the end thereof:

- (A) "**Mutual Representations and Warranties**. Each Party represents and warrants to the other Party, as of the date of the Base Contract and these Special Provisions, of each Transaction hereunder, and of each delivery of Gas in connection with such Transaction, that:
- (i) it is duly organized and validly existing under the laws of the jurisdiction of its organization or incorporation and, if relevant under such laws, in good standing;
  - (ii) the execution of, and delivery and performance under, this Contract does not violate or conflict with any law, rule, or regulation 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;
  - (iii) there is not pending or, to its knowledge, threatened against it or any of its Affiliates any action, suit or proceeding at law or in equity or before any court, governmental body or official or any arbitrator that is likely to affect the legality, validity or enforceability against it of this Contract or any Transaction to which it is a Party or its ability to perform its obligations under the same;
  - (iv) it is not relying upon any representations of the other Party, other than those set forth in this Contract, any Transaction Confirmation or any Credit Support Obligation(s) of the other Party;
  - (v) it has entered into this Contract and each Transaction and Transaction Confirmation thereof as principal (and not as advisor, agent, broker or in any other capacity, fiduciary or otherwise) and has made its trading and investment decisions (including regarding the suitability thereof), with a full understanding of the material terms and risks, and ability to assume the risks of the same, and based upon its own judgment and any advice from such advisors as it has deemed necessary and not in reliance upon any view expressed by the other Party. Each Party expressly acknowledges that the other Party is not acting with respect to any communication (written or oral) as a "municipal advisor," as such term is defined in Section 975 of the U.S. Dodd-Frank Wall Street Reform & Consumer Protection Act;
  - (vi) it and its Guarantor, if applicable, is an "eligible contract participant" as defined in Section 1a(18) of the Commodity Exchange Act, as amended);

(vii) it is not (i) an employee benefit plan (hereinafter an "ERISA Plan"), as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), subject to Title I of ERISA or a plan subject to Section 4975 of the Internal Revenue Code of 1986, as amended, or subject to any other statute, regulation, procedure or restriction that is materially similar to Section 406 of ERISA or Section 4975 of the Code (together with ERISA Plans, "Plans"), (ii) a person any of the assets of whom constitute assets of a Plan, or (iii) in connection with any Transaction under this Contract, a person acting on behalf of a Plan, or using the assets of a Plan. It will provide notice to the other Party in the event that it is aware that it is in breach of any aspect of this representation or is aware that with the passing of time, giving of notice or expiry of any applicable grace period it will breach this representation; and

(viii) No Event of Default with respect to it, or event which with notice and/or lapse of time would constitute such an Event of Default, has occurred and is continuing and no such event would occur as a result of it entering into or performing its obligations under this Contract.

(B) **Warranties of Party A.** Party A hereby further represents and warrants to Party B, as of the date of the Base Contract and these Special Provisions, of each Transaction hereunder, and of each delivery of Gas in connection with such Transaction, that:

- (i) The execution and delivery by Party A of this Contract, any oral agreement and each Transaction Confirmation, and any other documentation relating hereto, and the performance by Party A of its obligations hereunder, are in furtherance, and not in violation, of the municipal and other stated purposes for which Party A is organized pursuant to the Authorizing Law;
- (ii) All acts necessary to the valid execution, delivery and performance of this Contract and each Transaction and Transaction Confirmation, including, without limitation, competitive bidding, public notice, election, referendum, prior appropriation or other required procedures has or will be taken and performed as required under the Authorizing Law and Party A's ordinances, bylaws or other regulations;
- (iii) Neither this Contract nor any Transaction constitutes any kind of investment by Party A, and none of Party A's obligations under this Contract create any kind of indebtedness or security interest that is proscribed by any constitution, charter, law, rule, regulation, government code, constituent or governing instrument, resolution, guideline, ordinance, order, writ, judgment, decree, charge, or ruling to which Party A (or any of its officials in their respective capacities as such) or its property is subject;
- (iv) Other than those referred to herein, no authorizations, approvals, and resolutions of the governing body or other authorized body of Party A limit or restrict in any regard the type, number, duration, quantity, price, or total value of Transactions that Party A may enter into with Party B and/or with any other entity;
- (v) Party A's obligations to make payments hereunder are unsubordinated obligations and such payments are: (a) operating and maintenance costs (or similar designation) which enjoy first priority of payment at all times under any and all bond ordinances or indentures to which it is a party, the Authorizing Law and all other relevant constitutional, organic or other governing documents and applicable law; or (b) otherwise not subject to any prior claim under any and all bond ordinances or indentures to which it is a party, the Authorizing Law and all other relevant constitutional, organic or other governing documents and applicable law and are available without limitation or deduction to satisfy all Party A's obligations hereunder and under each Transaction;

- (vi) It is not entitled to claim immunity on the grounds of sovereignty or other similar grounds with respect to itself or its revenues or assets (irrespective of their use or intended use) from: (a) suit or arbitration, (b) jurisdiction of any court, (c) relief by way of injunction, order for specific performance or for recovery of property, (d) attachment of its assets (whether before or after judgment) or (e) execution or enforcement of any judgment or arbitration award to which it or its revenues or assets might otherwise be made subject to in any proceedings in the courts of any jurisdiction or in any arbitration and no such immunity (whether or not claimed) may be attributed to such Party or its revenues or assets;
- (vii) All persons making up the governing body of Party A are the duly elected or appointed incumbents in their positions and hold such positions in good standing in accordance with the Authorizing Law and other applicable law; and
- (viii) Entry into and performance of this Contract and each Transaction by Party A will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any obligation of Party A otherwise entitled to such exclusion.”

Section 15.10 is amended by:

inserting “Affiliates,” before “employees,” in the first sentence of the first paragraph, and by inserting the following at the end thereof:

“Notwithstanding the foregoing, it shall not be deemed a breach of this Section 15.10 if a Party discloses the terms or conditions of a Transaction (other than the name of and any other identifying information relating to the other Party) to an entity that aggregates and reports to the public price data on an aggregate basis.

The following new Sections 15.13, 15.14 and 15.15 are hereby added:

“15.13 Regulatory Matters. To the extent, if any, that a Transaction does not qualify as a “first sale” as defined by the Natural Gas Act and §§ 2 and 601 of the Natural Gas Policy Act, each Party irrevocably waives its rights, including its rights under §§ 4-5 of the Natural Gas Act, unilaterally to seek or support a change in the rate(s), charges, classifications, terms or conditions of this Contract, any Transaction hereunder or any other agreements entered into in connection with this Contract (collectively, the “Covered Agreements”). By this provision, each Party expressly waives its right to seek or support: (i) an order from the U.S. Federal Energy Regulatory Commission (“FERC”) finding that the market-based rate(s), charges, classifications, terms or conditions agreed to by the Parties under the Covered Agreements are unjust and unreasonable; or (ii) any refund with respect thereto. Each Party agrees not to make or support such a filing or request, and that these covenants and waivers shall be binding notwithstanding any regulatory or market changes that may occur hereafter. Absent the agreement of both Parties to the proposed change, the standard of review for changes to any section of the Covered Agreements proposed by a Party (to the extent that any waiver as set forth in this Section 15.13 is unenforceable or ineffective as to such Party), a non-Party or FERC acting sua sponte, shall be the “public interest” 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. Pub. Util. Dist. No. 1 of Snohomish County, 128 S. Ct. 2733 (2008) and further, refined in NRG Power Marketing v. Maine Public Utilities Commission, 558 U.S. 165 (2010) (the “Mobile-Sierra” doctrine).

15.14 U.S. Resolution Stay. The Parties agree that (i) to the extent that prior to the date hereof the Parties hereto have adhered to the 2018 ISDA U.S. Resolution Stay Protocol (the “Protocol”), the terms of the Protocol are incorporated into and form a part of this Contract, and for such

purposes this Contract shall be deemed a Protocol Covered Agreement and each party shall be deemed to have the same status as Regulated Entity or Adhering Party as applicable to it under the Protocol; (ii) to the extent that prior to the date hereof the Parties have executed a separate agreement the effect of which is to amend the qualified financial contracts between them to conform with the requirements of the QFC Stay Rules (the "Bilateral Agreement"), the terms of the Bilateral Agreement are incorporated into and form a part of this Contract and for such purposes each party shall be deemed to have the same status as "Covered Entity", "Counterparty Entity" or "Client Entity" (or other similar term) as applicable to it under the Bilateral Agreement; or (iii) if clause (i) and clause (ii) do not apply, the terms of Section 1 and Section 2 and the related defined terms (together, the "Bilateral Terms") of the form of bilateral template entitled "Full-Length Omnibus (for use between U.S. G-SIBs and Corporate Groups)" or the "Agency Version of Omnibus Agreement (for use with U.S. G-SIBs)", as applicable, published by ISDA on November 2, 2018 (currently available on the 2018 ISDA U.S. Resolution Stay Protocol page at [www.isda.org](http://www.isda.org), the effect of which is to amend the qualified financial contracts between the Parties thereto to conform with the requirements of the QFC Stay Rules, are hereby incorporated into and form a part of this Contract, and for such purposes this Contract shall be deemed a "Covered Agreement," Party B shall be deemed a "Covered Entity" and Party A shall be deemed a "Counterparty Entity" (or "Client Entity" for the Agency version, as applicable). In the event that, after the date of this Contract, all Parties hereto become adhering Parties to the Protocol, the terms of the Protocol will replace the terms of this section. In the event of any inconsistencies between this Contract and the terms of the Protocol, the Bilateral Agreement or the Bilateral Terms (each, the "QFC Stay Terms"), as applicable, the QFC Stay Terms will govern. Terms used in this paragraph without definition shall have the meanings assigned to them under the QFC Stay Rules. For purposes of this paragraph, references to "this Contract" include any related credit enhancements entered into between the Parties, directly or indirectly through an agent, or provided by one to the other. In addition, the Parties agree that the terms of this paragraph shall be incorporated into any related covered affiliate credit enhancements, as applicable, with all references to Party B replaced by references to the covered affiliate support provider.

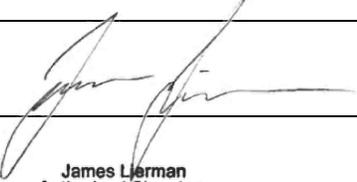
"QFC Stay Rules" means the regulations codified at 12 C.F.R. 252.2, 252.81–8, 12 C.F.R. 382.1-7 and 12 C.F.R. 47.1-8, which, subject to limited exceptions, require an express recognition of the stay-and-transfer powers of the FDIC under the Federal Deposit Insurance Act and the Orderly Liquidation Authority under Title II of the Dodd Frank Wall Street Reform and Consumer Protection Act and the override of default rights related directly or indirectly to the entry of an affiliate into certain insolvency proceedings and any restrictions on the transfer of any covered affiliate credit enhancements.

15.15 California Public Records Act. Party B acknowledges that Party A is a public entity subject to the requirements of the California Public Records Act (Cal. Gov. Code section 7920 et seq.) and that Party A may be required to make public the Base Contract and/or any Transaction Confirmation (which may be partially redacted by Party A) pursuant to the terms of this Section 15.15 in connection with the process of seeking approval from its governing body or a similar forum of applicable authority (however described or situated), as the case may be, for the execution of the Base Contract or any Transaction Confirmation. Party B may submit information to Party A that Party B considers confidential, proprietary, or trade secret information pursuant to the Uniform Trade Secrets Act (Cal. Civ. Code section 3426 et seq.), or otherwise protected from disclosure pursuant to an exemption to the California Public Records Act. Upon request or demand of any third person or entity not a party to the Base Contract or any Transaction Confirmation ("**Requestor**") pursuant to the California Public Records Act for production, inspection and/or copying of the Base Contract, any Transaction Confirmation, or any information considered by Party B to be as confidential, proprietary or trade secret information ("**Confidential Information**"), Party A as soon as practical shall notify Party B that such request has been made, by notice as set forth in Section 9.2 of the Base Contract. Party B shall be solely responsible for taking whatever legal steps necessary to protect Confidential Information and to prevent release of Confidential

Information to the Requestor by Party A. If Party B takes no such action within ten (10) days, after receiving the foregoing notice from Party A, Party A shall be permitted to comply with the Requestor's demand."

*[Signature page follows.]*

IN WITNESS WHEREOF, the parties have caused these Special Provisions to be duly executed and become effective as of the date first written above.

<b>City of Victorville</b>	<b>Morgan Stanley Capital Group Inc.</b>
By:	By: 
Name:	Name: James Lerman Authorized Signatory
Title:	Title:

**Model Credit Support Addendum  
to the  
Base Contract for Sale and Purchase of Natural Gas  
Between  
City of Victorville ("Party A")  
and  
Morgan Stanley Capital Group Inc. ("Party B")**

This Model Credit Support Addendum ("CSA") is entered into as of this 20<sup>th</sup> day of December, 2024. The parties to this CSA are the following:

**Party A**

Name and Address CITY OF VICTORVILLE  
14343 Civic Drive  
Victorville, CA 92392  
Base Contract Date: December 20<sup>th</sup>, 2024

Attn:  
Phone:  
E-mail Address:

Bank:  
ABA:  
ACCT:  
Other Details: \_\_\_\_\_

**Party B**

MORGAN STANLEY CAPITAL GROUP INC  
1585 Broadway, 3<sup>rd</sup> Floor (Commodities)  
New York, NY 10036  
Base Contract Date: December 20<sup>th</sup>, 2024

Credit Related Notices:  
Attn: Credit Risk Manager  
Phone: (212) 296-8690 Fax:  
E-mail Address: commodity@morganstanley.com

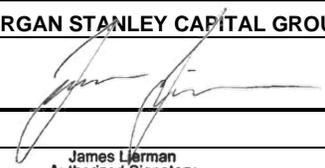
Wire Transfer or ACH Numbers (if applicable):  
Bank: Northern Trust International NY  
ABA: 026001122  
ACCT: 102897-20010/Morgan Stanley Capital Group Inc.  
Other Details:

This CSA is published by the North American Energy Standards Board, Inc. The parties hereby agree to the following provisions offered in said CSA Elections.

Credit Support Provider	Party A: None Party B: None	Interest Rate	The "Interest Rate" shall be, with respect to Eligible Collateral in the form of Cash, "Federal Funds Rate" 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.												
Eligible Collateral	<table style="width: 100%; border: none;"> <tr> <td style="width: 15%;"></td> <td style="width: 35%; text-align: right;">Valuation Percentage</td> <td style="width: 50%;"></td> </tr> <tr> <td>Party A: <input checked="" type="checkbox"/> Cash</td> <td style="text-align: right;">100%</td> <td></td> </tr> <tr> <td><input checked="" type="checkbox"/> Letters of Credit</td> <td style="text-align: right;">100%*</td> <td></td> </tr> <tr> <td><input type="checkbox"/> Other _____</td> <td style="text-align: right;">____%</td> <td></td> </tr> </table>		Valuation Percentage		Party A: <input checked="" type="checkbox"/> Cash	100%		<input checked="" type="checkbox"/> Letters of Credit	100%*		<input type="checkbox"/> Other _____	____%		Minimum Transfer Amount	<input checked="" type="checkbox"/> \$100,000.00 for either party; provided, however, that if an Event of Default with respect to a party has occurred and is continuing, the Minimum Transfer Amount with respect to such party shall be zero. <input type="checkbox"/> See attached Rating Matrix
	Valuation Percentage														
Party A: <input checked="" type="checkbox"/> Cash	100%														
<input checked="" type="checkbox"/> Letters of Credit	100%*														
<input type="checkbox"/> Other _____	____%														

	Party B: <input checked="" type="checkbox"/> Cash 100% <input checked="" type="checkbox"/> Letters of Credit 100%* <input type="checkbox"/> Other _____% * - See Definition of Valuation Percentage.	Letter of Credit Issuer Requirements	A U.S. commercial bank or a U.S. branch office of a foreign bank, in either case: (i) maintains, a Credit Rating of at least (a) "A" by S&P and "A2" by Moody's, if such entity is rated by both S&P and Moody's or (b) "A" by S&P or "A2" by Moody's, if such entity is rated by either S&P or Moody's, but not both, (ii) meets the applicable criteria of the Secured Party for letter of credit issuers as in effect at such time (including credit, legal, and risk management criteria); (iii) is "well capitalized" within the meaning of Section 38 of the Federal Deposit Insurance Act, as amended, or any successor statute, and any applicable regulations thereunder; (iv) satisfies all regulatory capital requirements applicable to it (including any individual regulatory capital requirements); and (v) is substantially in the form set forth in Schedule 1 attached hereto, with such changes to the terms in that form as the issuing bank may require and as may be acceptable to the beneficiary thereof.
Transfer Method for Other Eligible Collateral	Party A: Not Applicable  Party B: Not Applicable	Notification Time  Close of Business	<input type="checkbox"/> 1 p.m. Eastern Prevailing Time <input checked="" type="checkbox"/> Other <u>10:00 AM</u> New York Time  <input checked="" type="checkbox"/> 5 p.m. Eastern Prevailing Time <input type="checkbox"/> Other
Collateral Threshold	<input checked="" type="checkbox"/> See attached Rating Matrix <input type="checkbox"/> See attached Independent Amounts, specified in the Model CSA Special Provisions <input type="checkbox"/> Flat amounts Party A: [\$0] Party B: [\$0]	Rounding Amount	Party A: \$10,000  Party B: \$10,000
Eligibility Requirements to Hold Cash	A party shall be entitled to hold Cash provided that the following conditions are satisfied: (1) it is not a Defaulting Party, and (2) Cash shall be held only within the United States	Custodian Requirements	A U.S. commercial bank or a U.S. branch office of a foreign bank, in either case, with a Credit Rating of at least (a) "A" by S&P and "A2" by Moody's, if such entity is rated by both S&P and Moody's or (b) "A" by S&P or "A2" by Moody's, if such entity is rated by either S&P or Moody's, but not both.
<input checked="" type="checkbox"/> <b>OPTION A for CSA Paragraphs 4, 5 and 6 – <u>OR</u> –</b> <input type="checkbox"/> <b>OPTION B for CSA Paragraphs 4, 5 and 6 (Exhibit A for elections is attached.)</b>			
<b>Special Provisions</b> Number of sheets attached: Four (4) pages			

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

<b>CITY OF VICTORVILLE</b>	<i>PARTY NAME</i>	<b>MORGAN STANLEY CAPITAL GROUP INC.</b>
By: _____	<i>SIGNATURE</i>	By: 
	<i>PRINTED NAME</i>	
	<i>TITLE</i>	James Lierman Authorized Signatory

**GENERAL TERMS AND CONDITIONS**  
of the  
**MODEL CREDIT SUPPORT ADDENDUM**  
to the  
**BASE CONTRACT FOR PURCHASE AND SALE OF NATURAL GAS**

**Paragraph 1. Purpose**

This CSA constitutes an Addendum to that certain Base Contract for Sale and Purchase of Natural Gas, as identified on the front page herein, between the parties ("Base Contract"), and supplements, forms part of, and amends the Base Contract affecting transactions thereunder. Capitalized terms used in this CSA that are not herein defined will have the meanings ascribed to them in the Base Contract. In the event of a conflict between the terms of this CSA and the Base Contract, the terms of this CSA shall apply for the purposes of this CSA.

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

**Paragraph 2. Definitions.**

As used in this CSA:

"Cash" shall mean United States Dollars.

"Close of Business" shall have the meaning set forth in the elections on Page 2 herein.

"Collateral Requirement" shall have the meaning set forth in Paragraph 3 herein.

"Collateral Threshold" shall mean, with respect to a party, the amount, if any, set forth in the elections on Page 1 herein for such party; provided, however, that the Collateral Threshold for a party that is a Defaulting Party shall be zero (0) upon the occurrence and during the continuance of an Event of Default.

"Credit Support Default" shall have the meaning set forth in Paragraph 10 herein.

"Credit Support Provider", if applicable, shall mean the entity set forth in the elections on Page 1 herein.

"Custodian" shall mean an entity that meets the Custodian Requirements set forth in the elections on Page 2 herein.

"Defaulting Party" shall have the meaning set forth in Paragraph 10 herein.

"Demand Date" shall mean, with respect to a party's (i) demand for the Transfer of Eligible Collateral pursuant to Paragraph 4 herein, (ii) demand for Reduction or Substitution of Posted Collateral pursuant to Paragraph 5 herein, and/or (iii) demand for Disputed Calculations pursuant to Paragraph 6 herein:

(a) the date on which a demand is made, if such demand is received prior to the Notification Time on a Business Day; or

(b) the following Business Day if a demand is made on a non-Business Day or after the Notification Time on a Business Day.

"Eligible Collateral" shall have the meaning set forth in the elections on Page 1 herein.

"Exposure" shall mean the Net Settlement Amount, as calculated by the Secured Party in good faith and in a commercially reasonable manner, that the Pledging Party would owe to the Secured Party if an Early Termination Date had been designated as of the date of such calculation as provided for in Section 10 of the Base Contract; provided that such calculations shall be at the mid point between the bid price and the offer price.

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

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

"Interest Rate" shall have the meaning set forth in the elections on Page 1 herein.

"Letter of Credit" shall have the meaning set forth in Paragraph 7 (a) herein.

"Letter of Credit Default" shall have the meaning set forth in Paragraph 7(b) herein.

"Minimum Transfer Amount" shall mean the amount set forth in the elections on Page 1 herein for a party.

"Notification Time" shall have the meaning set forth in the elections on Page 2 herein.

"Notice" shall have the meaning set forth in Paragraph 9 herein.

"Pledging Party" shall have the meaning set forth in Paragraph 3 herein.

"Posted Collateral" shall mean (1) all Eligible Collateral and all proceeds thereof that have been Transferred to or received by the Secured Party hereunder and not Transferred to the Pledging Party pursuant to Paragraph 4 or released by the Secured Party, (2) any Interest Amount or portion thereof held by the Secured Party and not Transferred pursuant to Paragraph 8(c), and (3) any Cash received and held by the Secured Party after drawing on any Letter of Credit.

"Reference Market Maker" shall mean a leading dealer in the relevant market that is not an affiliate of either party selected by a party determining any disputed calculations pursuant to Paragraph 6 herein in a commercially reasonable manner from among dealers which satisfy all the criteria that such party applies generally at the time in deciding whether to offer or to make an extension of credit.

"Rounding Amount" shall mean the amount set forth in the elections on Page 1 herein for a party.

"Secured Party" shall have the meaning set forth in Paragraph 3(b) herein.

"Letter of Credit Issuer Requirements" shall have the meaning set forth in the elections on Page 1 herein.

"Transfer" or "Transferred" shall mean, with respect to any Eligible Collateral, Posted Collateral, or Interest Amount, and in accordance with the instructions of the appropriate party:

(i) in the case of Cash, payment or delivery by wire transfer in immediately available federal funds into one or more bank accounts set forth on Page 1 herein (or as otherwise specified in a demand Notice);

(ii) in the case of Letters of Credit, delivery of the Letter of Credit by the Pledging Party to the Secured Party at the address specified in this CSA (or as otherwise specified in a demand Notice) 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 Pledging Party, to the Secured Party; and for purposes of Paragraph 5, return of the Letter of Credit by the Secured Party to the Pledging Party or delivery of an executed amendment (which amendment shall be given by the Pledging Party to the Secured Party) to the Letter of Credit in form and substance satisfactory to the Secured Party, reducing the amount available to the Secured Party thereunder, in each case to the address specified in the applicable demand letter or this CSA; and

(iii) in the case of any other Eligible Collateral, the Transfer methodology specified by the parties in the elections on Page 1 herein.

(iv) in any case in which Eligible Collateral or Posted Collateral is in the form of a Letter of Credit, the deadlines set forth in Paragraph 7 (h).

(iv) In connection with each Transfer of any Eligible Collateral to the Secured Party pursuant to this CSA, the Secured Party will, upon request of the Pledging Party, provide a receipt in form and substance reasonably satisfactory to the Pledging Party showing the Eligible Collateral Transferred to it. In connection with each Transfer of any Posted Collateral to the Pledging Party pursuant to this CSA, the Pledging Party will, upon request of the Secured Party, provide a receipt in form and substance reasonably satisfactory to the Secured Party showing the Posted Collateral Transferred to it.

"Valuation Percentage" shall mean the percentage set forth in the elections on Page 1 herein for each form of Eligible Collateral; provided with respect to Letters of Credit the Valuation Percentage shall be 100% unless either (i) a Letter of Credit

Default shall apply with respect to such Letter of Credit or (ii) 20 or fewer Business Days remain prior to the expiration of such Letter of Credit, in which case the Valuation Percentage shall be zero (0).

"Value" shall mean the Valuation Percentage multiplied by the amount of Posted Collateral; provided with respect to Letters of Credit, such amount shall be the amount then available to be unconditionally drawn under the Letter of Credit held by the Secured Party.

**Paragraph 3. Calculation of Collateral Requirement.**

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

- (a) the Pledging Party's Collateral Threshold; plus
- (b) the Value of all Posted Collateral then held by the party other than the Pledging Party (the "Secured Party"), and any accrued Interest Amount that has not yet been Transferred to the Pledging Party;

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

**OPTION A: Paragraphs 4, 5, and 6**

If the parties select Option A of the elections on Page 1 herein, the following Paragraphs 4, 5 and 6 shall apply.

**Paragraph 4. Transfer of Eligible Collateral.**

On any Business Day on which (i) no Credit Support Default with respect to the Secured Party has occurred and is continuing, (ii) no Event of Default with respect to the Secured Party has occurred and is continuing, (iii) no Early Termination Date has occurred or been designated by the Pledging Party for which there exist any unsatisfied payment obligations under the Base Contract, and (iv) the Pledging Party's Collateral Requirement equals or exceeds its Minimum Transfer Amount, the Secured Party may demand, by Notice to the Pledging Party, that the Pledging Party Transfer to the Secured Party, and the Pledging Party shall Transfer or cause to be Transferred to the Secured Party, Eligible Collateral for the benefit of the Secured Party having a Value on the date of Transfer at least equal to the Pledging Party's Collateral Requirement. The amount of Eligible Collateral required to be Transferred hereunder shall be rounded up to the nearest integral multiple of the Rounding Amount. Unless otherwise agreed to in writing by the parties, the Pledging Party shall Transfer the Eligible Collateral by the Close of Business on the Business Day following the Demand Date. Any Letter of Credit or other type of Eligible Collateral (other than Cash) shall be Transferred to the address specified in this CSA or to such address as the Secured Party shall specify in its demand, pursuant to this Paragraph 4. Any demand made by the Secured Party pursuant to this Paragraph 4 shall specify wire transfer information for the account(s) to which Eligible Collateral in the form of Cash shall be Transferred if different then that set forth in this CSA. Notwithstanding anything to the contrary in this CSA, in the event of a Credit Support Default or an Event of Default, with respect to the Pledging Party which gives rise to an obligation to Transfer Eligible Collateral, the Pledging Party shall have no obligation to Transfer such Eligible Collateral if such event is cured or otherwise no longer exists prior to the time that such Eligible Collateral is required to be provided hereunder.

**Paragraph 5. Reduction and Substitution of Posted Collateral.**

(a) On any Business Day a Pledging Party may demand, by Notice to the Secured Party, a reduction in the amount of Posted Collateral previously provided by the Pledging Party for the benefit of the Secured Party, and the Secured Party shall comply with said demand, provided that after giving effect to the demanded reduction in Posted Collateral, (i) the Pledging Party shall have a Collateral Requirement of zero (0) as of the date the Secured Party would be required to return the requested Posted Collateral, (ii) no Credit Support Default with respect to the Pledging Party has occurred and is continuing, (iii) no Event of Default with respect to the Pledging Party has occurred and is continuing, and (iv) no Early Termination Date has occurred or been designated by the Secured Party for which there exist any unsatisfied payment obligations under the Base Contract. The amount of the Posted Collateral reduction shall be made by the Secured Party if such amount equals or exceeds the Secured Party's Minimum Transfer Amount; provided however, such amount actually returned by the Secured Party shall be rounded down to the nearest integral multiple of the Rounding Amount. Unless otherwise agreed in writing by the parties, the Secured Party shall effect a permitted reduction in Posted Collateral by the Close of Business on the Business Day following the Demand Date for such reduction. If a permitted reduction in Posted Collateral is to be effected by a reduction in the amount that may be drawn under an outstanding Letter of Credit previously issued for the benefit of the Secured Party, the Secured Party shall promptly take such action as is reasonably necessary to cooperate with the Pledging Party to effectuate such reduction.

(b) Except when (i) a Credit Support Default with respect to the Pledging Party has occurred and is continuing, or (ii) an Event of Default with respect to the Pledging Party has occurred and is continuing, or (iii) an Early Termination Date has occurred or been designated by the Secured Party for which there exist any unsatisfied payment obligation under the Base Contract, the Pledging Party may substitute for existing Posted Collateral new Eligible Collateral of equal or greater Value (provided that, if such substitute Eligible Collateral is of a type not designated as Eligible Collateral in the elections on Page 1 herein, then the substitution may not occur unless the Secured Party consents to such substitution). Upon the Transfer to the Secured Party of the substitute Eligible Collateral, the Secured Party shall Transfer the relevant replaced Posted Collateral (as specified by the Pledging Party) to the Pledging Party by the Close of Business on the second Business Day after such Transfer has been effected. Notwithstanding anything herein to the contrary, no such substitution shall be permitted unless (x) the substitute Eligible Collateral is Transferred to the Secured Party prior to, the release of the Posted Collateral to be returned to the Pledging Party and, if applicable, the security interest in, and lien upon, such substituted Eligible Collateral granted pursuant hereto in favor of the Secured Party shall have been perfected as required by applicable law and shall constitute a first priority perfected security interest therein and general first lien thereon, and (y) after giving effect to such substitution, the Value of such substitute Eligible Collateral, together with all other Posted Collateral held by the Secured Party, shall equal or exceed the Pledging Party's Collateral Requirement. Each substitution of Eligible Collateral shall constitute a representation, warranty and agreement by the Pledging Party that the substituted Eligible Collateral shall be subject to and governed by the terms and conditions of this CSA, including without limitation and if applicable, the security interest in, general first lien on and right of offset against, such substituted Eligible Collateral granted pursuant to Paragraph 13(a) in favor of the Secured Party.

(c) The Transfer of any Posted Collateral by the Secured Party to the Pledging Party in accordance with this Paragraph 5 shall be deemed a release by the Secured Party of its security interest, general first lien and right of offset granted pursuant to Paragraph 13(a) hereof only with respect to such returned Posted Collateral.

#### **Paragraph 6. Disputed Calculations.**

(a) If the Pledging Party disputes the amount of Eligible Collateral requested by the Secured Party and such dispute relates to the amount of the Exposure as determined by the Secured Party, then the Pledging Party shall (i) notify the Secured Party of the existence and nature of the dispute not later than the Close of Business on the Demand Date, and (ii) Transfer Eligible Collateral to or for the benefit of the Secured Party in accordance with Paragraph 4 and in an amount equal to the Pledging Party's own calculation of its Collateral Requirement as determined, in accordance with Paragraph 3. Such calculation shall be made in good faith and a commercially reasonable manner that is consistent with Section 10 of the Base Contract. In all such cases, the parties thereafter shall promptly consult with each other in order to reconcile the two conflicting calculations. If the parties have not been able to resolve their dispute on or before the Notification Time on the second Business Day following the Demand Date, then the amount of the Exposure shall be recalculated with each party requesting quotations from one (1) Reference Market-Maker by the Notification Time on the third (3<sup>rd</sup>) Business Day following the Demand Date (taking the arithmetic average of those quotations obtained to obtain the average Exposure, provided, that, if only one (1) quotation can be obtained, then that quotation shall be used and if no quotations can be obtained, then the Secured Party's calculation shall control) for the purpose of recalculating the Exposure of each transaction in respect of which the parties disagree as to the Exposure thereof. The Pledging Party shall inform the Secured Party of the quotation it has obtained, if any, by the Notification Time on the third (3<sup>rd</sup>) Business Day following the Demand Date. The Secured Party shall inform the Pledging Party of the results of such recalculation in reasonable detail by the Notification Time on the fourth (4<sup>th</sup>) Business Day following the Demand Date. Eligible Collateral shall thereupon be provided, returned, or reduced, if necessary, by the Close of Business on the fifth (5<sup>th</sup>) Business Day following the Demand Date. If the Pledging Party fails to dispute the amount of the Collateral requirement within the time period specified above, then the Pledging Party shall Transfer or cause to be Transferred to the Secured Party, Eligible Collateral for the benefit of the Secured Party having a Value on the date of Transfer at least equal to the Pledging Party's Collateral Requirement, as originally demanded by the Secured Party.

(b) If the Secured Party disputes the amount of Eligible Collateral to be reduced by the Secured Party and such dispute relates to the amount of the Exposure claimed by the Pledging Party, then the Secured Party shall (i) notify the Pledging Party of the existence and nature of the dispute by the Close of Business on the Demand Date for such reduction, and (ii) effect the reduction of Eligible Collateral to or for the benefit of the Pledging Party in accordance with Paragraph 5 and in an amount equal to the Secured Party's own estimate, made in a commercially reasonable manner, of the Pledging Party's Collateral Requirement as determined in accordance with Paragraph 3. In all such cases, the parties thereafter shall promptly consult with each other in order to reconcile the two conflicting amounts. If the parties have not been able to resolve their dispute on or before the Notification Time on the second (2<sup>nd</sup>) Business Day following the Demand Date for such reduction, then the Secured Party's Exposure shall be recalculated by each party requesting quotations from one (1) Reference Market-Maker by the Notification Time on the third (3<sup>rd</sup>) Business Day following the Demand Date for such reduction (taking the arithmetic average of those quotations obtained to obtain the average Exposure; provided, that, if only one (1) quotation can be obtained, then that quotation shall be used and if no quotations can be obtained, then the Secured Party's calculations shall control) for the purpose of recalculating the Exposure of each transaction in respect of which the parties disagree as to the Exposure thereof. The Pledging Party shall inform the Secured Party of the quotation it has obtained, if any, by the Notification Time on the third (3<sup>rd</sup>) Business Day after the Demand Date. The Secured Party shall inform the Pledging Party of the results of such recalculation in reasonable detail by the Notification Time on the fourth (4<sup>th</sup>) Business Day after the Demand Date for such reduction. Eligible Collateral shall thereupon be provided, returned, or reduced, if necessary, by the Close of Business on the

fifth (5<sup>th</sup>) Business Day after the Demand Date for such reduction. If the Secured Party fails to dispute the amount of the demanded reduction within the time period specified above, then the Secured Party shall Transfer or cause to be Transferred to the Pledging Party, Eligible Collateral for the benefit of the Pledging Party having a Value on the date of Transfer at least equal to the Pledging Party's demanded reduction.

**OPTION B: Paragraphs 4, 5, and 6**

If the parties select Option B of the elections on Page 1 herein, the following Paragraphs 4, 5 and 6 and the related timing requirements and party information set forth in the Exhibit A to this CSA shall apply.

**Paragraph 4. Transfer of Eligible Collateral.**

On any Business Day on which (i) no Credit Support Default with respect to the Secured Party has occurred and is continuing, (ii) no Event of Default with respect to the Secured Party has occurred and is continuing, (iii) no Early Termination Date has occurred or been designated by the Pledging Party for which there exist any unsatisfied payment obligations under the Base Contract, and (iv) the Pledging Party's Collateral Requirement equals or exceeds its Minimum Transfer Amount, the Secured Party may demand, by Notice to the Pledging Party, that the Pledging Party Transfer to the Secured Party, and the Pledging Party shall Transfer or cause to be Transferred to the Secured Party, Eligible Collateral for the benefit of the Secured Party having a Value on the date of Transfer at least equal to the Pledging Party's Collateral Requirement. The amount of Eligible Collateral required to be Transferred hereunder shall be rounded up to the nearest integral multiple of the Rounding Amount. Unless otherwise agreed to in writing by the parties, the Pledging Party shall Transfer the Eligible Collateral by the Close of Business on the Business Day following the Demand Date. Any Letter of Credit or other type of Eligible Collateral (other than Cash) shall be Transferred to the address specified in this CSA or to such address as the Secured Party shall specify in its demand, pursuant to this Paragraph 4. Any demand made by the Secured Party pursuant to this Paragraph 4 shall specify wire transfer information for the account(s) to which Eligible Collateral in the form of Cash shall be Transferred if different than that set forth in this CSA. Notwithstanding anything to the contrary in this CSA, in the event of a Credit Support Default or an Event of Default, with respect to the Pledging Party which gives rise to an obligation to Transfer Eligible Collateral, the Pledging Party shall have no obligation to Transfer such Eligible Collateral if such event is cured or otherwise no longer exists prior to the time that such Eligible Collateral is required to be provided hereunder.

**Paragraph 5. Reduction and Substitution of Posted Collateral.**

(a) On any Business Day a Pledging Party may demand, by Notice to the Secured Party, a reduction in the amount of Posted Collateral previously provided by the Pledging Party for the benefit of the Secured Party, and the Secured Party shall comply with said demand, provided that after giving effect to the demanded reduction in Posted Collateral, (i) the Pledging Party shall have a Collateral Requirement of zero (0) as of the date the Secured Party would be required to return the requested Posted Collateral; (ii) no Credit Support Default with respect to the Pledging Party has occurred and is continuing; (iii) no Event of Default with respect to the Pledging Party has occurred and is continuing; and (iv) no Early Termination Date has occurred or been designated by the Secured Party for which there exist any unsatisfied payment obligations under the Base Contract. The amount of the Posted Collateral reduction shall be made by the Secured Party if such amount equals or exceeds the Secured Party's Minimum Transfer Amount; provided however, such amount actually returned by the Secured Party shall be rounded down to the nearest integral multiple of the Rounding Amount. Unless otherwise agreed in writing by the parties, the Secured Party shall effect a permitted reduction in Posted Collateral by the Close of Business on the Business Day following the Demand Date for such reduction. If a permitted reduction in Posted Collateral is to be effected by a reduction in the amount that may be drawn under an outstanding Letter of Credit previously issued for the benefit of the Secured Party, the Secured Party shall promptly take such action as is reasonably necessary to cooperate with the Pledging Party to effectuate such reduction.

(b) Except when (i) a Credit Support Default with respect to the Pledging Party has occurred and is continuing, or (ii) an Event of Default with respect to the Pledging Party has occurred and is continuing or (iii) an Early Termination Date has occurred or been designated by the Secured Party for which there exist any unsatisfied payment obligation under the Base Contract, the Pledging Party may substitute for existing Posted Collateral new Eligible Collateral of equal or greater Value on the Business Day following the Demand Date thereof (provided that, if such substitute Eligible Collateral is of a type not designated as Eligible Collateral in the elections on Page 1 herein, then the substitution may not occur unless the Secured Party consents to such substitution). Upon the Transfer to the Secured Party and/or its Custodian of the substitute Eligible Collateral, the Secured Party and/or its Custodian shall Transfer the relevant replaced Posted Collateral (as specified by the Pledging Party) to the Pledging Party by the Close of Business on the Business Day after such Transfer has been effected. Notwithstanding anything herein to the contrary, no such substitution shall be permitted unless (x) the substitute Eligible Collateral is Transferred to the Secured Party and/or its Custodian simultaneously with, or has been Transferred to the Secured Party and/or its Custodian prior to, the release of the Eligible Collateral to be returned to the Pledging Party and, if applicable, the security interest in, and lien upon, such substituted Eligible Collateral granted pursuant hereto in favor of the Secured Party shall have been perfected as required by applicable law and shall constitute a first priority perfected security interest therein and general first lien thereon, and (y) after giving effect to such substitution, the Value of such substitute Eligible Collateral, together with all other Posted Collateral held by the Secured Party, shall equal or exceed the Pledging Party's Collateral Requirement. Each substitution of Eligible Collateral shall constitute a representation, warranty and

agreement by the Pledging Party that the substituted Eligible Collateral shall be subject to and governed by the terms and conditions of this CSA, including without limitation and if applicable, the security interest in, general first lien on and right of offset against, such substituted Eligible Collateral granted pursuant to Paragraph 13(a) in favor of the Secured Party.

(c) The Transfer of any Eligible Collateral by the Secured Party and/or its Custodian to the Pledging Party in accordance with this Paragraph 5 shall be deemed a release by the Secured Party of its security interest, general first lien and right of offset granted pursuant to Paragraph 13(a) hereof only with respect to such returned Eligible Collateral.

#### **Paragraph 6. Disputed Calculations.**

(a) If the Pledging Party disputes the amount of Eligible Collateral requested by the Secured Party and such dispute relates to the amount of the Exposure as determined by the Secured Party, then the Pledging Party shall (i) notify the Secured Party of the existence and nature of the dispute not later than the Close of Business on the Business Day following the Demand Date that the demand for Eligible Collateral is made by the Secured Party pursuant to Paragraph 4, and (ii) Transfer Eligible Collateral to or for the benefit of the Secured Party in accordance with Paragraph 4 and in an amount equal to the Pledging Party's own calculation of its Collateral Requirement, in accordance with Paragraph 3. Such calculation shall be made in good faith and a commercially reasonable manner that is consistent with Section 10 of the Base Contract. In all such cases, the parties thereafter shall promptly consult with each other in order to reconcile the two conflicting calculations. If the parties have not been able to resolve their dispute on or before the Notification Time on the Business Day following the Demand Date, then the amount of the Exposure shall be recalculated with each party requesting quotations from one (1) Reference Market-Maker by the Notification Time on the Business Day following the Demand Date (taking the arithmetic average of those quotations obtained to obtain the average Exposure, provided, that, if only one (1) quotation can be obtained, then that quotation shall be used and if no quotations can be obtained, then the Secured Party's calculation shall control) for the purpose of recalculating the Exposure of each transaction in respect of which the parties disagree as to the Exposure thereof. The Party shall inform the Party of the quotation it has obtained, if any, by the Notification Time on the Business Day following the Demand Date. The Party shall inform the Party of the results of such recalculation in reasonable detail by the Notification Time on the Business Day following the Demand Date. Eligible Collateral shall thereupon be provided, returned, or reduced, if necessary, by the Close of Business on the Business Day following the Demand Date. If the Pledging Party fails to dispute the amount of the Collateral requirement within the time period specified above, then the Pledging Party shall Transfer or cause to be Transferred to the Secured Party, Eligible Collateral for the benefit of the Secured Party having a Value on the date of Transfer at least equal to the Pledging Party's Collateral Requirement, as demanded by the Secured Party.

(b) If the Secured Party disputes the amount of Eligible Collateral to be reduced by the Secured Party and such dispute relates to the amount of the Exposure claimed by the Pledging Party, then the Secured Party shall (i) notify the Pledging Party of the existence and nature of the dispute by the Close of Business on the Business Day following the Demand Date for such reduction, and (ii) effect the reduction of Eligible Collateral to or for the benefit of the Pledging Party in accordance with Paragraph 5 and in an amount equal to the Secured Party's own estimate, made in a commercially reasonable manner, of the Pledging Party's Collateral Requirement in accordance with Paragraph 3. In all such cases, the parties thereafter shall promptly consult with each other in order to reconcile the two conflicting amounts. If the parties have not been able to resolve their dispute on or before the Notification Time on the Business Day following the Demand Date for such reduction, then the Secured Party's Exposure shall be recalculated by each party requesting quotations from one (1) Reference Market-Maker by the Notification Time on the Business Day following the Demand Date for such reduction (taking the arithmetic average of those quotations obtained to obtain the average Exposure; provided, that, if only one (1) quotation can be obtained, then that quotation shall be used and if no quotations can be obtained, then the Pledging Party's calculations shall control) for the purpose of recalculating the Exposure of each transaction in respect of which the parties disagree as to the Exposure thereof. The Party shall inform the Party of the quotation it has obtained, if any, by the Notification Time on the Business Day after the Demand Date. The Party shall inform the Party of the results of such recalculation in reasonable detail by the Notification Time on the Business Day after the Demand Date for such reduction. Eligible Collateral shall thereupon be provided, returned, or reduced, if necessary, by the Close of Business on the Business Day after the Demand Date for such reduction. If the Secured Party fails to dispute the amount of the demanded reduction within the time period specified above, then the Secured Party shall Transfer or cause to be Transferred to the Pledging Party, Eligible Collateral for the benefit of the Pledging Party having a Value on the date of Transfer at least equal to the Pledging Party's demanded reduction.

#### **Paragraph 7. Letters of Credit.**

Eligible Collateral provided in the form of a Letter of Credit shall be subject to the following provisions.

- (a) Each "Letter of Credit" shall be an irrevocable, transferable, standby letter of credit, issued by an entity that meets the requirements of a Letter of Credit Issuer Requirements set forth in the elections on Page 1 herein in a form reasonably acceptable to the Secured Party.
- (b) "Letter of Credit Default" shall mean with respect to an outstanding Letter of Credit that is held by the Secured Party as Posted Collateral the occurrence of any of the following events: (i) the issuer of such Letter of Credit shall fail to

meet the Letter of Credit Issuer Requirements set forth in the elections on Page 1 herein, (ii) the issuer of such Letter of Credit goes bankrupt; (iii) the issuer of the Letter of Credit shall fail to comply with or perform its obligations under such Letter of Credit if such failure shall be continuing after the lapse of any applicable grace period; (iv) the issuer of such Letter of Credit shall disaffirm, disclaim, repudiate or reject, in whole or in part, or challenge the validity of, such Letter of Credit; or (v) such Letter of Credit shall expire or terminate, or shall fail or cease to be in full force and effect (other than in accordance with its terms) prior to the satisfaction of all obligations of the Pledging Party under each transaction to which such Letter of Credit shall relate without the written consent of the other party; provided, however, that no Letter of Credit Default shall occur in any event with respect to a Letter of Credit after the time such Letter of Credit is required to be canceled or returned to the Pledging Party in accordance with the terms of this CSA. Upon the occurrence of a Letter of Credit Default, the Pledging Party agrees to Transfer to the Secured Party either a substitute Letter of Credit or other Eligible Collateral, in each case on or before the second Business Day after the occurrence thereof (or the fifth (5) Business Day after the occurrence thereof if and only if clause (i) under the definition of Letter of Credit Default applies).

- (c) Unless otherwise agreed in writing by the parties, each Letter of Credit shall be provided in accordance with this Paragraph 7 and each Letter of Credit shall be maintained for the benefit of the Secured Party. The Pledging Party shall (i) renew or cause the renewal of each outstanding Letter of Credit on a timely basis as provided in the relevant Letter of Credit, (ii) Transfer either a substitute Letter of Credit or other Eligible Collateral, in each case at least twenty (20) Business Days prior to the expiration of the outstanding Letter of Credit, and (iii) Transfer for the benefit of the Secured Party either a substitute Letter of Credit or other Eligible Collateral, in each case within one (1) Business Day, if the bank issuing a Letter of Credit shall fail to honor the Secured Party's properly documented request to draw on an outstanding Letter of Credit, provided that, as a result of the Pledging Party's failure to perform in accordance with (i), (ii), or (iii) above, the Pledging Party's Collateral Requirement would be greater than zero (0).
- (d) As one method of providing Posted Collateral, the Pledging Party may increase the amount of an outstanding Letter of Credit or establish one or more additional Letters of Credit.
- (e) Upon or at any time after the occurrence of an Event of Default with respect to the Pledging Party and/or the designation of an Early Termination Date by the Secured Party, the Secured Party may draw on the entire undrawn portion of any outstanding Letter(s) of Credit upon submission to the bank issuing such Letter of Credit in accordance with the specific requirements of the Letter of Credit. Cash proceeds received from drawing upon the Letter of Credit shall be deemed Posted Collateral as security for the Pledging Party's obligations to the Secured Party and the Secured Party shall have the rights and remedies set forth in this CSA with respect to such Cash proceeds. Notwithstanding the Secured Party's receipt of Cash under the Letter of Credit, the Pledging Party shall remain liable (i) for any failure to Transfer sufficient Posted Collateral, and (ii) for any amounts owing to the Secured Party and remaining unpaid after the application of the amounts so drawn by the Secured Party.
- (f) A Pledging Party may substitute a Letter of Credit for one or more other outstanding Letter(s) of Credit issued for the benefit of the Secured Party, provided that the Value of such substitute Letter of Credit shall be at least equal to the Value of the Letter(s) of Credit being replaced, and provided further that no Letter of Credit shall be canceled unless and until the Letter of Credit to be substituted therefor shall have been validly executed, issued and Transferred for the benefit of the Secured Party in accordance with applicable law.
- (g) In all cases, the costs and expenses incurred by the Pledging Party to establish, renew, substitute, cancel, and/or increase the amount of (as the case may be) a Letter of Credit shall be borne by the Pledging Party.
- (h) In any case in which Eligible Collateral or Posted Collateral is in the form of a Letter of Credit (which permits draws based on a facsimile copy), the deadlines set forth in this CSA for providing such collateral to the other party may be met by providing a facsimile copy of the Letter of Credit with an original transmitted by overnight courier for delivery on the next Business Day.

#### **Paragraph 8. Care and Use of Cash.**

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

- (a) Eligibility to Hold Cash.
  - (i) If a party is not eligible to hold Cash as set forth in the elections on Page 1 herein, then such Cash shall be held in a Collateral Account in accordance with the provisions of Paragraph 8(e).
  - (ii) The Secured Party or its Custodian will be entitled to hold Cash provided that the following conditions, as applicable, are satisfied: (1) the Secured Party is not a Defaulting Party, (2) the Secured Party or its Credit Support Provider, if applicable, meets the Eligibility Requirements to Hold Cash requirements set forth in the elections on Page 1 herein, (3) Cash shall be held only in any jurisdiction within the United States, and (4) the Custodian meets the Custodian Requirements set forth in the elections on Page 1 herein. If a party or its Custodian is not eligible, or subsequently becomes ineligible, to hold Posted Collateral pursuant to this Section, then it shall be considered a

"Downgraded Party" or a "Downgraded Custodian", as the case may be, and Posted Collateral shall be maintained in accordance with Paragraph 8(e).

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

- (b) Use of Cash. Notwithstanding the provisions of applicable law, if the Secured Party is eligible to hold cash in accordance with Paragraph 8(a), is not a Defaulting Party and no Early Termination Date has occurred or been designated by the Pledging Party as a result of an Event of Default with respect to the Secured Party, then the Secured Party shall have the right to sell, pledge, rehypothecate, assign, invest, use, commingle or otherwise dispose of, or otherwise use in its business any Cash it holds, free from any claim or right of any nature whatsoever of the Pledging Party, including any equity or right of redemption by the Pledging Party.
- (c) Interest Payments on Cash. So long as no Event of Default with respect to the Pledging Party has occurred and is continuing, and no Early Termination Date (for which any unsatisfied payment obligations of the Pledging Party exist) has occurred or been designated as the result of an Event of Default with respect to the Pledging Party and to the extent that an obligation to Transfer Posted Collateral would not be created or increased by the Transfer, the Secured Party will upon written request Transfer to the Pledging Party, in lieu of any interest or other amounts paid or deemed to have been paid with respect to the Cash (all of which may be retained by the Secured Party), the Interest Amount on the third Business Day of each calendar month. On or after the occurrence of an Event of Default with respect to the Pledging Party or an Early Termination Date as a result of an Event of Default with respect to the Pledging Party, the Secured Party shall retain any such Interest Amount as additional Eligible Collateral hereunder until the obligations of the Pledging Party under the Base Contract have been satisfied.
- (d) Care of Cash. Without limiting the Secured Party's rights under Paragraph 8(b), the Secured Party will exercise reasonable care to assure the safe custody of all Cash held by it as 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 Cash, including, without limitation, any duty to enforce or preserve any rights pertaining thereto.
- (e) Holding of Cash by a Custodian. The provisions of Paragraph 8(b) will apply to the parties; provided, however, that if a party or its Custodian is not eligible to hold Cash pursuant to Paragraph 8(a) (the event that caused it or its Custodian, if any, to be ineligible to hold Cash shall be a "Credit Rating Event"; if such Credit Rating Event occurs with respect to a party, such party shall be the "Downgraded Party"; and if such Credit Rating Event occurs with respect to a party's Custodian, such Custodian shall be the "Downgraded Custodian"), then: (1) the provisions of Paragraph 8(b) will not apply with respect to the Downgraded Party as the Secured Party for so long as either the Secured Party or its Custodian, if any, remain a Downgraded Party or a Downgraded Custodian, respectively, and (2) the Downgraded Party shall be required to deliver (or cause the Downgraded Custodian to deliver, as the case may be) by the Close of Business on the second (2<sup>nd</sup>) Business Day following such Credit Rating Event all Cash in its possession or held on its behalf (i) to a Custodian that meets the Custodian Requirements, and (ii) to a segregated, safekeeping or custody account ("Collateral Account") within such Custodian with the title of the Collateral Account indicating that the property contained therein is being held as Posted Collateral for the Downgraded Party; provided, that, if the Credit Rating Event occurs with respect to a party's Custodian that is holding Posted Collateral on behalf of such party, then such Downgraded Custodian may also deliver such Posted Collateral to such party if such party is not a Downgraded Party, and (iii) the parties agree to enter into a control agreement ("Control Agreement") with the Custodian maintaining the Collateral Account. The Control Agreement shall be in such form as shall be reasonably acceptable to each of the parties and shall provide for such items as the timing and release of the funds in the Collateral Account and the investment and reinvestment of Cash held in the Collateral Account. The Control Agreement shall further provide that Custodian shall serve as Custodian with respect to the Posted Collateral in the Collateral Account, and shall hold such Posted Collateral in accordance with the terms of this CSA and for the security interest of the Downgraded Party and, subject to such security interest, for the ownership of the non-Downgraded Party. The parties further agree that notwithstanding the fact that Cash is being held by a Custodian in a Collateral Account pursuant to a Control Agreement, the Downgraded Party shall be required to make interest payments to the non-Downgraded Party in an amount equal to the Interest Amount in accordance with the provisions of Paragraph 8(c).

## **Paragraph 9. Notices**

- (a) **"Notice"** shall mean a notice or other communication in respect of this CSA. Notice may be given in any manner set forth below to the address or number or in accordance with the electronic messaging system details provided on Page 1 of this CSA and will be deemed effective as indicated:
- (i) if in writing and delivered in person or by courier, on the Business Day it is delivered;
  - (ii) if sent by facsimile transmission, on the date that transmission is received by the recipient in legible form (which may be evidenced by a transmission report generated by the sender's facsimile machine) unless such facsimile transmission is received on a non-Business Day or after the Close of Business then such facsimile shall be deemed to have been received on the next following Business Day.
  - (iii) if sent by certified or registered mail or the equivalent (return receipt requested), on the Business Day that mail is delivered or its delivery is attempted; or
  - (iv) if sent by electronic messaging system, on the date that electronic message is received, unless such electronic message is received on a non-Business Day or after the Close of Business, then such electronic message shall be deemed to have been received on the next following Business Day.
- (b) Any other Notice, including but not limited to, Notice of an Event of Default, must be given pursuant to Section 9 of the Base Contract.

**Paragraph 10. Credit Support Default**

- (a) A **"Credit Support Default"** shall exist with respect to a party (the "Defaulting Party") if:
- (i) a party fails (or fails to cause its Custodian, as applicable) to make, when due, any Transfer of Eligible Collateral, Posted Collateral or the Interest Amount, as applicable, required to be made by it, and such failure continues for one (1) Business Day after Notice of that failure is provided to that party; or
  - (ii) a party fails to comply with or perform any material agreement or obligation provided for in this CSA, and such failure continues for one (1) Business Day after Notice of that failure is provided to that party; or
  - (iii) a party or its Custodian fails to comply with any of the obligations under Paragraph 8 herein and the failure continues for one (1) Business Day after notice of the failure is given to that party.
- (b) Credit Support Default shall constitute and have the effect of an Event of Default set forth in Section 10.2 (vi) of the Base Contract.

**Paragraph 11. Representations and Warranties.**

Each party continuously represents and warrants to the other party that: (a) it has the power and authority under the law of the jurisdiction of its organization or incorporation and under its organizational and constituent documents to grant to the Secured Party a valid, enforceable, first-priority security interest in, and lien on, all Posted Collateral (other than Letters of Credit) that it Transfers as the Pledging Party, and has taken all necessary actions to authorize the granting and perfection of that security interest and lien; (b) as of each date on which it, as the Pledging Party, Transfers Eligible Collateral to the Secured Party or to any agent of the Secured Party for the benefit of the Secured Party (or, in the case of after-acquired Posted Collateral, at the time the Secured Party or its agent acquires rights therein), it has title to, and will be the sole owner of such Eligible Collateral, free and clear of any security interest, lien, pledge, charge, encumbrance, or other interests or restrictions other than the security interest granted to the Secured Party hereby; (c) the Secured Party will have a valid and perfected first-priority security interest in, and lien on, all Posted Collateral (other than Letters of Credit) upon receipt thereof; (d) the performance by it of its obligations under this CSA 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 pursuant to this CSA; and (e) in connection with the delivery, issuance, renewal, substitution, or increase (as the case may be) which constitutes a Transfer of a Letter of Credit, such Letter of Credit is the legal, valid and binding obligation of the Issuer thereof, enforceable in accordance with its terms.

**Paragraph 12. Certain Rights and Remedies.**

- (a) **Secured Party's Rights and Remedies.** If at any time (i) an Event of Default with respect to the Pledging Party has occurred and is continuing, or (ii) an Early Termination Date has occurred or been designated as a result of an Event of Default with respect to the Pledging Party, then the Secured Party may do any one or more of the following: (x) exercise any of the rights and remedies of a secured party with respect to the Posted Collateral, including any such rights and remedies under law then in effect; (y) exercise its rights of setoff against any and all property of the Pledging Party in the possession of the Secured Party or its agent; and (z) draw on any outstanding Letter of Credit issued for its benefit under its terms and this CSA. The Secured Party shall either (y) apply the proceeds of the

Posted Collateral realized upon the exercise of any such rights or remedies to reduce the Pledging Party's obligations under the Base Contract or this CSA (the Pledging Party remaining liable for any amounts owing to the Secured Party after such application), subject to the Secured Party's obligation to return any surplus proceeds remaining after such obligations are satisfied in full and/or (z) hold such proceeds as collateral security for the Pledging Party's obligations under the Base Contract or this CSA, subject to the Secured Party's obligation to return the proceeds after such obligations are satisfied in full.

- (b) Pledging Party'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 with respect to the Secured Party, then: (i) the Secured Party will be obligated immediately to Transfer all Posted Collateral and the Interest Amount, if any, to the Pledging Party; and (ii) the Pledging Party may do any one or more of the following: (x) exercise any of the rights and remedies of a pledgor with respect to the Posted Collateral, including any such rights and remedies under law then in effect; (y) to the extent that the Posted Collateral or the Interest Amount is not Transferred to the Pledging Party as required in (i) above, setoff amounts payable by the Pledging Party to the Secured Party against the Posted Collateral held by the Secured Party or to the extent its rights to setoff are not exercised, withhold payment of any remaining amounts payable by the Pledging Party, up to the value of any remaining Posted Collateral held by the Secured Party, until the Posted Collateral is Transferred to the Pledging Party; and/or (z) exercise rights and remedies available to the Pledging Party under the terms of any Letter of Credit.

**Paragraph 13. General.**

- (a) To secure its obligations under the Base Contract and all outstanding transactions, each party, as the Pledging Party, hereby grants to the other party, as the Secured Party, a present and continuing first-priority security interest in, and lien on (and right of setoff against), all Posted Collateral (other than Letters of Credit) Transferred to the Secured Party hereunder. Each party agrees to take such action as the other party reasonably requires in order to perfect or maintain the other party's first-priority continuing security interest in, and lien on (and right of setoff against), such Posted Collateral.
- (b) Each party will pay its own costs and expenses in connection with performing its obligations under this CSA and neither party will be liable for any costs or expenses incurred by the other party in connection herewith.
- (c) This CSA has been and is made solely for the benefit of the parties and their permitted successors and assigns, and no other entity shall acquire or have any right under or by virtue of this CSA.
- (d) No failure or delay by either party hereto in exercising any right, power, privilege, or remedy hereunder shall operate as a waiver thereof.
- (e) The headings in this CSA are for convenience of reference only, and shall not affect the meaning or construction of any provision thereof.

**DISCLAIMER:** The purposes of this CSA are to facilitate trade, avoid misunderstandings and make more definite the terms of margining arrangements related to contracts of purchase and sale of natural gas. Further, NAESB does not mandate the use of this CSA by any party. **NAESB DISCLAIMS AND EXCLUDES, AND ANY USER OF THIS CSA ACKNOWLEDGES AND AGREES TO NAESB'S DISCLAIMER OF, ANY AND ALL WARRANTIES, CONDITIONS OR REPRESENTATIONS, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THIS CSA OR ANY PART THEREOF, INCLUDING ANY AND ALL IMPLIED WARRANTIES OR CONDITIONS OF TITLE, NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE (WHETHER OR NOT NAESB KNOWS, HAS REASON TO KNOW, HAS BEEN ADVISED, OR IS OTHERWISE IN FACT AWARE OF ANY SUCH PURPOSE), WHETHER ALLEGED TO ARISE BY LAW, BY REASON OF CUSTOM OR USAGE IN THE TRADE, OR BY COURSE OF DEALING. EACH USER OF THIS CSA ALSO AGREES THAT UNDER NO CIRCUMSTANCES WILL NAESB BE LIABLE FOR ANY DIRECT, SPECIAL, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY USE OF THIS CSA.**

**Special Provisions  
to the  
Model Credit Support Addendum  
To the Base Contract for Sale and Purchase of Gas  
between  
City of Victorville (“Party A”) and Morgan Stanley Capital Group Inc. (“Party B”)**

THESE SPECIAL PROVISIONS, as elected where appropriate, are incorporated into the Model Credit Support Addendum between Victorville and Morgan Stanley Capital Group Inc , dated as of this 20<sup>th</sup> day of December, 2024. These Special Provisions shall control in the event of any conflict between the terms of the CSA and these Special Provisions. All capitalized terms not otherwise defined herein shall have the meaning set forth in the Base Contract and the CSA, as applicable.

1. Paragraph 2—Defintions.

(a) The following definitions are added to Paragraph 2 of the CSA:

“Credit Rating’ shall mean: (a) with respect to a party or its Guarantor, the long term issuer rating; and (b) with respect to a Letter of Credit Issuer or Custodian, a long term issuer rating.”

“Guarantor’ shall mean an entity who shall be a Credit Support Provider, eligible to provide a Guaranty in accordance with the requirements set forth herein.”

“Guaranty’ shall mean a guaranty of payment and not performance, issued by a Guarantor and in form and substance reasonably acceptable to the Secured Party.”

“Independent Amount” shall mean, with respect to a Party, the amount set forth below, which amount shall either be a Fixed Independent Amount, a Full Floating Independent Amount or a Partial Floating Independent Amount, or if no amount is specified, zero.

“Negative Interest Rate shall mean:

In lieu of any interest, dividends or other amounts paid or deemed to have been paid with respect to Eligible Collateral in the form of Cash (all of which may be retained by the Pledging Party and shall not be considered Eligible Collateral), and excluding any such collateral that is subject to a third party custody arrangement:

(x) if the Interest Amount for an Interest Period is a positive number, the Secured Party will transfer to the Pledging Party monthly in accordance with prevailing business practice such Interest Amount, to the extent that an Exposure as calculated by the Pledging Party would not be created or increased by that transfer and the Interest Amount or portion thereof not transferred pursuant to this subsection (x) of this Paragraph will constitute Eligible Collateral in the form of Cash and will be subject to the security interest granted under this Paragraph 2; and

(y) if the Interest Amount for an Interest Period is a negative number, the Pledging Party will transfer to the Secured Party monthly in accordance with prevailing business practice the related AV Negative Interest Amount as calculated by the Secured Party. If any Eligible Collateral is in the form of Cash in the same currency as the AV Negative Interest Amount, any AV Negative Interest Amount or portion thereof not transferred pursuant to this subsection (y) of this Paragraph (the “Untransferred Interest Amount”) will constitute a reduction of Eligible Collateral in the form of such Cash; provided that if the amount of Eligible Collateral which is comprised of such cash is less than the Untransferred Interest Amount, such reduction shall only be to the extent of the amount of such cash which is Eligible Collateral and the Pledging Party shall remain obligated to transfer the remainder of the Untransferred Interest Amount to the Secured Party. Any reduction of Eligible Collateral in the form of Cash shall be deemed to be a transfer and shall fulfill the Pledging Party’s obligation to transfer the AV Negative Interest Amount or related portion thereof to the Secured Party.

“AV Negative Interest Amount” means, in respect of any negative Interest Amount, the absolute value of such negative Interest Amount.”

(b) The definition of “Interest Amount”, “Interest Period”, and “Interest Rate” in Paragraph 2 are hereby deleted and replaced with the following definitions:

“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 Eligible Collateral in the form of cash held by the Pledgee on that day, determined by the Pledgee 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 Business Day on which a positive Interest Amount or AV Negative Interest Amount was transferred (or, if no positive Interest Amount or AV Negative Interest Amount has yet been transferred, the Business Day on which Eligible Collateral in the form of cash was transferred to or received by the Pledgee) to (but excluding) the Business Day on which the current positive Interest Amount or AV Negative Interest Amount is to be transferred.

“Interest Rate” means the rate that is specified under CSA Elections to the Model Credit Support Addendum to the Base Contract for Sale and Purchase of Natural Gas.

“Rating Agency” means S&P Global Ratings, acting through Standard and Poor's Financial Services LLC (“S&P”) and Moody's Investors Services, Inc. (“Moody's”) and “Rating Agency” means either one of them.

2. Paragraph 4 – Transfer of Eligible Collateral. Paragraph 4 is hereby amended by adding in the third sentence the word “second” between the words “Close of Business on the” and “Business Day”.

3. Paragraph 6 —Disputed Calculations. A new Paragraph 6(c) is added as follows:

“(c) Each quotation from a Reference Market-maker will be for an amount, if any, that would be paid to the Party requesting the quotation (expressed as a negative number) or by the Party requesting the quotation (expressed as a positive number) in consideration of an agreement between such Party (taking into account this Credit Support Addendum and the existence of any Guarantor with respect to the obligations of such Party) and the quoting Reference Market-maker to enter into a transaction that would have the effect of preserving for the Party requesting the quotation the economic equivalent of any payment or delivery (whether the underlying obligation was absolute or contingent and assuming the satisfaction of each applicable condition precedent) by the Parties in respect of such Transaction or group of Transactions. The costs of retaining Reference Market-makers for the purposes of this Paragraph 6 shall be borne equally by the Secured Party and the Pledging Party. The determination made by such Reference Market-makers shall be binding and conclusive on the Parties absent manifest error.”

4. Paragraph 10—Credit Support Default

(a) Add word “or” at the end of the sentence under Paragraph 10 (a)(iii).

(b) The following items are added to Paragraph 10 (a):

“(iv) any representation or warranty made by a Guarantor in connection with a Guaranty issued pursuant to this CSA or Base Contract is false or misleading in any material respect when made or when deemed made or repeated; or

(v) the failure of a Guarantor’s Guaranty to be in full force and effect (other than in accordance with its terms) prior to the satisfaction of all obligations of such Party under each Transaction without the written consent of the other Party; or

(vi) a Guarantor shall repudiate, disaffirm, disclaim, or reject, in whole or in part, or challenge the validity of any Guaranty issued pursuant to this CSA; or

(vii) the failure of the Guarantor to make any payments required or to perform any other material covenant or obligation in any Guaranty made in connection with the Base Contract.”

5. Paragraph 11 – Representations and Warranties. The parenthetical phrase “(other than Letters of Credit)” on lines 3 and 10 of Paragraph 11 is deleted and the parenthetical phrase “(other than Letter of Credit or Guaranties)” is substituted therefore.

6. Independent Amount.

A. Party A Independent Amount shall consist of the items selected below:

- Party A shall have a Fixed Independent Amount of \$ zero. Party A will Transfer or cause to be Transferred to Party B Eligible Collateral with a Value equal to the amount of such Independent Amount (the “Fixed IA Posted Collateral”). The Fixed IA Posted Collateral shall not be reduced for so long as there are any outstanding obligations between the Parties as a result of the Agreement, and shall not be taken into account when calculating Party A’s Collateral Requirement pursuant to the Credit Support Addendum. Except as expressly set forth above, the Fixed IA Posted Collateral shall be held and maintained in accordance with, and otherwise be subject to, the Credit Support Addendum.
- Party A shall have a Full Floating Independent Amount of \$\_\_\_\_\_. For purposes of calculating Party A’s Collateral Requirement pursuant to the Credit Support Addendum, such Full Floating Independent Amount for Party A shall be added by Party B to its Exposure for purposes of determining Net Settlement Amount.
- Party A shall have a Partial Floating Independent Amount of \$\_\_\_\_\_. Party A will Transfer or cause to be Transferred to Party B Eligible Collateral with a Value equal to such Independent Amount (the “Partial Floating IA Posted Collateral”) if at any time Party A otherwise has a Collateral Requirement (not taking into consideration the Partial Floating Independent Amount) pursuant to the Credit Support Addendum. The Partial Floating IA Posted Collateral 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 Credit Support Addendum. 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 Credit Support Addendum.

B. Party B Independent Amount.

- Party B shall have a Fixed Independent Amount of \$ zero. Party B will Transfer or cause to be Transferred to Party A Eligible Collateral with a Value equal to the amount of such Independent Amount (the “Fixed IA Posted Collateral”). The Fixed IA Posted Collateral shall not be reduced for so long as there are any outstanding obligations between the Parties as a result of the Agreement, and shall not be taken into account when calculating Party B’s Collateral Requirement pursuant to the Credit Support Addendum. Except as expressly set forth above, the Fixed IA Posted Collateral shall be held and maintained in accordance with, and otherwise be subject to, the Credit Support Addendum.
- Party B shall have a Full Floating Independent Amount of \$\_\_\_\_\_. For purposes of calculating Party B’s Collateral Requirement pursuant to the Credit Support Addendum, such Full Floating Independent Amount for Party B shall be added by Party A to its Exposure for purposes of determining Net Settlement Amount.
- Party B shall have a Partial Floating Independent Amount of \$\_\_\_\_\_. Party B will Transfer or cause to be Transferred to Party A Eligible Collateral with a Value equal to such Independent Amount (the “Partial Floating IA Posted Collateral”) if at any time Party B otherwise has a Collateral Requirement (not taking into consideration the Partial Floating Independent Amount) pursuant to the Credit Support Addendum. The Partial Floating IA Posted Collateral 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 Credit Support Addendum. 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 Credit Support Addendum.

7. Ratings Matrix.

**"Collateral Threshold"** means, with respect to a party, at any time the amount specified in the table below under the relevant heading opposite whatever is the lower of the Relevant Ratings at that time assigned by the Rating Agencies, provided that:

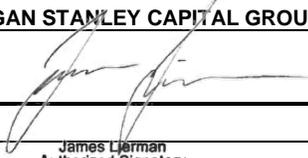
- (a) if only one Rating Agency assigns a Relevant Rating to a party, the Collateral Threshold with respect to such party will be the amount specified in the table below under the relevant heading opposite that rating;
- (b) if neither Rating Agency assigns or both Rating Agencies cease to assign a Relevant Rating with respect to a party, the Collateral Threshold with respect to such party shall each be zero; and
- (c) if an Event of Default with respect to a party has occurred and is continuing, the Collateral Threshold with respect to such party shall be zero.

**"Relevant Rating"** means:

- (a) with respect to Party A, the long-term issuer rating of Party A; and
- (b) with respect to Party B, the long-term issuer rating of Party B.

<b>S&amp;P Credit Rating</b>	<b>Moody's Credit Rating</b>	<b>Party A Collateral Threshold</b>	<b>Party B Collateral Threshold</b>
AA- or above	Aa3 or above	\$25,000,000	\$25,000,000
A-, A, A+	A1, A2, A3	\$15,000,000	\$15,000,000
BBB-, BBB, BBB+	Baa1, Baa2, Baa3	\$5,000,000	\$5,000,000
Below BBB-	Below Baa3	\$ 0	\$0

IN WITNESS WHEREOF, the parties hereto have executed these Special Provisions to the Model Credit Support Addendum to supplement and, where applicable, to modify and supersede the Model Credit Support Addendum to the Base Contract by and between the Parties.

<b>CITY OF VICTORVILLE</b>	<i>PARTY NAME</i>	<b>MORGAN STANLEY CAPITAL GROUP INC.</b>
By: _____	<i>SIGNATURE</i>	By: 
	<i>PRINTED NAME</i>	James Lierman
	<i>TITLE</i>	Authorized Signatory