



## **Municipal Electric Authority of Georgia**

### **ANNUAL INFORMATION STATEMENT**

**For The Fiscal Year Ended December 31, 2009**

The following documents (collectively, the “Annual Information Statement”) set forth certain information concerning MEAG Power (including, among other things, MEAG Power’s outstanding debt, its Projects, certain of its Participants and its audited consolidated financial statements for its fiscal years 2009 and 2008). The information contained in the Annual Information Statement speaks only as of the date thereof, and MEAG Power assumes no duty to update any information contained in the Annual Information Statement.

In accordance with the provisions of Rule 15c2-12, as amended (“Rule 15c2-12”), promulgated by the United States Securities and Exchange Commission (the “SEC”) pursuant to the Securities Exchange Act of 1934, as amended, MEAG Power has filed the Annual Information Statement with the Municipal Securities Rulemaking Board (the “MSRB”) through the MSRB’s Electronic Municipal Market Access (“EMMA”) website currently located at <http://emma.msrb.org> pursuant to Rule 15c2-12 in satisfaction of MEAG Power’s obligations under certain continuing disclosure undertakings made by MEAG Power pursuant to Rule 15c2-12 with respect to certain issues of its bonds. Because of limitations inherent in the electronic transmission of documents, the appearance (but not the content) of the Annual Information Statement on this website may differ from the version thereof filed with the MSRB through the EMMA website.

In accordance with Rule 15c2-12, MEAG Power may, from time to time, include by specific reference in the official statements or other offering documents relating to its securities all or any portion of the information contained in the Annual Information Statement, to the extent specified in such official statements or other offering documents (and subject to any provision of any such official statement or other offering document modifying, supplementing or superseding any such included portion). The Annual Information Statement is provided on this website for informational purposes only and must not be considered to be an offer to sell or the solicitation of an offer to buy any securities of MEAG Power in any jurisdiction, which offer or solicitation may only be made by an official statement or other offering document.

Each viewer acknowledges that (a) MEAG Power is not, by the Annual Information Statement, offering to sell any securities, nor soliciting an offer to buy any securities, (b) the Annual Information Statement will not be construed by the viewer as any description of MEAG Power, any of its Participants or the other parties referred to therein or their respective affairs at any time subsequent to the date of the Annual Information Statement nor will the viewer assume from the availability of the Annual Information Statement on this website that the affairs of MEAG Power, any of its Participants or the other parties referred to therein have not changed since the date of the Annual Information Statement and (c) because the information contained in the Annual Information Statement may be out of date or incomplete, the Annual Information Statement must not be relied upon in connection with any decision to purchase or sell any securities of MEAG Power.

**SUMMARY OF COMBINED CYCLE PROJECT BOND RESOLUTION**

The following is a general summary of certain provisions of the CC Bond Resolution pursuant to which the CC Bonds are issued. Summaries of certain definitions are set forth at the end of this APPENDIX I. Other terms defined in the CC Bond Resolution for which summary definitions are not set forth are indicated by capitalization.

**Application of Revenues**

Revenues under the CC Bond Resolution are pledged to the payment of principal and Redemption Price of and interest on CC Bonds of all Series, subject to the provisions of the CC Bond Resolution permitting application for other purposes. For the application of Revenues, the CC Bond Resolution establishes a Revenue and Operating Fund (which has separate subaccounts on MEAG Power's books for Revenues received from each CC Participant) and the Reserve and Contingency Fund, held by MEAG Power and a Debt Service Fund, held by the Trustee.

The Trustee and MEAG Power may deposit monies in such Funds with certain Banks, which include, trust companies, national banking associations and federal or domestic branches or agencies of foreign banks ("Depositories"). All monies held under the CC Bond Resolution by the Trustee or any Depository must be either (1) (a) continuously and fully insured by the Federal Deposit Insurance Corporation, or (b) continuously and fully secured by lodging with the Trustee, as collateral security, Investment Securities having a market value (exclusive of accrued interest) not less than the amount of such monies, or (2) held in such other manner as may then be required by applicable laws and regulations; *provided, however*, that it is not necessary for the Trustee or any Paying Agent to give security for the deposit of any monies held in trust with them and set aside by them for the payment of the principal or Redemption Price of or interest on any CC Bonds, or for the Trustee or any Depository to give security for any monies which are represented by Investment Securities purchased as an investment of such monies.

All Revenues received under the CC Bond Resolution are deposited, as soon as practicable after the receipt thereof, in the Revenue and Operating Fund. Amounts in the Revenue and Operating Fund are paid out from time to time for application therefrom as follows:

1. Amounts in the Revenue and Operating Fund attributable to each CC Participant shall be paid out from time to time for such CC Participant's share of reasonable and necessary Operating Expenses.
2. No later than the last business day of each month, MEAG Power shall withdraw from amounts in the Revenue and Operating Fund attributable to each CC Participant and deposit in the following Funds and Accounts in the following order of priority the amounts set forth below:

- (1) ***In the Debt Service Fund***, for credit to a separate subaccount in the Debt Service Account, the amount, if any, required so that the balance in said subaccount attributable to such CC Participant shall equal such CC Participant's share (determined as provided in the CC Contracts) of the Accrued Aggregate Debt Service; *provided, however*, that, for the purposes of computing the amount on deposit in said subaccount, there shall be excluded the amount, if any, set aside in said subaccount and attributable to such CC Participant from the proceeds of Bonds or other evidences of indebtedness less that amount of such proceeds to be applied in accordance with the CC Bond Resolution

to interest accrued and unpaid and to accrue on CC Bonds to the last day of the then current calendar month;

(2) ***In the Debt Service Fund***, for credit to a separate subaccount in the Debt Service Account, such CC Participant's share (determined as aforesaid) of the amount coming due in such month on Parity Obligations (other than Reimbursement Obligations);

(3) ***In the Debt Service Fund***, for credit to each separate sub-subaccount established for such CC Participant in each separate subaccount in the Debt Service Reserve Account, the amount, if any, required so that the balance in each such sub-subaccount shall equal the Debt Service Reserve Requirement related thereto as of the last day of the then current month; *provided, however*, that so long as there shall be held in the Debt Service Fund an amount sufficient to pay in full all Outstanding CC Bonds and Parity Obligations in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), no deposits shall be required to be made into the Debt Service Fund; and *provided, further*, that any deficiency in any such separate sub-subaccount of such CC Participant attributable to a withdrawal of amounts therefrom pursuant to the CC Bond Resolution shall be cured by depositing into such sub-subaccount each month during the next succeeding six months an amount equal to one-sixth (1/6th) of the amount of the withdrawal; and *provided, further*, that any other deficiency in any such sub-subaccount shall be cured by depositing into such sub-subaccount each month during the next succeeding twelve months an amount equal to one-twelfth (1/12th) of the amount of the deficiency, except that, if a new valuation of Investment Securities held in such sub-subaccount is made pursuant to the CC Bond Resolution during the period that such deposits are required, then the obligation of MEAG Power to make deposits during the balance of such period on the basis of the preceding valuation shall be discharged and the deposits, if any, required to be made for the balance of such period shall be determined under this proviso on the basis of the new valuation.

The Trustee shall pay out of the appropriate subaccounts in the Debt Service Account in the Debt Service Fund to the respective Paying Agents on a timely basis (i) the amount required for the interest payable on each interest payment date; (ii) the amount required for the Principal Installments payable on the due dates therefor; and (iii) the amount required for the payment of interest on the CC Bonds then to be redeemed. The Trustee shall also pay out of the appropriate subaccounts in the Debt Service Account the accrued interest included in the purchase price of CC Bonds purchased for retirement and, from the appropriate subaccounts in the Debt Service Account, amounts due in respect of any Parity Obligation.

Amounts accumulated in the Debt Service Account with respect to any Sinking Fund Installment may be applied on or prior to the 40th day preceding the due date of such Sinking Fund Installment, to (i) the purchase of CC Bonds of the Series and maturity and interest rate within each maturity for which such Sinking Fund Installment was established, or (ii) the redemption at the applicable sinking fund Redemption Price of such CC Bonds, if then redeemable by their terms. All purchases of any CC Bonds shall be made at prices not exceeding the applicable sinking fund Redemption Price of such CC Bonds plus accrued interest.

As soon as practicable after the 40th day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption on such due date CC Bonds of the Series and maturity and interest rate within each maturity for which

such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. On or before such redemption date, the amount required for the CC Bonds called for redemption shall be paid out of the Debt Service Account and applied to such redemption.

In the event of the refunding or defeasance of any CC Bonds, all or any portion of the amounts accumulated in the Debt Service Account may be withdrawn and deposited with the Trustee for the payment of the principal or Redemption Price, if applicable, and interest on the CC Bonds being refunded; *provided, however*, that such withdrawal shall not be made unless pursuant to the CC Bond Resolution (a) immediately thereafter the CC Bonds being refunded shall be deemed to have been paid, and (b) the amount remaining in the Debt Service Account, after giving effect to the issuance of any obligations being issued to refund such CC Bonds and the disposition of the proceeds thereof, shall not be less than the requirement of such Account.

The CC Bond Resolution provides that there may be established in the Debt Service Reserve Account in the Debt Service Fund one or more separate subaccounts, each of which subaccounts shall be for the benefit and security of one or more Series of CC Bonds, as provided in the Supplemental Resolution establishing each such subaccount. There shall be established within each such separate subaccount a separate sub-subaccount with respect to each CC Participant other than a Prepaid CC Participant with respect to such Series of CC Bonds.

If on any day on which the principal or sinking fund Redemption Price of or interest on CC Bonds shall be due the amount on deposit in the Debt Service Account shall be less than the amount required therein pursuant to the CC Bond Resolution, the Trustee shall apply amounts from each applicable separate sub-subaccount in each separate subaccount in the Debt Service Reserve Account, in proportion to the respective Debt Service Reserve Requirements applicable thereto, to make good the deficiency that exists with respect to the CC Bonds secured thereby; *provided, however*, that in the case of any such deficiency in the Debt Service Account that is due to a failure by one or more CC Participants to make required payments under their respective CC Contracts, the amount applied from such separate subaccount shall be derived solely from the sub-subaccount(s) therein relating to such CC Participant(s).

If on the last day of any calendar year the balance of moneys and securities on deposit in any sub-subaccount in any subaccount in the Debt Service Reserve Account established with respect to a particular CC Participant shall exceed the Debt Service Reserve Requirement applicable thereto, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation that may be credited to such sub-subaccount in accordance with the provisions of the Supplemental Resolution establishing such subaccount, all or a portion of the amount of such excess shall be transferred to the Revenue and Operating Fund, if and to the extent such amount is required to satisfy the Working Capital Requirement, and the balance, if any, of such excess shall be transferred to the subaccount in the Bond Retirement Account in the Debt Service Fund established with respect to such CC Participant.

Whenever the amount in the Debt Service Reserve Account, together with the amount in the Debt Service Account, is sufficient to pay in full all Outstanding CC Bonds and Parity Obligations in accordance with their terms, the funds on deposit in the Debt Service Reserve Account shall be transferred to the Debt Service Account. Any provision of the CC Bond Resolution to the contrary notwithstanding, so long as there

shall be held in the Debt Service Fund an amount sufficient to pay in full all Outstanding CC Bonds and Parity Obligations in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), no deposits shall be required to be made into the Debt Service Reserve Account.

Upon any Defeasance Payment by a CC Participant that results in the amount in its sub-subaccount being in excess of the Debt Service Reserve Requirement applicable thereto, such excess shall be transferred to the subaccount in the Bond Retirement Account in the Debt Service Fund established with respect to such CC Participant; *provided, however*, that if such Defeasance Payment shall result in such CC Participant being a Prepaid CC Participant, then such excess shall be transferred to such CC Participant.

In the event of the refunding or defeasance of any CC Bonds with respect to which a subaccount has been established in the Debt Service Reserve Account, the Trustee shall, upon the direction of an Authorized Officer of MEAG Power, withdraw from the separate sub-subaccounts in the separate subaccount in the Debt Service Reserve Account established for the benefit of such CC Bonds (in proportion to the amounts required to be on deposit in such sub-subaccounts) all or any portion of the amounts accumulated therein and deposit such amounts with itself as Trustee to be held for the payment of the principal or Redemption Price, if applicable, and interest on the CC Bonds being refunded or defeased; *provided, however*, that such withdrawal shall not be made unless (a) immediately thereafter the CC Bonds being refunded or defeased shall be deemed to have been paid, and (b) the amount remaining in such separate sub-subaccounts in the separate subaccount in the Debt Service Reserve Account, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation that may be credited to such sub-subaccount in accordance with the provisions of the Supplemental Resolution establishing such subaccount, and after giving effect to the issuance of any obligations being issued to refund such CC Bonds and the disposition of the proceeds thereof, shall not be less than the Debt Service Reserve Requirement related thereto. In the event of such refunding or defeasance, MEAG Power may also direct the Trustee to withdraw from such separate sub-subaccounts in the separate subaccount in the Debt Service Reserve Account (in proportion to the amounts required to be on deposit in such sub-subaccounts) all or any portion of the amounts accumulated therein and deposit such amounts in any Fund or Account under the CC Bond Resolution; *provided, however*, that such withdrawal shall not be made unless items (a) and (b) referred to hereinabove have been satisfied.

To the extent and in the manner so authorized in the Supplemental Resolution establishing any subaccount in the Debt Service Reserve Account, in lieu of depositing moneys in each sub-subaccount in such subaccount, or in substitution for moneys previously deposited in any such sub-subaccount, MEAG Power may provide the Trustee with a policy of insurance, surety bond, letter of credit or similar instrument for deposit in such sub-subaccount or such amount may be provided from Revenues or otherwise.

(4) ***In the Reserve and Contingency Fund***, an amount equal to such CC Participant's Share of one-twelfth (or such greater fraction as may be appropriate if the period is less than twelve months) of the difference between (i) the greater of (a) the total amount provided in the then current Combined Cycle Project Annual Budget to be deposited in such Fund during the then current calendar year or (b) an amount equal to ten percent of the assumed depreciation of the CC Project during the then current calendar year, which assumed depreciation shall be determined on a straight-line basis by dividing the total Cost of Acquisition and Construction of the CC Project (exclusive of

any capitalized interest or other allowance for funds used during construction of the CC Project) by 35 and the amount, if any, to be deposited in the Segregated Reserve and Contingency Fund during such month; *provided, however*, that no such deposit shall be required to be made until the month following the month in which the commercial operation date (as determined by MEAG Power) of the first generating facility of the CC Project.

Amounts in the Reserve and Contingency Fund are applied to the costs of major renewals, replacements, repairs, additions, betterments and improvements with respect to the CC Project necessary, in the opinion of an Authorized Officer of MEAG Power, to keep the same in good operating condition or to prevent a loss of revenues therefrom, or required by any governmental agency having jurisdiction over the CC Project or any part thereof or for which MEAG Power is responsible by virtue of any obligation of MEAG Power arising out of any contract to which MEAG Power is a party relating to ownership of the CC Project or any part thereof.

If on the last day of any calendar year the amount in the Reserve and Contingency Fund exceeds the Reserve and Contingency Fund Requirement, all or a portion of the amount of such excess will be transferred to the Revenue and Operating Fund, if and to the extent such amount is required to satisfy the Working Capital Requirement (as described below) and the balance, if any, of such excess will be transferred to such subaccount(s) in the Bond Retirement Account in the Debt Service Fund as an Authorized Officer of MEAG Power determines.

Subject to (A) the provisions of items 1 and 2 above, and (B) the maintenance of Working Capital by MEAG Power in the Revenue and Operating Fund and the Segregated Revenue and Operating Fund, proportionately, in an aggregate amount equal to or greater than the Working Capital Requirement, amounts in the Revenue and Operating Fund may be applied as set forth in the immediately following paragraph. The term “Working Capital” means as of any date an amount equal to (1) the excess of current assets over the current liabilities of the CC Project as of such date minus (2) the amount then on deposit in the Debt Service Account in the Debt Service Fund; and the term “Working Capital Requirement” means such dollar amount as MEAG Power shall establish from time to time, which at any time shall be not less than MEAG Power’s budgeted Operating Expenses for the next succeeding 45 days.

Amounts in the Revenue and Operating Fund not required for the purposes set forth above may upon determination of MEAG Power be applied to or set aside for any one or more of the following: (a) the purchase or redemption of any CC Bonds or any reserves required for such purposes; (b) payments into the Construction Fund for application to the purposes of such fund; (c) improvements, extensions, betterments, renewals and replacements of any properties of the CC Project; (d) to reduce the cost of CC Project power and energy to the CC Participants under the CC Contracts; and (e) any other lawful purposes of MEAG Power related to the CC Project; *provided, however*, any proceeds of any insurance paid on account of the damage or destruction of any useful portion of the CC Project deposited in the Revenue and Operating Fund shall be used only for the purposes specified in clauses (a) to (c), inclusive, described immediately above, and *provided, further*, that, subject to the provisions of CC Bond Resolution, amounts deposited in the Revenue and Operating Fund and required by the CC Bond Resolution to be applied to the purchase or redemption of CC Bonds shall be applied to such purpose.

Upon any purchase or redemption of CC Bonds of any Series, maturity and interest rate for which Sinking Fund Installments shall have been established, other than any such purchase or redemption funded from amounts accumulated in the Debt Service Account as provided for in the CC Bond Resolution, there shall be credited toward such Sinking Fund Installment or Sinking Fund Installments thereafter to become due as MEAG Power shall select in its sole discretion the total principal amount of such CC Bonds so purchased or redeemed. The portion of any such Sinking Fund Installment remaining

after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

### **Initial Subaccount in the Debt Service Reserve Account**

Pursuant to the Second Supplemental CT Bond Resolution, MEAG Power has established a separate subaccount in the Debt Service Reserve Account in the Debt Service Fund entitled the “Initial Subaccount.” The 2002A CT Bonds, the 2003A CC Bonds and the 2010A CC Bonds are secured by amounts on deposit in the Initial Subaccount, including the investments, if any, thereof, which amounts are pledged to, and a security interest in the same is granted to, the Trustee, as additional security for the payment of the principal or sinking fund Redemption Price, if any, of and interest on such CC Bonds, subject to the provisions of the CC Bond Resolution permitting application for other purposes. The Initial Subaccount in the Debt Service Reserve Account may, at the option of MEAG Power, secure additional CC Bonds of any Series hereafter issued.

The CC Bond Resolution requires MEAG Power to deposit and maintain in each separate sub-subaccount in the Initial Subaccount in the Debt Service Reserve Account moneys, Investment Securities and/or reserve fund credit instruments (hereinafter defined) in an amount equal to the Debt Service Reserve Requirement for each such sub-subaccount. The Debt Service Reserve Requirement for each sub-subaccount in the Initial Subaccount is defined in the Second Supplemental CT Bond Resolution to mean, at any time, an amount equal to the sum of the maximum amounts of Debt Service on the CC Bonds of each Series that are additionally secured by the Initial Subaccount that are allocable to the CC Participant for whom such sub-subaccount has been established (determined as provided in the CC Contracts) in the then current or any future twelve-month period ending on October 31, determined as of the respective dates of issuance of the CC Bonds of such Series and, with respect to any Variable Rate CC Bonds, calculating the Debt Service on such Variable Rate CC Bonds at such rate of interest as MEAG Power shall determine; *provided, however*, that in the event that any CC Participant shall make a Defeasance Payment, the Debt Service Reserve Requirement for the sub-subaccount in the Initial Subaccount established with respect to such CC Participant shall be redetermined as of the date of the making of such Defeasance Payment, and shall be equal to the sum of the maximum amounts of Debt Service that are allocable to such CC Participant in the then current or any future twelve-month period ending on October 31 with respect to the CC Bonds of each Series secured by the Initial Subaccount that remain Outstanding following the making of such Defeasance Payment; and *provided, further*, that in the event that MEAG Power shall refund any of the CC Bonds of any such Series, the Debt Service Reserve Requirement for each sub-subaccount in the Initial Subaccount shall be redetermined as of the date of such refunding, and shall be equal to the sum of the maximum amounts of Debt Service that are allocable to the CC Participant for whom such sub-subaccount has been established in the then current or any future twelve-month period ending on October 31 with respect to the CC Bonds of each Series secured by the Initial Subaccount that remain Outstanding following such refunding.

The Second Supplemental CT Bond Resolution provides that in lieu of maintaining moneys or investments in any sub-subaccount the Initial Subaccount in the Debt Service Reserve Account, MEAG Power at any time may cause to be deposited therein for the benefit of the Holders of the CC Bonds secured thereby an irrevocable surety bond, insurance policy or letter of credit satisfying the conditions set forth therein (a “reserve fund credit instrument”), in an amount equal to the difference between the Debt Service Reserve Requirement for any such sub-subaccount and the sums of money or value of Investment Securities then on deposit in such sub-subaccount, if any; *provided, however*, that nothing contained in the Second Supplemental CT Bond Resolution or in the CC Bond Resolution shall prevent MEAG Power from obtaining a single reserve fund credit instrument (otherwise complying with the requirements of this paragraph) for deposit to the credit of more than one separate sub-subaccount in the Initial Subaccount. The following is a summary of the provisions of the Second Supplemental CT Bond

Resolution relating to the deposit of reserve fund credit instruments to the sub-subaccounts in the Initial Subaccount:

(a) A surety bond or insurance policy issued by an insurance company licensed or otherwise qualified to do business in the State of Georgia may be deposited in any sub-subaccount in the Initial Subaccount if the claims-paying ability of the issuer thereof is rated “AAA” by Standard & Poor’s, a subsidiary of The McGraw-Hill Companies, Inc. (hereinafter referred to as “S&P”) and “Aaa” by Moody’s Investors Service (hereinafter referred to as “Moody’s”).

(b) An unconditional irrevocable letter of credit issued by a Bank may be deposited in any sub-subaccount in the Initial Subaccount if the senior, unsecured long-term debt of the issuer thereof is rated at least “AA” by S&P and “Aa2” by Moody’s, and if such letter of credit shall be payable in one or more draws upon presentation by the Trustee of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the CC Bonds that are additionally secured by the Initial Subaccount (the “Initial Subaccount Additionally Secured CC Bonds”). The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years. The issuer of the letter of credit shall be required to notify MEAG Power and the Trustee, not later than 30 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date.

(c) If such notice indicates that the expiration date shall not be extended, MEAG Power shall deposit in each such sub-subaccount in the Initial Subaccount an amount sufficient to cause the cash or Investment Securities on deposit therein, together with any other qualifying reserve fund credit instruments, to equal the Debt Service Reserve Requirement therefor, such deposit to be paid in equal installments on at least a semi-annual basis over the remaining term of the letter of credit, unless the reserve fund credit instrument is replaced by a reserve fund credit instrument meeting the requirements in either of clauses (a) or (b) above. The letter of credit shall permit a draw in full not less than two weeks prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The Trustee shall draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or each such sub-subaccount in the Initial Subaccount is fully funded in its required amount.

(d) The use of any reserve fund credit instrument pursuant to this paragraph shall be subject to receipt of an opinion of counsel acceptable to an authorized officer of MEAG Power and the Trustee and in form and substance satisfactory to such authorized officer and the Trustee as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors’ rights generally, and, in the event the issuer of such credit instrument is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to an authorized officer of MEAG Power and the Trustee. In addition, the use of an irrevocable letter of credit shall be subject to receipt of an opinion of counsel acceptable to an authorized officer of MEAG Power and the Trustee and in form and substance satisfactory to such authorized officer and the Trustee to the effect that payments under such letter of credit would not constitute avoidable preferences under Section 547 of the U.S. Bankruptcy Code or similar state laws with avoidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code or similar state laws by or against MEAG Power.

(e) The obligation to reimburse the issuer of a reserve fund credit instrument for any fees, expenses, claim or draws upon such reserve fund credit instrument shall be subordinate to the payment of debt service on the CC Bonds. In addition, the right of the issuer of a reserve fund

credit instrument to payment or reimbursement for claims or draws under such reserve fund credit instrument and to payment or reimbursement of its fees and expenses shall be prior to the cash replenishment of each such sub-subaccount in the Initial Subaccount.

(f) The reserve fund credit instrument shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If (i) such revolving reinstatement feature is suspended or terminated or (ii) the rating of the claims paying ability of the issuer of the surety bond or insurance policy falls below a S&P “AAA” or a Moody’s “Aaa” or (iii) the rating of the issuer of the letter of credit falls below a S&P “AA”, MEAG Power shall either (X) deposit into each such sub-subaccount in the Initial Subaccount an amount sufficient to cause the cash or Investment Securities on deposit in each such sub-subaccount to equal the Debt Service Reserve Requirement therefor, such amount to be paid over the ensuing five years in equal installments deposited at least semi-annually or (Y) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in either of clauses (a) or (b) above within six months of such occurrence. In the event (1) the rating of the claims-paying ability of the issuer of the surety bond or insurance policy falls below “A” or (2) the rating of the issuer of the letter of credit falls below “A” or (3) the issuer of the reserve fund credit instrument defaults in its payment obligations or (4) the issuer of the reserve fund credit instrument becomes insolvent, MEAG Power shall either (X) deposit into each such sub-subaccount in the Initial Subaccount an amount sufficient to cause the cash or Investment Securities on deposit therein to equal to Debt Service Reserve Requirement therefor, such amount to be paid over the ensuing year in equal installments on at least a monthly basis or (Y) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in either of clauses (a) or (b) above within six months of such occurrence.

(g) Where applicable, the amount available for draws or claims under the reserve fund credit instrument may be reduced by the amount of cash or value of Investment Securities deposited in each such sub-subaccount in the Initial Subaccount pursuant to clause (X) of the final sentence of the preceding clause (f).

(h) In the event that a reserve fund credit instrument shall be deposited into any sub-subaccount in the Initial Subaccount as aforesaid, any amounts owed by MEAG Power to the issuer of such reserve fund credit instrument as a result of a draw thereon or a claim thereunder, as appropriate, shall be included in any calculation of debt service requirements required to be made pursuant to the CC Bond Resolution for purposes of the covenant described under the caption “Rate Covenant” below.

(i) The Trustee shall ascertain the necessity for a claim or draw upon such reserve fund credit instrument and provide notice to the issuer of the reserve fund credit instrument in accordance with its terms not later than three days (or such longer period as may be necessary depending on the permitted time period for honoring a draw under the reserve fund credit instrument) prior to each interest payment date for the Initial Subaccount Additionally Secured CC Bonds.

(j) Cash on deposit in any sub-subaccount in the Initial Subaccount shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any reserve fund credit instrument. If and to the extent that more than one reserve fund credit instrument is deposited in any sub-subaccount in the Initial Subaccount, drawings thereunder and repayments of costs associated therewith shall be made on a *pro rata* basis, calculated by reference to the maximum amounts available thereunder.

## **Construction Fund**

The CC Bond Resolution establishes a Construction Fund, held by the Trustee, into which are paid (a) amounts required by the provisions of the CC Bond Resolution and any Supplemental Resolution and (b) all revenues, income, rents and receipts derived by MEAG Power from or attributable to the sale of any Pre-Commercial Generation, and at the option of MEAG Power, any monies received for or in connection with the CC Project by MEAG Power, unless required to be otherwise applied as provided in the CC Bond Resolution. Amounts in the Construction Fund will be applied to (a) the Cost of Acquisition and Construction of the CC Project and the Embedded Simple Cycle Costs and (b) to the payment of the costs of the production of Pre-Commercial Generation, in each such case, in the manner provided in the CC Bond Resolution. In addition, proceeds of insurance for physical loss or damage to the CC Project, or of contractors' performance bonds pertaining to the period of construction will be paid into the Construction Fund.

The Trustee will pay to MEAG Power, upon its requisitions therefor, from the Construction Fund amounts in payment of the Cost of Acquisition and Construction of the CC Project, the Embedded Simple Cycle Costs and the costs of the production of Pre-Commercial Generation. Amounts credited to the Construction Fund in excess of the amounts required for purposes thereof will be transferred to the appropriate subaccount(s) in the Bond Retirement Account in the Debt Service Fund (as MEAG Power may determine) or to the extent requested by MEAG Power deposited in the Revenue and Operating Fund. To the extent that other monies are not available therefor, amounts in the Construction Fund will be applied to the payment of principal of and interest on the CC Bonds and Parity Obligations when due.

## **Debt Service Fund – Bond Retirement Account**

Pursuant to the CC Bond Resolution, there is established within the Bond Retirement Account in the Debt Service Fund a separate sub-subaccount with respect to each CC Participant other than a Prepaid CC Participant.

Amounts accumulated in each subaccount in the Bond Retirement Account shall be applied by the Trustee to the redemption, at the applicable redemption price, of such CC Bonds as are specified by an authorized officer of MEAG Power or to the purchase in the open market of such CC Bonds as shall be specified by an authorized officer of MEAG Power.

## **Segregated Funds**

Each CC Participant has the right under its CC Contract to prepay all or any portion of the amounts owed by it in respect of its interest in the output of the CC Project and its share of the Embedded Simple Cycle Costs by either (a) prior to the issuance of a particular Series of CC Bonds to finance the Cost of Acquisition and Construction and/or the Embedded Simple Cycle Costs, paying to MEAG Power an amount (referred to as such CC Participant's "Capital Contribution") equal to all or any portion of the Non-Financing Portion of the Cost of Acquisition and Construction and Embedded Simple Cycle Costs otherwise to be financed that is allocable to it for this purpose in accordance with its CC Contract, thereby reducing the principal amount of CC Bonds that MEAG Power is required to issue, or (b) from time to time while CC Bonds are Outstanding, paying to MEAG Power an amount, which may be in the form of moneys or Defeasance Securities that comply with the provisions of the CC Bond Resolution, or both (a "Defeasance Payment"), sufficient to provide for the defeasance of CC Bonds.

So long as no CC Participant makes a Capital Contribution or Defeasance Payment as described in the immediately preceding paragraph with respect to any Series of CC Bonds, all amounts paid by each CC Participant pursuant to its CC Contract shall be deposited in the Revenue and Operating Fund and applied as described under "Application of Revenues" above. In the event any CC Participant makes a Capital Contribution or Defeasance Payment as described in the immediately preceding paragraph,

however, thereafter MEAG Power shall divide each payment by such CC Participant under its CC Contract in respect of Combined Cycle Project Annual Costs and/or Embedded Simple Cycle Debt Related Costs into two portions, with one portion (the “Non-Pledged Portion”) to be deposited in the Segregated Revenue and Operating Fund referred to below and the balance to be deposited in the Revenue and Operating Fund. MEAG Power shall determine the Non-Pledged Portion as follows:

(1) MEAG Power shall first subtract from each such payment the sum of (a) the amount, if any, billed by MEAG Power to the CC Participant for the month to which such payment relates in respect of the CC Participant’s Combined Cycle Obligation Share of Debt Related Costs (as such terms are defined in the CC Contracts) and (b) the amount, if any, billed by MEAG Power to the CC Participant for such month in respect of the CC Participant’s Embedded Simple Cycle Obligation Share (as such term is defined in the CC Contracts) of Embedded Simple Cycle Debt Related Costs;

(2) the balance of such payment remaining after such subtraction shall be multiplied by the fraction set forth in the definition of “Non-Pledged Portion” contained in the CC Contracts (*i.e.*, a fraction (i) the numerator of which is the sum of all Capital Contributions made by the CC Participant plus the principal amount of all CC Bonds defeased with prepayments made by the CC Participant pursuant to each Attachment A to its CC Contract and (ii) the denominator of which is the sum of all Capital Contributions made by the CC Participant plus the principal amount of CC Bonds issued to finance Costs of Acquisition and Construction or the Embedded Simple Cycle Costs allocable to the CC Participant as set forth on each Attachment A to its CC Contract); and

(3) the amount determined pursuant to the foregoing clause (2) shall constitute the Non-Pledged Portion of such payment.

MEAG Power shall hold and establish (i) a Segregated Construction Fund, (ii) a Segregated Revenue and Operating Fund and (iii) a Segregated Reserve and Contingency Fund to account for Capital Contributions and the Non-Pledged Portion of payments by CC Participants.

Capital Contributions by CC Participants shall be deposited in the Segregated Construction Fund and shall be applied by MEAG Power, on a *pro rata* basis (in proportion to the amounts on deposit in the Construction Fund and the Segregated Construction Fund) with amounts in the Construction Fund, to pay the Non-Financing Portion of the Cost of Acquisition and Construction of the CC Project and Embedded Simple Cycle Costs in accordance with the requisition procedures set forth in the CC Bond Resolution applicable to payments from the Construction Fund.

The Non-Pledged Portion of each payment made by a CC Participant that has made a Capital Contribution or a Defeasance Payment shall be deposited in a subaccount established for such CC Participant in the Segregated Revenue and Operating Fund and the balance of such payment made by such CC Participant, if any, shall be deposited in the Revenue and Operating Fund. The amounts deposited in the Segregated Revenue and Operating Fund shall not be applied to the payment of any amounts included in the Combined Cycle Debt Service Component of Combined Cycle Project Annual Costs or the Embedded Simple Cycle Debt Service Component of Embedded Simple Cycle Debt Related Costs but, on a *pro rata* basis (in proportion to the amounts on deposit in the Revenue and Operating Fund and the Segregated Revenue and Operating Fund), shall be applied to the payment of other amounts payable from the Revenue and Operating Fund which are not included in the Combined Cycle Debt Service Component of Combined Cycle Project Annual Costs or the Embedded Simple Cycle Debt Service Component of Embedded Simple Cycle Debt Related Costs. From the amounts deposited in the Segregated Revenue and Operating Fund there shall be deposited in the Segregated Reserve and Contingency Fund amounts that correspond to required deposits in the Reserve and Contingency Fund for application, on a *pro rata* basis (in proportion to the amounts on deposit in the Reserve and Contingency

Fund and the Segregated Reserve and Contingency Fund) with amounts in the Reserve and Contingency Fund, to the cost items to be paid with amounts in the Reserve and Contingency Fund which are not included in the Combined Cycle Debt Service Component of Combined Cycle Project Annual Costs or the Embedded Simple Cycle Debt Service Component of Embedded Simple Cycle Debt Related Costs, and the amounts so deposited to the Segregated Reserve and Contingency Fund shall be credited to subaccounts established therein for each such CC Participant. Any balance of moneys and securities in a CC Participant's subaccount in the Segregated Reserve and Contingency Fund which is in excess of such CC Participant's allocable portion of the Segregated Reserve and Contingency Requirement, shall, at the end of each calendar year, be transferred to the subaccount established for such CC Participant in the Segregated Revenue and Operating Fund and applied as a credit against amounts that would otherwise be payable by such CC Participant pursuant to its CC Contract over the balance of the next succeeding calendar year.

The CC Bond Resolution provides that the amounts in the Segregated Revenue and Operating Fund and the Segregated Reserve and Contingency Fund are essential for the funding of the applicable capital and operating costs of the CC Project and accordingly are to be deposited in the Segregated Funds and applied as described herein; *provided, however*, that neither such Funds nor the moneys or Investment Securities therein are available to make payments on the CC Bonds or included in the Trust Estate or otherwise pledged to secure the CC Bonds.

## **Issuance of CC Bonds**

### ***General***

MEAG Power may issue CC Bonds of each Series under the CC Bond Resolution provided that it satisfies the following conditions, among others:

(a) MEAG Power provides to the Trustee the amount, if any, specified in the Supplemental Resolution authorizing the additional CC Bonds of such Series for deposit in the Debt Service Account in the Debt Service Fund for the payment of interest on CC Bonds and the amounts, if any, specified in such Supplemental Resolution for deposit in each sub-subaccount in the separate subaccount in the Debt Service Reserve Account in the Debt Service Fund designated therefor so that the amount on deposit in each such sub-subaccount shall equal the Debt Service Reserve Requirement designated therefor calculated immediately after the authentication and delivery of such Series of CC Bonds; *provided, however*, that a Supplemental Resolution establishing a separate subaccount in the Debt Service Reserve Account in the Debt Service Fund may provide that, in lieu of the deposit of all or a part of such amounts to each sub-subaccount in such separate subaccount in the Debt Service Reserve Account in the Debt Service Fund, there may be credited to each said sub-subaccount an irrevocable surety bond, an insurance policy, a letter of credit or any other similar obligation, or any combination thereof, of the type specified therein, or such amount may be deposited thereafter from Revenues or otherwise, in such manner as may be specified therein;

(b) Except in the case of Refunding CC Bonds, MEAG Power must certify that either (i) no Event of Default has occurred and is continuing under the CC Bond Resolution or (ii) the application of the proceeds of the sale of such Series of CC Bonds as required by the Supplemental Resolution authorizing such Series of CC Bonds will cure any such Event of Default; and

(c) In the case of each Series of CC Bonds any portion of the proceeds of which is to be deposited in the Debt Service Account in the Debt Service Fund (other than any accrued interest that is to be applied to the payment of interest on CC Bonds on the interest payment date next following the date of issuance of such CC Bonds), MEAG Power must provide a

certification setting forth the then estimated application of such proceeds so deposited for the payment of interest on any particular Series of CC Bonds, whether or not such Series of CC Bonds is then Outstanding, or then being issued, or to be issued thereafter.

### ***CC Bonds Other than Refunding CC Bonds***

One or more Series of CC Bonds may be issued at any time for the purpose of paying all or a portion of the Cost of Acquisition and Construction of the CC Project and/or the Embedded Simple Cycle Costs.

### ***Refunding CC Bonds***

Refunding CC Bonds may be authenticated and delivered upon original issuance to refund all or any portion of any Outstanding CC Bonds. Refunding CC Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Funds and Accounts under the CC Bond Resolution required by the provisions of the Supplemental Resolution authorizing such Refunding CC Bonds.

Refunding CC Bonds of each Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee, in addition to the documents required by CC Bond Resolution, of:

(a) Instructions to the Trustee, satisfactory to it, to give due notice of redemption of any of the refunded CC Bonds (or portions thereof) to be redeemed on a redemption date or dates specified in such instructions;

(b) If the CC Bonds (or portions thereof) to be refunded do not mature and are not by their terms subject to redemption within the next succeeding 60 days, instructions to the Trustee, satisfactory to it, to give the notice provided for in the CC Bond Resolution to the Holders of the CC Bonds (or portions thereof) being refunded; and

(c) Either (i) moneys in an amount sufficient to effect payment at the applicable Redemption Price of the CC Bonds (or portions thereof) to be redeemed and at the principal amount of the CC Bonds (or portions thereof) not to be redeemed, together with accrued interest on such CC Bonds (or portions thereof) to the redemption date or maturity date, as applicable, which moneys shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the CC Bonds (or portions thereof) to be refunded, or (ii) Defeasance Securities in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications and any moneys, as shall be necessary to comply with the provisions of the CC Bond Resolution, which Defeasance Securities and moneys shall be held in trust and used only as provided in the CC Bond Resolution.

The proceeds, including accrued interest, of the Refunding CC Bonds of each Series shall be applied simultaneously with the delivery of such CC Bonds for the purposes of making deposits in such Funds and Accounts under the CC Bond Resolution as shall be provided by the Supplemental Resolution authorizing such Series of Refunding CC Bonds and shall be applied to the refunding purposes thereof in the manner provided in said Supplemental Resolution.

### **Credit Facilities, Liquidity Facilities and Qualified Hedging Contracts**

Subject to the terms of the CC Bond Resolution, MEAG Power may include such provisions in a Supplemental Resolution authorizing the issuance of a Series of CC Bonds secured by a Credit Facility or supported by a Liquidity Facility as MEAG Power deems appropriate, and no such provisions shall be

deemed to constitute an amendment to the CC Bond Resolution requiring consent of the Trustee or any Bondholders.

The provisions of such Supplemental Resolution may provide (i) that so long as a Credit Facility is in full force and effect, and payment on the Credit Facility is not in default, then, in all such events, the issuer of the Credit Facility shall be deemed to be the sole Holder of the Outstanding CC Bonds the payment of which such Credit Facility secures when the approval, consent or action of the Holders of such CC Bonds is required or may be exercised under the CC Bond Resolution, or, in the alternative, that the approval, consent or action of the issuer of the Credit Facility shall be required in addition to the approval, consent or action of the applicable percentage of the Holders of the Outstanding CC Bonds under the CC Bond Resolution, and following the occurrence of an Event of Default; and (ii) that in the event that the principal or Redemption Price, if applicable, and interest due on any Outstanding CC Bonds shall be paid under the provisions of a Credit Facility, all covenants, agreements and other obligations of MEAG Power to the Holders of such CC Bonds shall continue to exist and such issuer of the Credit Facility shall be subrogated to the rights of such Holders in accordance with the terms of such Credit Facility.

MEAG Power may secure such Credit Facility or such Liquidity Facility by an agreement providing for the purchase of the CC Bonds supported thereby with such adjustments to the rate of interest, method of determining interest, maturity or redemption provisions as specified by MEAG Power in the applicable Supplemental Resolution. MEAG Power may also agree to reimburse directly such issuer for amounts paid under the terms of such Credit Facility or Liquidity Facility (together with interest thereon, the "Reimbursement Obligation"); *provided, however*, that no Reimbursement Obligation shall be created, for purposes of the CC Bond Resolution, until amounts are paid under such Credit Facility or Liquidity Facility. Any such Reimbursement Obligation, which may include interest calculated at a rate higher than the interest rate on the related CC Bond, shall be secured by a pledge of, and a lien on, the Trust Estate on a parity with the pledge and lien created by the CC Bond Resolution to secure the CC Bonds.

Except as otherwise provided in a Supplemental Resolution authorizing Reimbursement Obligations, for the purposes of (i) receiving payment of a Reimbursement Obligation, whether at maturity, upon redemption or if the principal of all CC Bonds is declared immediately due and payable following the occurrence of an Event of Default, or (ii) computing the principal amount of CC Bonds held by the Holder of a Reimbursement Obligation in giving to MEAG Power or the Trustee any notice, consent, request or demand pursuant to the CC Bond Resolution for any purpose whatsoever, the principal amount of a Reimbursement Obligation shall be deemed to be the actual principal amount that MEAG Power shall owe thereon, which shall equal the aggregate of the amounts advanced to, or on behalf of, MEAG Power in connection with the CC Bonds to which such Reimbursement Obligation relates, less any prior repayments thereof.

MEAG Power may enter into Qualified Hedging Contracts and any obligation to pay any amount thereunder shall be payable from and may be secured by a pledge of, and a lien on, such amounts accumulated in the Debt Service Account in the Debt Service Fund with respect thereto.

### **Commercial Paper Notes**

Commercial Paper Notes may be issued from time to time secured by a pledge of, and a lien on, the Trust Estate on a parity with the pledge and lien created by the CC Bond Resolution to secure the CC Bonds. The Trustee shall authenticate and deliver Commercial Paper Notes to MEAG Power or upon its order, but only upon satisfaction of the following conditions, in addition to the conditions specified in the CC Bond Resolution with respect to the issuance of additional CC Bonds:

(a) If so required by the Supplemental Resolution the Trustee shall have received a Credit Facility with respect to such Commercial Paper Notes or a Liquidity Facility with respect to such Commercial Paper Notes containing such terms and conditions, including with respect to reimbursement, as shall be approved by the MEAG Power Board; and

(b) The Trustee shall have received a certificate of an authorized officer of MEAG Power setting forth the Commercial Paper Payment Plan with respect to such Commercial Paper Notes. Such certificate shall be amended from time to time by a new certificate of an authorized officer of MEAG Power to reflect changes, if any, in the expectations of MEAG Power with respect to the sources of funds to be utilized to pay principal of and interest on such Commercial Paper Notes.

### **Special Provisions Relating to Capital Appreciation CC Bonds**

The principal and interest portions of the Accreted Value of Capital Appreciation CC Bonds becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments made under the definitions of Debt Service, Accrued Aggregate Debt Service and Aggregate Debt Service only from and after the date (the “Calculation Date”) which is one year prior to the date on which such Accreted Value becomes due, and the principal and interest portions of such Accreted Value shall be deemed to accrue in equal daily installments from the Calculation Date to such due date (calculated, unless otherwise specified in the Supplemental Resolution authorizing such Capital Appreciation CC Bonds, on the basis of a 360-day year consisting of twelve 30-day months).

For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation CC Bond is redeemed prior to maturity, or (ii) receiving payment of a Capital Appreciation CC Bond if the principal of all Bonds is declared immediately due and payable following the occurrence of an Event of Default, as provided in the CC Bond Resolution or (iii) computing the principal amount of Bonds held by the Holder of Capital Appreciation CC Bond in giving to MEAG Power or the Trustee any notice, consent, request or demand pursuant to the CC Bond Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation CC Bond shall be deemed to be its then current Accreted Value.

### **Certain Provisions Relating to the CC Participants**

In the event that MEAG Power shall issue any Series of CC Bonds and either (a) the Bonds of such Series are not rated in one of the top three Rating Categories by a Rating Agency or (b) the Bonds of such Series are not supported in whole by a Credit Facility, at or prior to the date of issuance of the CC Bonds of such Series, MEAG Power shall provide to the Trustee evidence acceptable to it that each CC Participant meets the Minimum CC Participant Credit Requirement. The term “Minimum CC Participant Credit Requirement” means that one of the following is true: (a) such CC Participant has an outstanding uninsured and unguaranteed general obligation or revenue bond issue payable from the revenues of its electric distribution system that is rated in one of the top three Rating Categories by a Rating Agency, (b) such CC Participant’s unenhanced obligations under its CC Contract have been rated by a Rating Agency in one of the top three Rating Categories by a Rating Agency or (c) such CC Participant’s obligations under its CC Contract have been guaranteed, insured or otherwise supported by a CC Participant Credit Enhancement in favor of MEAG Power issued by a Bank, insurance company or other financial institution that has outstanding an unsecured, uninsured and unguaranteed debt issue rated in one of the top three Rating Categories by a Rating Agency.

From and after the date, if any, on which each CC Participant (other than any Prepaid CC Participant) is required to meet the Minimum CC Participant Credit Requirement, as described above, MEAG Power shall promptly advise the Trustee and each provider of a Credit Facility at any time when it

has actual knowledge that a CC Participant is not in compliance with the Minimum CC Participant Credit Requirement and, to the extent it is reasonably able to do so, shall cause such CC Participant to take such steps as are necessary to bring about compliance.

### **Investment of Certain Funds and Accounts**

Moneys held in the Funds and Accounts established pursuant to the CC Bond Resolution shall be invested and reinvested to the fullest extent practicable in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Funds and Accounts. The Trustee shall make all such investments of moneys held by it in accordance with instructions received from any authorized officer of MEAG Power.

Interest earned on any moneys or investments in any Fund or Account (net of (a) that which represents a return of accrued interest paid in connection with the purchase of any investment and (b) profit or loss realized from the liquidation of any investment) shall be paid into the Revenue and Operating Fund except that such net interest earned on any moneys or investments in (a) the Construction Fund shall be held in such Fund for the purposes thereof; (b) a separate subaccount in the Bond Retirement Account in the Debt Service Fund shall be held in such subaccount for the purposes thereof; (c) any sub-subaccount in any subaccount of the Debt Service Reserve Account in the Debt Service Fund shall be held in such sub-subaccount until the end of each calendar year at which time such net interest shall be retained therein to the extent necessary to satisfy the applicable Debt Service Reserve Requirement and the balance shall be applied in the same manner as other excess moneys in the Debt Service Reserve Account; (d) the Reserve and Contingency Fund shall be held in such Fund until the end of each calendar year at which time such net interest shall be retained therein to the extent necessary to satisfy the Reserve and Contingency Fund Requirement and the balance shall be applied in the same manner as other excess moneys in the Reserve and Contingency Fund; (e) each subaccount in the Segregated Revenue and Operating Fund shall be held in such subaccount for the purposes thereof; (f) the Segregated Construction Fund shall be held in such Fund for the purposes thereof; and (g) each subaccount in the Segregated Reserve and Contingency Fund shall be held in such subaccount until the end of each calendar year at which time such net interest shall be retained therein to the extent necessary to satisfy the portion of the Segregated Reserve and Contingency Fund Requirement allocable to the CC Participant for whom such subaccount was established and the balance shall be transferred to the subaccount established for such CC Participant in the Revenue and Operating Fund and applied as set forth in the CC Resolution.

### **Encumbrances; Disposition of Properties**

MEAG Power covenants in the CC Bond Resolution that it will not issue bonds or other evidences of indebtedness of similar nature, other than the CC Bonds, payable out of or secured by a pledge of the Trust Estate or any subaccount in the Debt Service Reserve Account in the Debt Service Fund and will not create any lien or charge thereon; *provided, however*, that nothing contained in the CC Bond Resolution shall prevent MEAG Power from issuing, if and to the extent permitted by the Act, (1) bond anticipation notes, (2) evidences of indebtedness (a) payable out of monies in the Construction Fund as part of the Cost of Acquisition and Construction of the CC Project and/or the Embedded Simple Cycle Costs or (b) payable out of, or secured by a pledge of, Revenues to be received after the discharge of the pledge of Revenues provided in the CC Bond Resolution shall be discharged and satisfied or (3) Parity Obligations.

MEAG Power has covenanted that no part of the CC Project shall be sold, leased, mortgaged or otherwise disposed of, except as follows:

- (A) MEAG Power may sell or exchange at any time and from time to time any property or facilities constituting part of the CC Project if it shall determine that such sale or

exchange of such property or facilities (i) will not impair the ability of MEAG Power to comply during the current or any future year with the rate covenant described under “Rate Covenant” below and (b) is in the best interests of MEAG Power and the CC Participants; and

(B) MEAG Power may lease or make contracts or grant licenses for the operation of, or make arrangements for the use of, or grant easements or other rights with respect to, any part of the CC Project; *provided, however*, that any such lease, contract, license, arrangement, easement or right (a) does not impede the operation by MEAG Power or its agent of the CC Project and (b) does not in any manner impair or adversely affect the rights or security of the Bondholders under the CC Bond Resolution.

Any payments received by MEAG Power under or in connection with any such sale, exchange, lease, contract, license, arrangement, easement or right in respect of the CC Project or any part thereof may be applied for any lawful purpose of MEAG Power relating to the CC Project including, but not limited to, the acquisition or construction of other property necessary or desirable for the operation of the CC Project or the retirement of CC Bonds.

### **Rate Covenant**

MEAG Power covenants in the CC Bond Resolution that it will at all times charge and collect rates, fees and other charges for the sale of the output, capacity, use or service of the CC Project so that Revenues, together with other available funds, are at least sufficient to provide funds in each calendar year for the payment of the sum of (1) Operating Expenses during such calendar year, (2) Aggregate Debt Service for such calendar year, (3) any amount to be paid into the Debt Service Reserve Account for such calendar year, (4) the amount to be paid into the Reserve and Contingency Fund for such calendar year, and (5) all other charges or liens payable out of Revenues during such calendar year.

### **Covenants with Respect to CC Contracts**

MEAG Power covenants in the CC Bond Resolution, subject to the provisions in the CC Bond Resolution relating to Segregated Funds, that it will collect and deposit in the Revenue and Operating Fund amounts received under the CC Contracts and attributable to the Combined Cycle Project, to Combined Cycle Project Annual Costs (as defined in the CC Contracts) or to Embedded Simple Cycle Costs or payable to it pursuant to any other contract for the sale of power, energy, or other services from any part of the CC Project. In addition, MEAG Power will enforce the CC Contracts, will duly perform its covenants and agreements thereunder, and will not consent to any amendment to or otherwise take any action in connection with any CC Contract which would impair or adversely affect the rights of MEAG Power thereunder or the rights or security of Bondholders (determined without regard to any Credit Facility provided with respect to any CC Bonds) or would reduce payments required thereunder.

### **Combined Cycle Project Annual Budget**

MEAG Power covenants in the CC Bond Resolution that it will file with the Trustee a Combined Cycle Project Annual Budget for the Combined Cycle Project each calendar year. The Combined Cycle Project Annual Budget includes estimated Revenues and Operating Expenses and appropriations for the estimated Operating Expenses for such year and the estimated amount to be deposited during such year in the Reserve and Contingency Fund. MEAG Power may at any time adopt an amended Annual Budget for the remainder of the then current calendar year which will be filed promptly with the Trustee. In the event that Segregated Funds have been established, the Combined Cycle Project Budget shall set forth information for such Funds similar to that described in this paragraph.

## **Insurance**

MEAG Power covenants in the CC Bond Resolution that it will keep the properties of the CC Project which are of an insurable nature and of the character usually insured by those operating properties similar to the CC Project insured against loss or damage by fire and from other causes customarily insured against and in such amounts as are usually obtained. MEAG Power also covenants in the CC Bond Resolution that it will maintain adequate insurance or reserves against loss or damage from such hazards and risks to the person and property of others as are usually insured or reserved against by those operating properties similar to the CC Project. Insurance against business interruption loss is maintained whenever, in the judgment of MEAG Power, such insurance is obtainable at commercially reasonable rates.

## **Accounts and Reports**

MEAG Power covenants in the CC Bond Resolution that it will keep proper and separate books of record and account relating to the CC Project and the funds and accounts established by the CC Bond Resolution and relating to costs and charges under the CC Contracts. Such books, together with all other books and papers of MEAG Power relating to the CC Project, are at all times subject to the inspection of the Trustee and the Holders of not less than five percent in principal amount of CC Bonds then outstanding.

MEAG Power covenants in the CC Bond Resolution that it will file annually with the Trustee an annual report, accompanied by an accountant's certificate (Report of Independent Auditors), of the financial position of the CC Project at the end of the year, statements of Revenues and Operating Expenses, a statement of receipts and disbursements with respect to funds and accounts established by the CC Bond Resolution, and a statement as to the existence of any default under the provisions of the CC Bond Resolution.

The reports, statements and other documents required to be furnished to the Trustee pursuant to provisions of the CC Bond Resolution are available for inspection of Bondholders at the office of the Trustee and will be mailed to each Bondholder who files a written request therefor with MEAG Power.

## **Amendments and Supplemental Resolutions**

Any of the provisions of the CC Bond Resolution may be amended or modified by MEAG Power by a Supplemental Resolution, upon the consent of the holders of at least a majority in principal amount in each case of (1) all CC Bonds then outstanding that are affected by such modification or amendment, and (2) if the amendment changes the terms of any Sinking Fund Installment, the CC Bonds of the Series and maturity for which such Sinking Fund Installment was established; excluding, in each case, from such consent, and from the outstanding CC Bonds, the CC Bonds of any specified Series and maturity if such amendment by its terms will not take effect so long as any such CC Bonds remain outstanding. Any such amendment may not permit a change in the terms of redemption or maturity or any installment of interest or make any reduction in principal, redemption price or interest without the consent of each affected holder, or reduce the percentages of consents required for a further amendment.

MEAG Power may adopt (without the consent of any holders of the CC Bonds) Supplemental Resolutions to cure any ambiguity or to correct any defect in the CC Bond Resolution; to close the CC Bond Resolution against, or impose limitations upon, issuance of CC Bonds or other evidences of indebtedness; to authorize Bonds; to authorize Subordinated CC Bonds, Parity Obligations or Subordinated Obligations; to add to the restrictions contained in the CC Bond Resolution; to add to the covenants of MEAG Power contained in the CC Bond Resolution; or to confirm any pledge under the CC Bond Resolution of Revenues or other monies.

In addition, the CC Bond Resolution provides that, upon the consent of the Trustee, the CC Bond Resolution may be amended (i) to insert such provisions clarifying matters or questions arising under the CC Bond Resolution as are necessary or desirable and will not have a material adverse effect on the interests of the Bondholders; or (ii) to make any other modification or amendment of the CC Bond Resolution which the Trustee shall in its sole discretion determine will not have a material adverse effect on the interests of the Bondholders. The Supplemental CC Bond Resolution No. 2 provides that no such amendment will become effective unless the Bond Insurer also consents thereto.

### **Trustee and Paying Agents**

The CC Bond Resolution requires the appointment by MEAG Power of one or more Paying Agents (who may be the Trustee) for the CC Bonds of each Series. The Trustee may at any time resign on 60 days' notice and may at any time be removed by the holders of a majority in principal amount of the CC Bonds then Outstanding. A successor Trustee may be appointed by the holders of a majority in principal amount of CC Bonds then outstanding, and failing such an appointment MEAG Power may appoint a successor to hold office until the Bondholders act. Any successor Trustee must be a Bank with its principal office in New York or Georgia having capital stock and surplus aggregating at least \$100,000,000 if there be such an entity willing to accept appointment.

### **Defeasance**

The pledge of any Revenues and other monies and securities under the CC Bond Resolution and all covenants and other obligations of MEAG Power under the CC Bond Resolution will cease, terminate and be discharged and satisfied whenever all CC Bonds and coupons have been paid in full.

Bonds (or portions thereof) are deemed to have been paid and are not entitled to the lien, benefit or security of the CC Bond Resolution whenever the following conditions are met: (1) there have been deposited with the Trustee in trust either monies in an amount which will be sufficient, or Defeasance Securities, the principal of and the interest on which, when due, will provide monies which, together with other monies, if any, also deposited, will be sufficient to pay when due the principal or redemption prices, if applicable, and interest due or to become due on such CC Bonds, (2) in the case of any CC Bonds to be redeemed prior to maturity, MEAG Power has given to the Trustee instructions to give the notice of redemption therefor, and (3) in the event such CC Bonds are not to be redeemed or paid at maturity within the next succeeding 60 days, MEAG Power has given the Trustee instructions to give as soon as practicable, a notice to the holders of such CC Bonds that the above deposit has been made with the Trustee and that such CC Bonds are deemed to be paid and stating the maturity or redemption date upon which monies are to be available to pay the principal or redemption price, if applicable, of such CC Bonds.

### **Events of Default and Remedies**

Events of Default specified in the CC Bond Resolution include failure to pay principal or redemption price of any CC Bond when due; failure to pay any interest installment on any CC Bond or the unsatisfied balance of any Sinking Fund Installment thereon when due; failure to remedy a default for 60 days after written notice of a default in the observance or performance of any other covenants, agreements or conditions; and certain events of bankruptcy or insolvency. Upon the happening of any such Event of Default the Trustee or the holders of not less than 25 percent in principal amount of the CC Bonds then Outstanding may declare the principal of and accrued interest on such CC Bonds due and payable (subject to a rescission of such declaration upon the curing of such default before the CC Bonds have matured).

Upon the occurrence of any Event of Default which has not been remedied, MEAG Power will, if demanded by the Trustee, (1) account as a trustee of an express trust for all Revenues, monies, securities

and funds pledged under the CC Bond Resolution and (2) pay over or cause to be paid over to the Trustee all assets held by MEAG Power in any fund or account under the CC Bond Resolution and, as received, all Revenues. The Trustee will apply all monies, securities, funds and Revenues received during the continuance of an Event of Default in the following order: (1) to payment of the reasonable and proper charges, expenses and liabilities of the Fiduciaries, (2) to the payment of Operating Expenses, and (3) to the payment of interest and principal or the redemption price of CC Bonds without preference or priority of interest over principal or principal over interest, unless the principal of all CC Bonds has not been declared due and payable, in which case first to the payment of interest and second to the payment of principal on those CC Bonds which have become due and payable in order of their due dates. In addition, any holders of CC Bonds or the Trustee will have the right as provided in the Act to apply in an appropriate proceeding for appointment of a receiver of the CC Project.

If an Event of Default has occurred and has not been remedied the Trustee may, or on request of the holders of not less than 25 percent in principal amount of CC Bonds outstanding must, take such steps by a suit or suits in equity or at law, whether for the specific performance of any covenant in the CC Bond Resolution or in aid of the execution of any power granted in the CC Bond Resolution, or for an accounting against MEAG Power, or in the enforcement of any other legal or equitable right, as the Trustee deems most effectual to enforce any of its rights or to perform any of its duties under the CC Bond Resolution. The Trustee may, and upon the request of the holders of a majority in principal amount of the CC Bonds then outstanding and upon being furnished with reasonable security and indemnity must, institute and prosecute proper actions to prevent any impairment of the security under the CC Bond Resolution or to preserve or protect the interests of the Trustee and of the Bondholders.

No Bondholder has any right to institute any suit, action or proceeding for the enforcement of any provision of the CC Bond Resolution or the execution of any trust under the CC Bond Resolution or for any remedy under the CC Bond Resolution, unless (1) such Bondholder previously has given the Trustee written notice of the Event of Default, (2) the holders of at least 25 percent in principal amount of the CC Bonds then outstanding have filed a written request with the Trustee and have afforded the Trustee a reasonable opportunity to exercise its powers or institute such suit, action or proceeding, (3) there have been offered to the Trustee adequate security and indemnity against its costs, expenses and liability to be incurred and (4) the Trustee has refused to comply with such request within 60 days. There is nothing contained in the CC Bond Resolution or in the CC Bonds which affects or impairs MEAG Power's obligation to pay the CC Bonds and the interest thereon when due, or the right of any Bondholder to enforce such payment.

The holders of not less than a majority in principal amount of CC Bonds then outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred upon the Trustee (subject to the Trustee's right to decline to follow such direction upon advice of counsel as to the unlawfulness thereof or upon its good faith determination that such action would involve the Trustee in personal liability or would be unjustly prejudicial to Bondholders not parties to such direction).

## **Definitions**

*Accreted Value* shall mean, as of any date of computation with respect to any Capital Appreciation CC Bond, an amount equal to the principal amount of such Bond plus the interest accrued on such Bond from the date of original issuance of such Bond to the periodic date specified in the supplemental resolution authorizing such Capital Appreciation CC Bond on which interest on such Bond is to be compounded (hereinafter, a Periodic Compounding Date) next preceding the date of computation or the date of computation if a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Capital Appreciation CC Bonds set forth in the supplemental resolution authorizing such Bonds, compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Accreted Value as of

the immediately preceding Periodic Compounding Date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Accreted Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in the supplemental resolution authorizing such Capital Appreciation CC Bonds, Accreted Value accrues in equal daily amounts on the basis of a year consisting of twelve 30-day months.

*Accrued Aggregate Debt Service* means, as of any date of calculation, an amount equal to the sum of the amounts of accrued Debt Service with respect to all Series of CC Bonds and all Parity Reimbursement Obligations, calculating the accrued Debt Service with respect to each Series and each Parity Reimbursement Obligation at an amount equal to the sum of (i) interest on the CC Bonds of such Series or such Parity Reimbursement Obligation accrued and unpaid and to accrue to the end of the then current calendar month and (ii) Principal Installments of the CC Bonds of such Series or such Parity Reimbursement Obligation due and unpaid and that portion of the Principal Installment thereof next due which would have accrued (if deemed to accrue in the manner set forth in the definition of Debt Service) to the end of such calendar month.

*Capital Appreciation CC Bonds* shall mean any CC Bonds issued under the CC Resolution as to which interest is (i) compounded periodically on dates that are specified in the supplemental resolution authorizing such Capital Appreciation CC Bonds and (ii) payable only at the maturity, earlier redemption or other payment thereof pursuant to the CC Resolution or the supplemental resolution authorizing such Capital Appreciation CC Bonds.

*CC Participant Credit Enhancement* shall mean, with respect to any CC Participant, any letter of credit, financial guaranty, surety bond, insurance policy or similar instrument delivered to MEAG Power by such Participant pursuant to the CC Bond Resolution in support of such CC Participant's payment obligations under its CC Contract.

*Combined Cycle Debt Service Component* shall mean that portion of Combined Cycle Project Annual Costs (as defined in the CC Contracts) consisting of amounts required to be paid into any Fund established under the CC Bond Resolution for the purpose of providing funds for the payment of CC Bonds or Parity Obligations.

*Commercial Paper Note* shall mean any note that has a maturity date not more than 270 days after the date of issuance thereof and that is issued by MEAG Power pursuant to a Supplemental Resolution that designates such note as a Commercial Paper Note.

*Commercial Paper Payment Plan* shall mean, with respect to any Commercial Paper Notes issued under a Supplemental Resolution and as of any time, the then current Commercial Paper Payment Plan for such notes contained in a certificate of an authorized officer of MEAG Power setting forth the sources of funds expected to be utilized by MEAG Power to pay the principal of and interest on such Commercial Paper Notes.

*Credit Facility* shall mean, with respect to any CC Bonds, any letter of credit, policy of bond insurance, surety bond, guarantee or similar instrument issued by a Credit Provider pursuant to which such Credit Provider becomes unconditionally obligated to pay when due, to the extent not paid by MEAG Power or otherwise, the principal of and interest on such CC Bonds.

*Credit Provider* shall mean any Bank, insurance company or other institution that has issued or provided a Credit Facility.

*Debt Service* means for any period, as of any date of calculation, the sum of (i) with respect to the CC Bonds of any Series, an amount equal to the sum of (a) interest accruing during such period on CC

Bonds of such Series, except to the extent that such interest is to be paid from deposits in the Debt Service Account in the Debt Service Fund made from proceeds of CC Bonds or other evidences of indebtedness of MEAG Power (including amounts transferred thereto from the Construction Fund) and (b) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series (or, if (x) there shall be no such preceding Principal Installment due date or (y) such preceding Principal Installment due date is more than one year prior to the due date of such Principal Installment, then from a date one year preceding the due date of such Principal Installment or from the date of issuance of the CC Bonds of such Series, whichever date is later), (ii) with respect to each Reimbursement Obligation, an amount equal to the sum of (a) interest accruing during such period on such Reimbursement Obligation and (b) that portion of each Principal Installment for such Reimbursement Obligation which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Reimbursement Obligation (or, if (x) there shall be no such preceding Principal Installment due date or (y) such preceding Principal Installment due date is more than one year prior to the due date of such Principal Installment, then from a date one year preceding the due date of such Principal Installment or from the date of incurrence of such Reimbursement Obligation, whichever date is later) and (iii) with respect to each Parity Obligation (other than any Reimbursement Obligation), an amount equal to the sum of all amounts owed thereunder by MEAG Power during such period.

*Debt Service Reserve Requirement* shall mean, with respect to the sub-subaccount established for each CC Participant, other than a Prepaid CC Participant, in the separate subaccount, if any, established for a Series of CC Bonds in the Debt Service Reserve Account in the Debt Service Fund, the amount specified in the Supplemental Resolution establishing such sub-subaccount as being required to be maintained on deposit therein.

*Defeasance Security* shall mean:

(a) any bond or other obligation which as to principal and interest constitutes a direct obligation of, or is unconditionally guaranteed by, the United States of America,

(b) any obligation of any state or political subdivision of a state or of any agency or instrumentality of any state or political subdivision (a "Municipal Bond") which Municipal Bond is fully secured as to principal and interest by an irrevocable pledge of moneys or direct and general obligations of, or obligations guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the holder of the Municipal Bond, and which Municipal Bond is rated in the highest Rating Category by at least two Rating Agencies, *provided, however*, that such Municipal Bond shall have been the subject of a report of a nationally recognized independent certified accountant or other nationally recognized verification agent verifying that the moneys and obligations so segregated are sufficient to pay the principal of and premium, if any, and interest on the Municipal Bond,

(c) any certificate of deposit, whether negotiable or nonnegotiable, fully secured as to principal and interest by bonds or other obligations of the character described in (a) above,

(d) any certificate that evidences ownership of the right to payments of principal and/or interest on obligations described in either of clause (a) or (b) above of this definition, *provided, however*, that such obligations shall be held in trust by a Bank authorized to exercise corporate trust powers and subject to supervision or examination by federal, state, territorial or District of Columbia authority and having a combined capital, surplus and undivided profits of not less than \$50,000,000 and

(e) any other security designated in a Supplemental Resolution as a Defeasance Security for purposes of defeasing the CC Bonds authorized by such Supplemental Resolution.

*Embedded Simple Cycle Costs* shall have the meaning assigned to such term in the CC Contracts.

*Embedded Simple Cycle Debt Service Component* shall mean that portion of Embedded Simple Cycle Debt Related Costs (as defined in the CC Contracts) consisting of amounts required to be paid into any Fund established under the CC Bond Resolution for the purpose of providing funds for the payment of CC Bonds or Parity Obligations.

*Hedging Contract Obligation* shall mean MEAG Power's obligation to pay any amount under any Qualified Hedging Contract that may be secured by a pledge of, and a lien on, amounts accumulated in the Debt Service Account in the Debt Service Fund with respect thereto.

*Investment Securities* shall mean and include any securities, obligations or investments that, at the time, are legal for investment of MEAG Power's funds.

*Liquidity Facility* means, with respect to any CC Bonds, any letter of credit, standby bond purchase agreement, line of credit or similar instrument issued by a Liquidity Provider pursuant to which such Liquidity Provider becomes obligated to fund when due, to the extent not paid by MEAG Power or otherwise, the purchase price of such CC Bonds due upon tender thereof or, in the case of Commercial Paper Notes, the principal of and interest thereon when due.

*Liquidity Provider* shall mean any Bank, insurance company or other institution that has issued or provided a Liquidity Facility.

*Non-Financing Portion of the Cost of Acquisition and Construction* shall mean the Cost of Acquisition and Construction of the CC Project excluding interest on CC Bonds issued or to be issued to finance such Cost of Acquisition and Construction, amounts required to be deposited in any subaccount in the Debt Service Reserve Account in the Debt Service Fund and all other financing costs to be financed by the issuance of CC Bonds, Parity Obligations, Subordinated CC Bonds or Subordinated Obligations.

*Parity Obligation* means any Commercial Paper Notes, Reimbursement Obligation or Hedging Contract Obligation. Any Parity Obligation shall specify, to the extent applicable, the interest and principal components of, or the scheduled payments corresponding to interest under, such Parity Obligation.

*Prepaid CC Participant* shall mean a CC Participant to which, as a result of its making one or more Capital Contributions or Defeasance Payments, or both, none of the principal of or interest on CC Bonds or Parity Obligations is allocable.

*Qualified Hedging Contract* shall mean, to the extent from time to time permitted by law, any financial arrangement (i) which is entered into by MEAG Power with an entity that is a Qualified Hedging Contract Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; an interest rate swap, including a forward rate or future rate swap; asset, index, price or market linked transaction or agreement; other exchange or rate protection transaction agreement; agreement for the future delivery or price management of Fuel or other commodities; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, executed by MEAG Power for the purpose of moderating interest rate or commodity price fluctuations or otherwise, and (iii) which has been designated in writing to the Trustee by an authorized officer of MEAG Power as a Qualified Hedging Contract (which writing shall specify, in the case of a Qualified Hedging Contract that is entered into in connection with any CC Bonds, the CC Bonds with respect to which such Qualified Hedging Contract is entered into).

*Qualified Hedging Contract Provider* shall mean an entity whose senior unsecured long-term debt obligations, financial program rating, counterparty rating or claims paying ability is rated, or whose payment obligations under a financial arrangement of the type referred in clause (ii) of the definition of Qualified Hedging Contract are guaranteed or insured by an entity whose senior unsecured long-term obligations, financial program rating, counterparty rating or claims paying ability is rated, on the date a Qualified Hedging Contract is entered into, either (i) at least as high as the third highest Rating Category of each Rating Agency then maintaining a rating for the Qualified Hedging Contract Provider, but in no event lower than any Rating Category designated by each such Rating Agency for the CC Bonds, or (ii) at any such lower Rating Categories which each such Rating Agency indicates in writing to MEAG Power and the Trustee will not, by itself, result in a reduction or withdrawal of its rating on the Outstanding CC Bonds that is in effect prior to entering into such Qualified Hedging Contract and which is an authorized counterparty pursuant to MEAG Power's investment policy as from time to time approved by the MEAG Power Board.

*Reimbursement Obligation* shall mean an agreement by MEAG Power with the issuer of a Credit Facility or Liquidity Facility to reimburse directly such issuer for amounts paid under the terms of such Credit Facility or Liquidity Facility (together with interest thereon).

*Reserve and Contingency Fund Requirement* shall mean, as of any date, (a) until such time, if any, as any CC Participant makes a Capital Contribution or Defeasance Payment, an amount equal to \$6,000,000 or such larger amount as may be established by the MEAG Power Board and certified to the Trustee by an authorized officer of MEAG Power (such amount being referred to herein as the Applicable Amount) and (b) from and after such time, if any, as any CC Participant makes a Capital Contribution or Defeasance Payment, the product of (i) the Applicable Amount and (ii) a fraction (X) the numerator of which is the sum of all Capital Contributions made by all CC Participants plus the principal amount of all Bonds defeased with Defeasance Payments made by all CC Participants and (Y) the denominator of which is the sum of all Capital Contributions made by all CC Participants plus the principal amount of Bonds issued to finance Costs of Acquisition and Construction or the Embedded Simple Cycle Costs allocable to all CC Participants.

*Revenues* means (i) all revenues, income, rents and receipts derived by MEAG Power from or attributable to the ownership and operation of the CC Project or from or attributable to the Embedded Simple Cycle Costs, including all revenues attributable to the CC Project or to the payment of the costs thereof and all revenues attributable to the Embedded Simple Cycle Costs received by MEAG Power under the CC Contracts or under any other contract for the sale of power, energy or other service from the CC Project or any part thereof or any contractual arrangement with respect to the use of the CC Project or any portion thereof or the services, output or capacity thereof, but shall not include any such revenues income, rents or receipts derived by MEAG Power from or attributable to the sale of any Pre-Commercial Generation, (ii) the proceeds of any insurance covering business interruption loss relating to the CC Project and (iii) interest accrued on any moneys or securities held pursuant to the CC Bond Resolution and paid or required to be paid into the Revenue and Operating Fund.

*Segregated Reserve and Contingency Fund Requirement* shall mean, as of any date on or after which any CC Participant makes a Capital Contribution or Defeasance Payment, the difference between (i) the Applicable Amount (as defined in the definition of Reserve and Contingency Fund Requirement) and (ii) the amount determined pursuant clause (b) of said definition of Reserve and Contingency Fund Requirement.

*Variable Rate CC Bonds* shall mean, as of any date of determination, any CC Bond on which the interest rate borne thereby may vary during any part of its remaining term.