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ATTACHMENT 1:

CREDIT SUPPORT ANNEX

This Credit Support Annex (the "Annex") supplements, forms part of, and is incorporated into the certain Contract dated _____ . Capitalized terms used in this Annex but not defined herein shall have the meanings given such terms in the Contract.

I. Definitions. As used in this Annex:

"Collateral Requirement" shall have the meaning attributed to it in Section II(c).

"Credit Rating" shall mean, with respect to a party or entity, on any date of determination, the respective rating then assigned to its unsecured and senior long-term debt or deposit obligations (not supported by third party credit enhancement) by S&P, Moody's or the specified rating agency or agencies.

"Credit Support Default" shall mean that an Event of Default will exist with respect to a party (such party shall be the "Defaulting Party") if:

(i) a party fails (or fails to cause its Custodian, as herein defined) to make, when due, any transfer of Eligible Collateral or the Interest Amount, as applicable, required to be made by it;

(ii) a party fails to comply with or perform any material agreement or obligation provided for in this Annex;
or

(iii) with respect to an outstanding Letter of Credit, the occurrence of any of the following events: (i) the issuer of such Letter of Credit shall fail to maintain a Credit Rating of at least "A-" by S&P or "A3" by Moody's; (ii) the issuer of the Letter of Credit shall fail to comply with or perform its obligations under such Letter of Credit if such failure shall be continuing after the lapse of any applicable grace period; (iii) the issuer of such Letter of Credit shall disaffirm, disclaim, repudiate or reject, in whole or in part, or challenge the validity of, such Letter of Credit; (iv) such Letter of Credit shall expire or terminate, or shall fail or cease to be in full force and effect at any time during the term of the Contract; or (v) any event analogous to an event specified in Section 10.2 of the Base Contract shall occur with respect to the issuer of such Letter of Credit; provided however, that no Letter of Credit Default shall occur in any event with respect to a Letter of Credit after the time such Letter of Credit is required to be canceled or returned to the Non-Exposed Party in accordance with the terms of this Annex.

"Credit Support Provider" shall mean (i) with respect to Company, _____, pursuant to a Guaranty provided by _____ in form and substance reasonably acceptable to Counterparty, and (ii) with respect to Counterparty, _____, pursuant to a Guaranty provided by _____ in form and substance reasonably acceptable to Company.

"Current Value" of an outstanding transaction, on any date, shall mean the amount as calculated by the Exposed Party in good faith and in a commercially reasonable manner as if the Exposed Party were calculating a net amount to be owed to it on an Early Termination Date, as provided for in Section 10.3 of the Base Contract.

"Eligible Collateral" -- the following items will qualify as "Eligible Collateral" for the party specified:

	Company	Counterparty	Valuation Percentage
Cash	[X]	[X]	100%
"Eligible Credit Support"			
Letters of Credit	[X]	[X]	100% unless either (i) a Credit Support Default shall apply with respect to such Letter of Credit, or (ii) twenty (20) or fewer Business Days remain prior to the expiration of such

Letter of Credit, in which case the Valuation Percentage shall be 0.

"Exposed Party" shall have the meaning attributed to it in Section II(a).

"Exposure" for each transaction shall mean (without duplication):

(aa) in respect of a transaction for which a payment pursuant to the Contract has been determined and is due and owing but not yet paid, the amount of such payment, with the party due and owed such amount having Exposure to the other party in such amount; and

(bb) the Current Value of a transaction, with the party that would be due and owed such amount from the other party having Exposure to the other party in such amount.

"Exposure Amount" shall have the meaning attributed to it in Section II(b).

"Exposure Threshold" shall mean, with respect to Company, ~~\$(TBD)~~, and with respect to Counterparty, ~~\$(TBD)~~; provided, however, that the Exposure Threshold for a party shall be zero upon the occurrence and during the continuance of an Event of Default or a Potential Event of Default with respect to that affected party.¹

"Federal Funds Overnight Rate" shall have the meaning attributed to it in Section VI(c).

"Interest Amount" shall have the meaning attributed to it in Section VI(c).

"Interest Period" shall have the meaning attributed to it in Section VI(c).

"Letter of Credit" shall mean an irrevocable, transferable, standby letter of credit, issued by a major U.S. commercial bank or a foreign bank with a U.S. branch office with a Credit Rating of at least "A-" by S&P and "A3" by Moody's, and in a form as may be acceptable to the party in whose favor the letter of credit is issued.

"Minimum Transfer Amount" means, with respect to Company, \$ _____, and with respect to Counterparty, \$ _____.²

"Moody's" shall mean Moody's Investors Services, Inc. or its successor.

"Net Exposure" shall have the meaning attributed to it in Section II(a).

"Non-Exposed Party" shall have the meaning attributed to it in Section II(a).

"Non-Requesting Party" shall mean the party to which a request is made to reduce the amount of Posted Collateral previously provided by the Requesting Party for the benefit of the Non-Requesting Party.

"Notification Time" shall mean 1:00 p.m. New York Time on any Business Day.³

"Posted Collateral" shall mean all Eligible Collateral, Eligible Credit Support, other property, and all proceeds thereof that have been Transferred to or received by the Exposed Party hereunder and not Transferred to the Non-Exposed Party pursuant to Section III or released by the Exposed Party. Any Interest Amount or portion thereof not Transferred pursuant to Section VI(C) and any Cash received and held by the Exposed Party after drawing on any Letter of Credit will constitute Posted Collateral in the form of Cash.

"Potential Event of Default" shall mean an event that would constitute an Event of Default with the lapse of time or giving of notice or both.

¹ - Calpine – Do we want to include a choice for using a matrix?

² - Calpine

³ - Calpine

1 "Requesting Party" shall mean the party requesting a reduction in the amount of Posted Collateral previously provided
2 by the Requesting Party for the benefit of the Non-Requesting Party.

3
4 "S&P" shall mean the Standard & Poor's Rating Group (a division of McGraw-Hill, Inc.) or its successor.

5
6 "Substitute Posted Collateral" shall have the meaning attributed to it in Section IX(b).

7
8 "Transfer" shall mean, with respect to any Posted Collateral or Interest Amount, and in accordance with the
9 instructions of the Exposed Party, the Non-Exposed Party or the Requesting Party, as applicable:

10
11 (ii) in the case of Cash, payment or delivery by wire transfer into one or more bank accounts specified
12 by the recipient; and

13
14 (iii) in the case of Letters of Credit, delivery of the Letter of Credit or an amendment thereto to the
15 recipient.

16
17 "Value" shall mean (a) with respect to Cash, the face amount thereof; and (b) with respect to Letters of Credit, the
18 Valuation Percentage multiplied by the stated amount then available under the Letter of Credit to be unconditionally drawn by
19 the Exposed Party.

20
21 III. Calculations.

22
23 (a) The "Exposed Party" is the party having the greater Exposure Amount at any time and shall be deemed to
24 have a "Net Exposure" to the other party (the "Non-Exposed Party") equal to the difference between its Exposure Amount and
25 the Non-Exposed Party's Exposure Amount.

26
27 (b) The "Exposure Amount" shall mean the aggregate Exposure(s) of each party under all outstanding
28 transactions.

29
30 (c) "Collateral Requirement" for a Non-Exposed Party shall mean the excess, if any, of (A) the Exposed Party's
31 Net Exposure, minus the sum of (B):

32
33 (i) the Non-Exposed Party's Exposure Threshold; plus

34
35 (ii) the amount of Cash previously Transferred by the Non-Exposed Party and currently held by the
36 Exposed Party, the amount of Cash held by the Exposed Party as a result of drawing under any Letter of Credit,
37 and any Interest Amount that has not yet been Transferred to the Non-Exposed Party; plus

38
39 (iii) the Value of each Letter of Credit maintained by the Non-Exposed Party for the benefit of the
40 Exposed Party.

41
42 III. Posted Collateral.

43
44 (a) If, on any Business Day, a Non-Exposed Party's Collateral Requirement shall equal or exceed its Minimum
45 Transfer Amount One Dollar (\$1.00)⁴ and provided that (i) no Event of Default or Potential Event of Default with respect to the
46 Exposed Party shall have occurred and be continuing and (ii) no Early Termination Date has occurred or been designated as a
47 result of an Event of Default with respect to the Exposed Party for which any unsatisfied payment obligations of the Exposed
48 Party exist, then the Exposed Party may demand that the Non-Exposed Party Transfer Posted Collateral for the benefit of the
49 Exposed Party in an amount equal to or greater than the Non-Exposed Party's Collateral Requirement; provided, however, that
50 the amount of Posted Collateral provided by the Non-Exposed Party shall be rounded up to the nearest integral multiple of
51 \$100,000.

52
53 (b) On any Business Day (but no more frequently than weekly with respect to Letters of Credit and daily with
54 respect to Cash), a Requesting Party may request a reduction in the amount of Posted Collateral previously provided by the
55 Requesting Party for the benefit of the Non-Requesting Party, provided that, after the requested reduction in Posted Collateral,
56 (i) the Requesting Party shall then have a Collateral Requirement of zero; (ii) no Event of Default or Potential Event of Default

⁴ - Calpine

1 with respect to the Requesting Party shall have occurred and be continuing; and (iii) no Early Termination Date for which any
2 unsatisfied payment obligations of the Requesting Party exist has occurred or been designated as a result of an Event of Default
3 with respect to the Requesting Party. A permitted reduction in Posted Collateral may be effected by the Transfer of Cash to the
4 Requesting Party or the reduction of the amount of an outstanding Letter of Credit previously issued for the benefit of the Non-
5 Requesting Party. The Requesting Party shall have the right to specify the means of effecting the reduction in Posted
6 Collateral. In all cases, the cost and expense of reducing Posted Collateral (including but not limited to the reasonable costs,
7 expenses, and attorneys' fees of the Non-Requesting Party) shall be borne by the Requesting Party. The Non-Requesting Party
8 shall have ~~one~~ ⁽¹²⁾ ~~two~~ ⁵ Business Days to effect a permitted reduction in Posted Collateral if such reduction is to be effected by
9 the return of Cash to the Requesting Party. If a permitted reduction in Posted Collateral is to be effected by a reduction in the
10 amount of an outstanding Letter of Credit previously issued for the benefit of the Non-Requesting Party, the Non-Requesting
11 Party shall not unreasonably withhold its consent to a commensurate reduction in the amount of such Letter of Credit and shall
12 take such action as is reasonably necessary to effectuate such reduction.

13
14 (c) Notwithstanding anything else in this Contract, if an Event of Default or a Potential Event of Default shall
15 occur with respect to a party (the "Affected Party"), the Affected Party shall immediately return all Posted Collateral it is
16 holding on behalf of the other party to the other party.

17
18 ~~IVV.~~ Delivery. Unless otherwise agreed in writing by the Parties, Posted Collateral demanded of a Non-Exposed Party by
19 ~~the Notification Time~~ ^{10:00 a.m., New York time} ~~6~~, on a Business Day shall be provided by the close of business on the next
20 succeeding Business Day; provided, however, that Letters of Credit shall be Transferred by the close of business on the second
21 succeeding Business Day. Any Letter of Credit shall be delivered to such address as the Exposed Party shall specify. The
22 demand sent, pursuant to the preceding sentence, by the Exposed Party shall specify account information for the account to
23 which Posted Collateral in the form of Cash may be delivered. Following the failure of the Non-Exposed Party to provide,
24 increase, renew, substitute, or maintain (as the case may be) Posted Collateral as required herein, the Non-Exposed Party shall
25 be entitled to one (1) Business Day, after notice from the Exposed Party of such failure, to cure such failure.

26
27 V. Letters of Credit. Posted Collateral provided in the form of a Letter of Credit shall be subject to the following
28 provisions.

29
30 (a) Unless otherwise agreed in writing by the Parties, each Letter of Credit shall be provided in accordance with
31 Section IV, and each Letter of Credit shall be maintained for the benefit of the Exposed Party. The Non-Exposed Party shall (i)
32 renew or cause the renewal of each outstanding Letter of Credit on a timely basis as provided in the relevant Letter of Credit,
33 (ii) if the bank that issued an outstanding Letter of Credit has indicated its intent not to renew such Letter of Credit, provide
34 either a substitute Letter of Credit or other Eligible Collateral, in each case at least twenty (20) Business Days prior to the
35 expiration of the outstanding Letter of Credit, and (iii) if a bank issuing a Letter of Credit shall fail to honor the Exposed
36 Party's properly documented request to draw on an outstanding Letter of Credit, provide for the benefit of the Exposed Party
37 either a substitute Letter of Credit that is issued bank acceptable to the Exposed Party or other Eligible Collateral, in each case
38 within two (2) Business Days after such refusal, provided that, as a result of the Non-Exposed Party's failure to perform in
39 accordance with (i), (ii), or (iii) above, the Non-Exposed Party's Collateral Requirement would be greater than zero.

40
41 (b) As one method of providing Posted Collateral, the Non-Exposed Party may increase the amount of an
42 outstanding Letter of Credit or establish one or more additional Letters of Credit.

43
44 (c) ~~(i)~~ ⁽ⁱⁱ⁾ A Letter of Credit shall provide that the Exposed Party may draw upon the Letter of Credit in an amount
45 that is equal to all amounts that are due and owing from the Non-Exposed Party but have not been paid to the Exposed Party
46 within the time allowed for such payments under the Contract (including any related notice or grace period or both). A Letter
47 of Credit shall provide that a drawing may be made on the Letter of Credit upon submission to the bank issuing the Letter of
48 Credit of one or more certificates specifying the amounts due and owing to the Exposed Party in accordance with the specific
49 requirements of the Letter of Credit. ~~(ii)~~ ⁽ⁱⁱ⁾ Upon or at any time after the occurrence of an Event of Default with respect to the
50 Non-Exposed Party, the Exposed Party may draw on the entire, undrawn portion of any outstanding Letter of Credit upon
51 submission to the bank issuing such Letter of Credit of one or more certificates specifying that such Event of Default has
52 occurred in accordance with the specific requirements of the Letter of Credit. Cash proceeds received from drawing upon the
53 Letter of Credit shall be deemed Posted Collateral as security for the Non-Exposed Party's obligations to the Exposed Party
54 and the Exposed Party shall have the rights and remedies set forth in Section VIII with respect to such cash proceeds.
55 Notwithstanding the Exposed Party's receipt of Cash under the Letter of Credit, the Non-Exposed Party shall remain liable (y)

⁵ - Calpine

⁶ - Calpine

1 for any failure to Transfer sufficient Posted Collateral or (z) for any amounts owing to the Exposed Party and remaining unpaid
2 after the application of the amounts so drawn by the Exposed Party.

3
4 (d) Upon or at any time after the failure of the Non-Exposed Party to make all payments due and owing to the
5 Exposed Party in accordance with the terms of the Contract (including any related grace or notice period or both), the Exposed
6 Party may draw on any outstanding Letter of Credit in an amount equal to such amounts owing to it. The Non-Exposed Party
7 shall remain liable for any amounts owing to the Exposed Party and remaining unpaid after the application of the amounts so
8 drawn by the Exposed Party.

9
10 (e) A Non-Exposed Party may substitute a Letter of Credit for one or more other outstanding Letter(s) of Credit
11 issued for the benefit of the Exposed Party, provided that the Value of such substitute Letter of Credit shall be at least equal to
12 the Value of the Letter(s) of Credit being replaced (determined in good faith and in a commercially reasonable manner by the
13 Exposed Party), and provided further that no Letter of Credit shall be canceled unless and until the Letter of Credit to be
14 substituted therefor shall have been validly executed and issued for the benefit of the Exposed Party in accordance with
15 applicable law.

16
17 (f) Upon the occurrence of a Letter of Credit Default, the Non-Exposed Party agrees to deliver to the Exposed
18 Party either a substitute Letter of Credit or other Eligible Collateral, in each case on or before the second Business Day after
19 the occurrence thereof (or the fifth (5th) Business Day after the occurrence thereof if only clause (i) under the definition of
20 Letter of Credit Default applies).

21
22 (g) In all cases, the costs and expenses (including but not limited to the reasonable costs, expenses, and
23 attorneys' fees of the Exposed Party) of establishing, renewing, substituting, canceling, and increasing the amount of (as the
24 case may be) a Letter of Credit shall be borne by the Non-Exposed Party.

25
26 VI. Cash. Posted Collateral provided in the form of Cash shall be subject to the following provisions.

27
28 (a) Eligibility to Hold Cash.

29
30 (i) The Exposed Party will be entitled to hold Cash or to appoint an agent (a "Custodian") to hold Cash
31 for it provided that the following conditions are satisfied: (1) it is not a Defaulting Party, (2) its Credit Support
32 Provider has a Credit Rating from S&P and/or Moody's and the lowest Credit Rating for its Credit Support
33 Provider is BBB-⁷ or higher by S&P and/or Baa3⁸ or higher by Moody's; and (3)
34 Cash shall be held only in any jurisdiction within the United States.

35
36 (ii) Upon notice by the Exposed Party to the Non-Exposed Party of the appointment of a Custodian, the
37 Non-Exposed Party's obligations to make any Transfer will be discharged by making the Transfer to that
38 Custodian. The holding of Cash by a Custodian will be deemed to be the holding of Cash by the Exposed Party
39 for which the Custodian is acting. The Exposed Party will be liable for the acts or omissions of its Custodian to
40 the same extent that the Exposed Party would be liable hereunder for its own acts or omissions.

41
42 (b) Use of Cash. Notwithstanding the provisions of applicable law, if the Exposed Party is not a Defaulting
43 Party, no Early Termination Date has occurred or been designated as a result of an Event of Default with respect to the
44 Exposed Party, then the Exposed Party shall have the right to sell, pledge, rehypothecate, assign, invest, use, commingle or
45 otherwise dispose of, or otherwise use in its business any Cash it holds, free from any claim or right of any nature whatsoever
46 of the Non-Exposed Party, including any equity or right of redemption by the Non-Exposed Party.

47
48 (c) Interest Payments on Cash. So long as no Event of Default or Potential Event of Default with respect to the
49 Non-Exposed Party has occurred and is continuing, and no Early Termination Date for which any unsatisfied payment
50 obligations of the Non-Exposed Party exist has occurred or been designated as the result of an Event of Default with respect to
51 the Non-Exposed Party and to the extent that an obligation to deliver Posted Collateral would not be created or increased by the
52 Transfer, the Exposed Party will Transfer to the Non-Exposed Party, in lieu of any interest or other amounts paid or deemed to
53 have been paid with respect to the Cash (all of which may be retained by the Exposed Party), the Interest Amount (as defined
54 below) on the last Business Day of each calendar month. On or after the occurrence of an Event of Default with respect to the
55 Non-Exposed Party or an Early Termination Date as a result of an Event of Default with respect to the Non-Exposed Party, the

⁷ - Calpine deletion.

⁸ - Calpine deletion.

1 Exposed Party shall retain any such Interest Amount as additional Eligible Collateral hereunder until the obligations of the
2 Non-Exposed Party under the Contract have been satisfied.

3
4 The term "Interest Amount" shall mean with respect to an "Interest Period" (as defined herein), the aggregate sum of
5 the amounts of interest calculated for each day in that Interest Period on the principal amount of Cash held by the Exposed
6 Party on that day, determined by the Exposed Party for each such day as follows: (x) the amount of Cash on that day;
7 multiplied by (y) the Interest Rate (as defined herein) for that day; divided by (z) 360. "Interest Period" means the period from
8 (and including) the last Business Day on which an Interest Amount was Transferred (or if no Interest Amount has yet been
9 Transferred, the Business Day on which Cash was Transferred to the Exposed Party) to (but excluding) the Business Day on
10 which the current Interest Amount is to be Transferred. "Interest Rate" shall be the Federal Funds Overnight Rate as from time
11 to time in effect. "Federal Funds Overnight Rate" means the rate for that day opposite the caption "Federal Funds (Effective)"
12 as set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Board of
13 Governors of the Federal Reserve System.

14
15 (d) Care of Cash. Without limiting the Exposed Party's rights under Paragraph VII(b), the Exposed Party will
16 exercise reasonable care to assure the safe custody of all Cash held by it as Posted Collateral to the extent required by
17 applicable law, and in any event the Exposed Party will be deemed to have exercised reasonable care if it exercises at least the
18 same degree of care as it would exercise with respect to its own property. Except as specified in the preceding sentence, the
19 Exposed Party will have no duty with respect to Cash, including, without limitation, any duty to enforce or preserve any rights
20 pertaining thereto.

21
22 VII. Representations. Each party continuously represents and warrants to the other party that: (a) it has the power and
23 authority under the law of the jurisdiction of its organization or incorporation and under its organizational and constituent
24 documents to grant to the Exposed Party a valid, enforceable, first-priority security interest in, and lien on, all Posted Collateral
25 (other than Letters of Credit) that it provides as the Non-Exposed Party and has taken all necessary actions to authorize the
26 granting of that security interest and lien; (b) as of each date on which it, as the Non-Exposed Party, delivers Posted Collateral
27 to the Exposed Party or to any agent of the Exposed Party for the benefit of the Exposed Party (or, in the case of after-acquired
28 Posted Collateral, at the time the Exposed Party or its agent acquires rights therein), it will have title to and will be the sole
29 owner of such Posted Collateral, free and clear of any security interest, lien, pledge, charge, encumbrance, or other interests or
30 restrictions other than the security interest granted to the Exposed Party hereby; (c) the Exposed Party will have a valid and
31 perfected first-priority security interest in, and lien on, all Posted Collateral (other than Letters of Credit) upon receipt thereof;
32 (d) the performance by it of its obligations under this Annex will not result in the creation of any security interest, lien or other
33 encumbrance on any Posted Collateral other than the security interest and lien granted pursuant to this Annex; and (a) on each
34 occasion that it, as the Non-Exposed Party, causes the issuance, renewal, substitution, or increase (as the case may be) of a
35 Letter of Credit, such Letter of Credit will be the legal, valid, and binding obligation of the issuer thereof, enforceable in
36 accordance with its terms.

37
38 VIII. Certain Rights and Remedies.

39
40 (a) Exposed Party's Rights and Remedies. If at any time (i) an Event of Default with respect to the Non-
41 Exposed Party has occurred and is continuing or (ii) an Early Termination Date has occurred or been designated as a result of
42 an Event of Default with respect to the Non-Exposed Party, then the Exposed Party may do any one or more of the following:
43 (x) exercise any of the rights and remedies of a secured party with respect to the Posted Collateral, including any such rights
44 and remedies under law then in effect; (y) exercise its rights of setoff against any and all property of the Non-Exposed Party in
45 the possession of the Exposed Party or its agent; and (z) draw on any outstanding Letter of Credit issued for its benefit. The
46 Exposed Party shall either (y) apply the proceeds of the Posted Collateral realized upon the exercise of any such rights or
47 remedies to reduce the Non-Exposed Party's obligations under the Contract or this Annex (the Non-Exposed Party remaining
48 liable for any amounts owing to the Exposed Party after such application), subject to the Exposed Party's obligation to return
49 any surplus proceeds remaining after such obligations are satisfied in full or (z) hold such proceeds as collateral security for the
50 Non-Exposed Party's obligations under the Contract or this Annex.

51
52 (b) Non-Exposed Party's Rights and Remedies. If at any time an Early Termination Date has occurred or been
53 designated as the result of an Event of Default with respect to the Exposed Party, then: (11) the Exposed Party will be
54 obligated immediately to Transfer all Posted Collateral (other than Letters of Credit) and the Interest Amount, if any, to the
55 Non-Exposed Party; and (22) the Non-Exposed Party may do any one or more of the following: (x) exercise any of the rights
56 and remedies of a pledgor with respect to the Posted Collateral (other than Letters of Credit), including any such rights and
57 remedies under law then in effect; (y) to the extent that the Posted Collateral (other than Letters of Credit) or the Interest
58 Amount is not Transferred to the Non-Exposed Party as required in (1) above, setoff amounts payable to the Exposed Party

1 against the Posted Collateral (other than Letters of Credit) held by the Exposed Party or to the extent its rights to setoff are not
2 exercised, withhold payment of any remaining amounts payable by the Non-Exposed Party, up to the value of any remaining
3 Posted Collateral (other than Letters of Credit) held by the Exposed Party, until the Posted Collateral (other than Letters of
4 Credit) is Transferred to the Non-Exposed Party; and (z) exercise rights and remedies available to the Non-Exposed Party
5 under the terms of any Letter of Credit.

6
7 IX. General.

8
9 (a) Security Interest. To secure its obligations under the Contract and all outstanding transactions, each party
10 hereby grants to the other party a present and continuing first-priority security interest in, and lien on (and right of setoff
11 against), all Posted Collateral (other than Letters of Credit) whether now or hereafter held by, on behalf of, or for the benefit of,
12 such other party, and each party agrees to take such action as the other party reasonably requires in order to perfect the other
13 party's first-priority continuing security interest in, and lien on (and right of setoff against), such Posted Collateral.

14
15 (b) Substitutions.

16
17 (ii) Upon notice to the Exposed Party specifying the items of Posted Collateral to be exchanged, the
18 Non-Exposed Party may, on any Business Day, Transfer to the Exposed Party substitute Posted Collateral (the
19 "Substitute Posted Collateral"); and

20
21 (iii) Provided that no Event of Default or Potential Event of Default has occurred and is continuing with
22 respect to the Non-Exposed Party and that no Early Termination Date has occurred or been designated as the
23 result of an Event of Default with respect to the Non-Exposed Party, the Exposed Party will Transfer to the Non -
24 Exposed Party the items of Posted Collateral specified by the Non-Exposed Party in its notice not later than one
25 ~~(1)two (2)~~⁹ Business Days following the date on which the Exposed Party receives the Substitute Posted
26 Collateral; provided that the Exposed Party will only be obligated to Transfer Posted Collateral with a Value as of
27 the date of Transfer of that Posted Collateral equal to the Value as of that date of the Substitute Posted Collateral.

28
29 (c) Expenses.

30
31 (i) Except as expressly set forth in this Contract, each party will pay its own costs and expenses in
32 connection with performing its obligations under this Annex and neither party will be liable for any costs or
33 expenses incurred by the other party in connection herewith.

34
35 (ii) The Non -Exposed Party will promptly pay when due all taxes, assessments or charges of any nature
36 that are imposed with respect to Posted Collateral held by the Exposed Party upon becoming aware of the same,
37 regardless of whether any portion of that Posted Collateral is subsequently disposed of under Section VII(b),
38 except for those taxes, assessments and charges that result from the exercise of the Exposed Party's rights under
39 Section VII(b).

40
41 (iii) All reasonable costs and expenses incurred by or on behalf of the Exposed Party or the Non-
42 Exposed Party in connection with the liquidation and/or application of any Posted Collateral under Section IX
43 will be payable, on demand and pursuant to the Contract, by the Defaulting Party or, if there is no Defaulting
44 Party, equally by the Parties.

45
46
47 Add new Sections to handle disputes regarding amount of Posted Collateral and/or value of Posted Collateral.¹⁰
48
49

50
COMPANY

BY: _____
NAME: _____
TITLE: _____

COUNTERPARTY

BY: _____
NAME: _____
TITLE: _____

⁹ - Calpine

¹⁰ - Calpine suggested addition.

