



## **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 PROJECT ONE RESOLUTION  
AND GENERAL RESOLUTION PROJECTS RESOLUTION**

The following is a general summary of certain provisions of the Project One Resolution and the General Resolution Projects Resolution pursuant to which Project One Senior Bonds and General Resolution Projects Senior Bonds, respectively, are issued. Summaries of certain definitions are also set forth at the end of this APPENDIX F. Other terms defined in these resolutions for which summary definitions are not set forth are indicated by capitalization.

**Application of Revenues**

Revenues under the Project One Resolution are pledged by the Project One Resolution to payment of principal of and interest and redemption premium on Project One Senior Bonds of all series, subject to the provisions of the Project One Resolution permitting application for other purposes. For the application of Revenues, the Project One Resolution establishes a Revenue and Operating Fund and a Reserve and Contingency Fund, held by MEAG Power, and a Debt Service Fund and a Subordinated Bond Fund, held by the Trustee.

Revenues under the General Resolution Projects Resolution are pledged by the General Resolution Projects Resolution to payment of principal of and interest and redemption premium on the General Resolution Projects Senior Bonds of all series, subject to the provisions of the General Resolution Projects Resolution permitting application for other purposes. For the application of Revenues, the General Resolution Projects Resolution establishes a Revenue and Operating Fund and a Reserve and Contingency Fund, held by MEAG Power, and a Debt Service Fund and a Subordinated Bond Fund, held by the Trustee.

With respect to the Project One Resolution, the Trustee and MEAG Power may deposit monies in such Funds in banks or trust companies (“Depositories”). All monies held under the Project One 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 the lodging with the Trustee or any Federal Reserve Bank, as collateral security, such securities as are described in clauses (1) through (4) of the definition of “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 Project One Senior 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. The foregoing is the same for monies held under the General Resolution Projects Resolution.

All Revenues received under the Project One Resolution are deposited promptly in the Project One Revenue and Operating Fund. Amounts in the Project One Revenue and Operating Fund are paid out from time to time for application therefrom as follows:

1. Amounts in the Revenue and Operating Fund shall be paid out from time to time for reasonable and necessary Operating Expenses.
2. No later than the last business day of each month, amounts shall be withdrawn from the Revenue and Operating Fund and deposited in the following Funds and Accounts in the following order in the amounts set forth below:

(1) In the Debt Service Fund (i) for credit to the Debt Service Account, the amount, if any, required so that the balance in said Account shall equal the Accrued Aggregate Debt Service; and (ii) for credit to the Debt Service Reserve Account, the amount, if any, required for such Account to equal the Debt Service Reserve Requirement including, without limitation, any amount required to reimburse the issuer of a Financial Guaranty in order to reinstate the maximum limits of such Financial Guaranty (see “Debt Service Reserve Accounts – Deposit of Financial Guaranty – *General*” for a discussion of the ability to deposit a Financial Guaranty in the Debt Service Reserve Account); *provided, however*, that so long as there shall be held in the Debt Service Fund an amount sufficient to pay in full all Outstanding Project One Senior Bonds 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;

(2) In the Subordinated Bond Fund, such amounts as shall be required to pay principal or sinking fund installments of and interest on each issue of Project One Subordinated Bonds and reserves therefor, as required by the supplemental resolution authorizing such issue of Project One Subordinated Bonds;

(3) In the Reserve and Contingency Fund for credit to (i) the Renewal and Replacement Account in said Fund the amount equal to (A) one-twelfth (or such greater fraction as may be appropriate if the period is less than twelve months) of the total amount provided in the then current Annual Budget to be deposited in said Account during the then current calendar year of (B) the amount equal to ten percent of the Debt Service with respect to all Series of Project One Senior Bonds accruing during such month, whichever is greater; (ii) the Decommissioning Account in said Fund the amount equal to one-twelfth (or such greater fraction as may be appropriate if the period is less than twelve months) of the total amount provided in the then current Annual Budget to be deposited in said Account during the then current calendar year; and (iii) the Reserve Account in said Fund the amount, if any, necessary to make up, within a period not exceeding 24 months, any deficiency in the requirement of said Account as shall be set forth in the then current Annual Budget; *provided, however*, that such requirement shall at least equal one-half of one percent of the Allocated Principal Amounts of each Series of Project One Senior Bonds theretofore issued which have been allocated to Project Components which shall have been placed in commercial operation and shall not have been retired from service prior to the first day of such month;

*provided, however*, no amount in the Revenue and Operating Fund shall be applied to any purpose other than payment of Operating Expenses unless after such application the amount remaining in the Revenue and Operating Fund is at least equal to the “Working Capital Requirement for Operating Expenses.” The term “Working Capital Requirement for Operating Expenses” is defined in the Project One Resolution to mean such dollar amount as MEAG Power shall establish from time to time, which at any time shall not be less than the amount of Operating Expenses that are budgeted to accrue over the next succeeding 45 days. (Funds for decommissioning are being held apart from the Decommissioning Account in a separate trust pursuant to federal requirements. See “MEAG POWER – Regulation” in the Annual Information Statement.)

Amounts in the Renewal and Replacement Account are applied to the costs of major renewals, replacements, repairs, additions, betterments and improvements with respect to Project One necessary, in the opinion of the Consulting Engineer, 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 Project One 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 Project One or any part thereof.

There is accumulated in the Decommissioning Account as provided by the Annual Budget a reserve for the retirement from service, decommissioning or disposal of the generation facilities of Project One. Amounts in such Account are applied as needed for such purposes.

Amounts in the Reserve Account are applied to the costs of major renewals, replacements, repairs, additions, betterments, and improvements with respect to Project One, to the extent amounts in the Renewal and Replacement Account are not sufficient therefor, and to the payment of extraordinary operation and maintenance costs, and contingencies.

If at any time the amounts in the Debt Service Account or in the Debt Service Reserve Account are less than the amounts required by the Project One Resolution, then MEAG Power, upon requisition by the Trustee, will transfer from the Reserve and Contingency Fund to the Trustee the amount necessary to make up such deficiency.

Amounts in the Reserve and Contingency Fund not required for any of the above purposes will be transferred to the Revenue and Operating Fund.

Subject to the provisions of subsections 1 and 2 above, amounts in the Revenue and Operating Fund may be applied as set forth in the following paragraph, *provided, however*, no such amount shall be so applied unless after such application the amount remaining in the Revenue and Operating Fund is at least equal to the "Working Capital Requirement for Fund Deposits." The term "Working Capital Requirement for Fund Deposits" is defined in the Project One Resolution to mean such dollar amount as MEAG Power shall establish from time to time, which at any time shall not be less than the sum of (i) the Working Capital Requirement for Operating Expenses and (ii) the amount, as estimated by MEAG Power, required to be deposited during the next 30 days into the Debt Service Fund, the Subordinated Bond Fund and the Reserve and Contingency Fund. Application of amounts in the Revenue and Operating Fund shall include, without limitation, payment to an issuer of a Financial Guaranty of interest on amounts advanced under such Financial Guaranty.

Amounts in the Revenue and Operating Fund not required for the purposes set forth above shall 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 Project One Senior Bonds, and expenses in connection with the purchase or redemption of any Project One Senior Bonds or any reserves which MEAG Power determines shall be required for such purposes; (b) payments of principal or redemption price of and interest on any Project One Subordinated Bonds or any reserves which MEAG Power determines shall be required for such purposes; (c) payments into any separate account or accounts established in the Construction Fund for application to the purposes of such account; (d) improvements, extensions, betterments, renewals and replacements of any properties of Project One; (e) to reduce the cost of Project One power and energy to political subdivisions of the State of Georgia under the Project One Power Sales Contracts; and (f) any other lawful purposes of MEAG Power related to Project One; *provided, however*, any proceeds from the sale or exchange of any part of Project One deposited in the Revenue and Operating Fund pursuant to the second paragraph set forth under "Encumbrances; Disposition of Properties" herein, and any proceeds of any insurance paid on account of the damage or destruction of any useful portion of the Project deposited in the Revenue and Operating Fund pursuant to the provisions of the Project One Resolution shall be used only for the purposes specified in clauses (a) to (d) above; and *provided, further*, that, subject to the provisions of the Project One Resolution, amounts deposited in the Revenue and Operating Fund and required by the Project One Resolution to be applied to the purchase or redemption of Project One Senior Bonds shall be applied to such purpose.

The Project One Resolution provides that upon any purchase or redemption with amounts in the Revenue and Operating Fund of Project One Senior Bonds of any Series and maturity for which Sinking Fund Installments shall have been established, there shall be credited toward each such Sinking Fund Installment thereafter to become due (other than the next due) an amount bearing the same ratio to such Sinking Fund Installment as the total principal amount of such Project One Senior Bonds so purchased or redeemed bears to the total amount of all such Sinking Fund Installments to be credited. 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.

MEAG Power may issue Project One Subordinated Bonds for the purposes set forth in the second preceding paragraph. Project One Subordinated Bonds will be payable out of, and may be secured by a pledge of, such amounts in the Subordinated Bond Fund as may from time to time be available therefor. Such pledge, however, will be subordinate in all respects to the pledge by the Project One Resolution as security for the Project One Senior Bonds.

All Revenues received under the General Resolution Projects Resolution are deposited promptly in the General Resolution Projects Resolution Revenue and Operating Fund. Amounts in the General Resolution Projects Resolution Revenue and Operating Fund are paid monthly to the Funds held under the General Resolution Projects Resolution and applied generally for the same purposes and requirements of the Existing General Resolution Projects as that described above for Project One under the Project One Resolution, except as follows:

Revenues are applied to the General Resolution Projects Resolution Reserve and Contingency Fund, for credit to the sub-account established for each General Resolution Project in the Renewal and Replacement Account and the Reserve Account and for Project Four in the Decommissioning Account, the Reserve and Contingency Fund Requirement applicable to such sub-account for the applicable Project. For the sub-accounts established for Projects Two, Three and Four in the Renewal and Replacement Account, such Reserve and Contingency Fund Requirement is equal to (A) one-twelfth (or such greater fraction as may be appropriate if the period is less than twelve months) of the total amount provided in the then current Annual General Budget for the applicable Project to be deposited in said sub-account in said Account during the then current Power Supply Year or (B) the amount equal to ten percent of the Debt Service with respect to all series of General Resolution Projects Senior Bonds issued to finance the Cost of Acquisition and Construction of the applicable Project and accruing during such month, whichever is the greater. For the sub-accounts established for Projects Two, Three and Four in the Reserve Account, the Reserve and Contingency Fund Requirement is the amount, if any, necessary to make up, within a period of not exceeding 24 months, any deficiency in the requirements of said sub-account in said Account as shall be set forth in the then current Annual General Budget for the applicable Project; *provided, however*, that, for each Project, such requirement shall be at least equal one-half of one percent of the Allocated Principal Amounts of each series of General Resolution Projects Senior Bonds theretofore issued which have been allocated to Project Components for such Project (except for working capital) which shall have been placed in commercial operation and shall not have been retired from service prior to the first day of such month. For the Decommissioning Account for Project Four, such Reserve and Contingency Fund Requirement is equal to one-twelfth of the total amount provided in the then current Annual General Budget to be deposited in said Account during the then current calendar year. (Funds for decommissioning are being held apart from the Decommissioning Account in a separate trust pursuant to federal requirements. See "MEAG POWER – Regulation" in the Annual Information Statement.)

Amounts in the sub-accounts established for Projects Two, Three and Four in the Renewal and Replacement Account will be applied to the costs of major renewals, replacements, repairs, additions, betterments and improvements with respect to the applicable Project necessary, in the opinion of the Consulting Engineer, 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 such Project or any part thereof or for which MEAG Power will be responsible by virtue of any obligation of MEAG Power arising out of any contract to which MEAG Power may be a party relating to ownership of such Project or any part thereof.

Amounts in the sub-accounts established for Projects Two, Three and Four in the Reserve Account will be applied to the costs of major renewals, replacements, repairs, additions, betterments and improvements with respect to the applicable Project, to the extent amounts in the applicable sub-account in the Renewal and Replacement Account are not sufficient therefor, and to the payment of extraordinary operation and maintenance costs, and contingencies.

Amounts accumulated in the sub-account established for Project Four in the Decommissioning Account as a reserve for the retirement from service, decommissioning or disposal of the generation facilities of Project Four are applied as needed for such purposes.

The General Resolution Projects Resolution provides that amounts in the sub-accounts established for any Additional General Resolution Project in the Renewal and Replacement Account, the Decommissioning Account and the Reserve Account are to be applied in accordance with the Supplemental Resolution authorizing the acquisition and construction of such Additional General Resolution Project.

Amounts in the Revenue and Operating Fund not required for any of the above purposes will 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 General Resolution Projects Senior Bonds, and expenses in connection therewith; (b) payment of principal or redemption price of and interest on any General Resolution Projects Subordinated Bonds or any reserves which MEAG Power determines shall be required for such purposes, (c) payments into any separate account or accounts established in any Project Account in the Construction Fund; (d) improvements, extensions, betterments, renewals and replacements of any properties of any General Resolution Project; (e) to reduce the cost to the Participants of power and energy from any General Resolution Project; and (f) any other lawful purposes of MEAG Power related to any General Resolution Project; *provided, however*, any proceeds from the sale or exchange of any part of any General Resolution Project deposited in the Revenue and Operating Fund pursuant to the second paragraph set forth under “Encumbrances; Disposition of Properties” herein, and any proceeds of any insurance paid on account of the damage or destruction of any useful portion of the Project deposited in the Revenue and Operating Fund pursuant to the provisions of the General Resolution Projects Resolution shall be used only for the purposes specified in clauses (a) to (d) above; and *provided, further*, that, subject to the provisions of General Resolution Projects Resolution, amounts deposited in the Revenue and Operating Fund and required by the General Resolution Projects Resolution to be applied to the purchase or redemption of General Resolution Projects Senior Bonds shall be applied to such purpose.

MEAG Power may issue General Resolution Projects Subordinated Bonds for the purposes set forth in the preceding paragraph. General Resolution Projects Subordinated Bonds will be payable out of, and may be secured by a pledge of, such amounts in the Subordinated Bond Fund as may from time to time be available therefor. Such pledge, however, will be subordinate in all respects to the pledge by the General Resolution Projects Resolution as security for the General Resolution Projects Senior Bonds.

## **Debt Service Reserve Accounts – Deposit of Financial Guaranty**

### ***General***

Both the Project One Resolution and the General Resolution Projects Resolution provide that in lieu of depositing monies in the Debt Service Reserve Account, or in substitution for monies previously deposited in the Debt Service Reserve Account, MEAG Power may provide the Trustee with a Financial Guaranty for deposit into the Debt Service Reserve Account. Any such Financial Guaranty shall, together with the monies and Investment Securities, if any, held in the Debt Service Reserve Account, be in an amount equal to the Debt Service Reserve Requirement and shall be payable or available to be drawn upon, as the case may be (upon the giving of notice of at least one business day pursuant to a demand for payment by the Trustee as required thereunder), on any date on which monies will be required to be withdrawn from the Debt Service Reserve Account pursuant to the provisions of the Project One Resolution or the General Resolution Projects Resolution, as the case may be. Any such Financial Guaranty shall have a term not less than the final maturity date of any series of Senior Bonds then Outstanding under the terms of the Resolution or shall provide that it may be drawn upon if, prior to the termination thereof, a substitute Financial Guaranty is not delivered to the Trustee pursuant to the Project One Resolution or the General Resolution Projects Resolution, as the case may be. Following a drawing under a Financial Guaranty, MEAG Power shall be obligated to reimburse the issuer of such Financial Guaranty in order to reinstate the maximum limits of such Financial Guaranty, such reimbursement to be made from amounts to be deposited in the Debt Service Reserve Account from the Revenue and Operating Fund.

The Project One Resolution provides that the financial strength of the issuer of the initial Financial Guaranty (the “Initial Surety”) shall be rated on the date of deposit in the Debt Service Reserve Account in the highest rating category by Moody’s Investors Service, Standard & Poor’s, Fitch Ratings, and if rated by A.M. Best & Company, A.M. Best & Company. The financial strength of the issuer of any other Financial Guaranty shall be rated on the date of deposit in the Debt Service Reserve Account not less than that of the Initial Surety on such date. The foregoing provisions of the Project One Resolution regarding the Financial Guaranty are substantially similar to those contained in the General Resolution Projects Resolution except that Fitch Ratings is not mentioned as a rating agency. In the event the Initial Surety has ceased to provide a Financial Guaranty, the rating of the financial strength of the issuer of the Financial Guaranty which provides for the largest percentage of the Debt Service Reserve Requirement shall be the minimum rating required for any Financial Guaranty on the date of deposit in the Debt Service Reserve Account. In the event the rating of the financial strength of the issuer of a Financial Guaranty shall fall below (i) “Aa2” as rated by Moody’s Investors Service, Inc., (ii) “AA” as rated by Standard & Poor’s, (iii) “AA” as rated by Fitch Ratings, or (iv) if rated by A.M. Best & Company, “A+” as rated by A.M. Best & Company, MEAG Power will replace the Financial Guaranty with (a) a substitute Financial Guaranty issued by an issuer (1) which, if another Financial Guaranty is on deposit in the Debt Service Reserve Account, satisfies the ratings requirements set forth in this paragraph, or (2) whose financial strength is rated in the highest rating category which can be obtained by MEAG Power, using MEAG Power’s best efforts, at commercially reasonable rates (but in no event less than the ratings described in clauses (i), (ii), (iii) and (iv) of this sentence), or (b) cash.

Each of the resolutions provides that prior to providing the Trustee with a Financial Guaranty for deposit into the Debt Service Reserve Account, there shall be filed with MEAG Power an opinion of tax counsel to MEAG Power to the effect that such deposit will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any outstanding Senior Bonds under the Project One Resolution or the General Resolution Projects Resolution, as the case may be.

In connection with furnishing a Financial Guaranty to the Trustee, MEAG Power shall also furnish to the Trustee (i) an opinion of counsel to the issuer of such Financial Guaranty, satisfactory to the Trustee, to the effect that such Financial Guaranty is a valid and binding obligation of the issuer thereof,

enforceable in accordance with its terms, subject to usual bankruptcy exceptions, and (ii) a certificate of an Authorized Officer of MEAG Power to the effect that there has not occurred any Event of Default or any event which, with the giving of notice or the passage of time or both, would constitute an Event of Default. Upon receipt of such Financial Guaranty and the other items required by the Project One Resolution or the General Resolution Projects Resolution, as the case may be, the Trustee shall, to the extent that amounts held in the Debt Service Reserve Account, taking into account any Financial Guaranty on deposit in the Debt Service Reserve Account, are in excess of the Debt Service Reserve Requirement, transfer such monies (or any investments held therein) to or upon the order of MEAG Power, as MEAG Power shall direct in writing.

Each of the respective resolutions provides that the Trustee shall maintain adequate records, verified with the issuer of any Financial Guaranty, as to: the amounts available to be drawn under such Financial Guaranty at any given time, the amounts drawn by the Trustee thereunder and the amounts paid by the Trustee to such issuer with respect to any such drawings; *provided, however*, the Trustee shall not be responsible for maintaining records of any other amounts paid and owing by MEAG Power to the issuer of any such Financial Guaranty with respect to any reimbursement agreement between such parties except for drawings under such Financial Guaranty. In the event that (i) cash and (ii) a Financial Guaranty are on deposit in the Debt Service Reserve Account, the Trustee shall first use such cash to make any required deposit to the Debt Service Account prior to drawing on such Financial Guaranty.

In the event more than one Financial Guaranty is on deposit in the Debt Service Reserve Account, any drawings thereunder and payments made in the reinstatement thereof shall be on a pro-rata basis.

Notwithstanding anything in the respective resolutions to the contrary, there shall be no optional redemption of Senior Bonds by MEAG Power unless all amounts owed to the issuer of any Financial Guaranty have been paid in full.

For purposes of determining the amount on deposit in the Debt Service Reserve Account, the amount available to be drawn under any Financial Guaranty shall be deemed to be on deposit therein.

### **Construction Funds**

The Project One Resolution establishes a Construction Fund, held by the Trustee, into which are paid amounts required by the provisions of the Project One Resolution and any Supplemental Resolution and, at the option of MEAG Power, any monies received for or in connection with Project One by MEAG Power, unless required to be otherwise applied as provided in the Project One Resolution. In addition, proceeds of insurance for physical loss or damage to Project One, or of contractors' performance bonds, pertaining to the period of construction will be paid into the Construction Fund.

The Trustee pays to MEAG Power, upon its requisitions therefor, from the Construction Fund amounts in payment of the Cost of Acquisition and Construction of Project One. Upon completion of the Initial Facilities or any Additional Facilities, any amount remaining not required to complete payment of the Cost of Acquisition and Construction will be deposited in the Debt Service Reserve Account in the Debt Service Fund to the extent necessary to meet the Debt Service Reserve Requirement, and any balance will be either (i) paid to MEAG Power to be deposited in the Revenue and Operating Fund for application to the retirement of Bonds for purchase or redemption or (ii) paid to MEAG Power to be deposited in the Decommissioning Account or the Reserve Account in the Reserve and Contingency Fund, as MEAG Power determines. 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 Project One Senior Bonds when due.

The General Resolution Projects Resolution establishes a Construction Fund, held by the Trustee. The General Resolution Projects Resolution establishes a separate Project Account for each Project into

which will be paid amounts required by the provisions of the General Resolution Projects Resolution and any Supplemental Resolution and, at the option of MEAG Power, any monies received for in connection with such Project by MEAG Power, unless required to be otherwise applied as provided in the General Resolution Projects Resolution. In addition, proceeds of insurance for physical loss or damage to any General Resolution Project, or of contractors' performance bonds, pertaining to the period of construction will be paid into the appropriate Project Account in the Construction Fund.

The Trustee will pay to MEAG Power, upon its requisitions therefor, from the Project Account established for each General Resolution Project in the Construction Fund amounts in payment of the Cost of Acquisition and Construction of such Project. Upon completion of any General Resolution Project, any amount remaining in the Project Account established therefor not required to complete payment of the Cost of Acquisition and Construction thereof will be deposited in the Debt Service Reserve Account in the Debt Service Fund to the extent necessary to meet the Debt Service Reserve Requirement, and any balance will be deposited either (i) in the Revenue and Operating Fund and applied to the retirement of, first, General Resolution Projects Senior Bonds issued with respect to such Project and, thereafter, any other General Resolution Projects Senior Bonds, or (ii) in the appropriate sub-accounts in the Decommissioning Account or the Reserve Account in the Reserve and Contingency Fund, or (iii) in Project Accounts for other General Resolution Projects, as MEAG Power shall determine. 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 General Resolution Projects Senior Bonds when due.

#### **Environmental Facilities Reserve Accounts**

The Project One Resolution establishes an Environmental Facilities Reserve Account, held by MEAG Power, into which are paid certain amounts accumulated by MEAG Power (including amounts collected from the Participants) to pay the cost of or to provide reserves for, among other things, (a) extraordinary operating and maintenance costs of Project One, (b) the prevention or correction of any unusual loss or damage to keep the generating facilities of Project One in good operating condition or to prevent a loss of revenue therefrom and (c) certain specified major renewals, replacements, repairs, additions, betterments and improvements to Project One. Without limiting the generality of the foregoing, amounts in the Environmental Facilities Reserve Account may be applied by MEAG Power to any lawful purpose of MEAG Power related to MEAG Power's interests in the Coal Units (as defined in "CAPITAL IMPROVEMENTS AND FINANCING PROGRAMS – Capital Improvements Program" in the Annual Information Statement) included in Project One, including the payment of debt service on any Project One Senior Bonds or Project One Subordinated Bonds issued with respect thereto when due.

The Environmental Facilities Reserve Account shall not be or be deemed to be a Fund established by the Project One Resolution, and shall not be subject to the pledge and assignment of the Project One Resolution in favor of the Holders of the Project One Senior Bonds. If and to the extent that MEAG Power determines that it is advantageous to do so, MEAG Power may pledge the Environmental Facilities Reserve Account to secure any of its obligations to any party relating to any transaction in respect of its interests in the Coal Units included in Project One.

The General Resolution Projects Resolution establishes Environmental Facilities Reserve Accounts with respect to Project Two and Project Three, held by MEAG Power, into which are paid certain amounts accumulated by MEAG Power (including amounts collected from the Participants) to pay the cost of or to provide reserves for, among other things, (a) extraordinary operating and maintenance costs of the applicable Project, (b) the prevention or correction of any unusual loss or damage to keep the generating facilities of the applicable Project in good operating condition or to prevent a loss of revenue therefrom and (c) certain specified major renewals, replacements, repairs, additions, betterments and improvements to the applicable Project. Without limiting the generality of the foregoing, amounts in each Environmental Facilities Reserve Account may be applied by MEAG Power to any lawful purpose of MEAG Power related to MEAG Power's interests in the Coal Units included in the applicable Project,

including the payment of debt service on any General Resolution Projects Senior Bonds or General Resolution Projects Subordinated Bonds issued with respect thereto when due.

The Environmental Facilities Reserve Accounts shall not be or be deemed to be a Fund established by the General Resolution Projects Resolution, and shall not be subject to the pledge and assignment of the General Resolution Projects Resolution in favor of the Holders of the General Resolution Projects Senior Bonds. If and to the extent that MEAG Power determines that it is advantageous to do so, MEAG Power may pledge an Environmental Facilities Reserve Account to secure any of its obligations to any party relating to any transaction in respect of its interests in the Coal Units included in the applicable Project.

## **Certain Conditions to Issuance of Senior Bonds**

### ***The Project One Resolution***

***Debt Service.*** Principal Installments are established at the time of issuance for each Allocated Principal Amount of each series of Project One Senior Bonds such that either (1) the Debt Service for such Allocated Principal Amount for the twelve-month period preceding commencement of such Principal Installments and each twelve-month period thereafter will not be greater than 110 percent of the smallest Debt Service for such Allocated Principal Amount for any such period or (2) the Aggregate Debt Service on all outstanding Project One Senior Bonds, including the series being issued, for the fourth calendar year commencing after the estimated completion date of the last generating unit of Project One (or for the year following commencement of Principal Installments in the case of additional Project One Senior Bonds issued to finance Additional Facilities) and for each year thereafter through the latest maturity of such series of Project One Senior Bonds, will not be greater than 110 percent of the Aggregate Debt Service for all outstanding Project One Senior Bonds for any such preceding year.

With respect to the Allocated Principal Amount of any series of Project One Senior Bonds of the Initial Facilities Issue or of Project One Senior Bonds issued for completion of the Initial Facilities which relates to generating facilities, Principal Installments will commence not later than four years following the end of the year of the then estimated commercial operation date and will terminate not later than March 1, 2026. With respect to any Allocated Principal Amount of any such series relating to transmission system facilities, Principal Installments will commence not later than seven years following the end of the year of issuance of such series and will terminate not later than March 1, 2026. With respect to any Allocated Principal Amount of any such series relating to working capital, Principal Installments will commence not later than three years following the end of the year of issuance of such series and will terminate not later than March 1, 2026. The Principal Installments for each Allocated Principal Amount of any series of Additional Project One Senior Bonds issued to finance Additional Facilities will commence not later than seven years following the end of the year of issuance of such series and will terminate not later than the expiration date of the Project One Power Sales Contracts as such date may be extended from time to time.

***Debt Service Reserve.*** The issuance of any series of Project One Senior Bonds is conditioned upon the deposit of an amount in the Debt Service Reserve Account such that the balance in such Account equals the Debt Service Reserve Requirement calculated immediately after delivery of such Project One Senior Bonds.

***No Default.*** Additional Project One Senior Bonds may be issued only if MEAG Power certifies that it is not in default under any of the provisions of the Project One Resolution.

### ***The General Resolution Projects Resolution***

The following conditions, among other things, apply to the issuance of all General Resolution Projects Senior Bonds. Other conditions applicable to issuance of Additional General Resolution Projects Senior Bonds only are set forth under “Additional Senior Bonds.”

***Debt Service.*** Principal Installments will be established at the time of issuance for each Allocated Principal Amount of each series of General Resolution Projects Senior Bonds such that either (1) the Debt Service for such Allocated Principal Amount for the twelve-month period preceding commencement of such Principal Installments and each twelve-month period thereafter will not be greater than 110 percent of the smallest Debt Service for such Allocated Principal Amount for any such period or (2) the Aggregate Debt Service on all outstanding General Resolution Projects Senior Bonds, including the series being issued, for the first calendar year in which there shall be Principal Installments becoming due on all Allocated Principal Amounts of all series of General Resolution Projects Senior Bonds outstanding and for each year thereafter through the latest maturity of such series of General Resolution Projects Senior Bonds, will not be greater than 110 percent of the Aggregate Debt Service for all outstanding General Resolution Projects Senior Bonds for any such preceding year.

With respect to the Allocated Principal Amount of any series of General Resolution Projects Senior Bonds relating to a General Resolution Project Component other than working capital, Principal Installments will commence not later than the later of (i) 48 months following the end of the Estimated Year of Commercial Operation of such Project Component, or (ii) seven years following the delivery of such series of General Resolution Projects Senior Bonds, and will terminate not later than the termination date of the Power Sales Contracts relating to the Project of which such Project Component is a part. With respect to any Allocated Principal Amount of any such series relating to working capital, Principal Installments will commence not later than three years following the end of the year of issuance of such series and will terminate not later than the termination date of the Power Sales Contracts relating to the General Resolution Project of which such Project Component is a part.

***Debt Service Reserve.*** The issuance of any series of General Resolution Projects Senior Bonds is conditioned upon the deposit of an amount in the Debt Service Reserve Account such that the balance in such Account equals the Debt Service Reserve Requirement calculated immediately after delivery of such General Resolution Projects Senior Bonds.

***No Default.*** Each series of General Resolution Projects Senior Bonds may be issued only if MEAG Power certifies that it is not in default under any of the provisions of the General Resolution Projects Resolution.

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

The Project One Resolution provides that monies held in the Debt Service Account in the Debt Service Fund and the Debt Service Reserve Account in the Debt Service Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in Investment Securities which mature not later than such times as shall be necessary to provide monies when needed for payments to be made from such Funds, and in any event in the case of the Debt Service Reserve Account not later than seven years. Subject to the terms of any Supplemental Resolution authorizing any issue of Project One Subordinated Bonds, monies in the Subordinated Bond Fund 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 monies when needed for payments to be made from said Fund. Monies held in the Revenue and Operating Fund and the Construction Fund may be invested and reinvested in Investment Securities which mature not later than such times as shall be necessary to provide monies when needed for payments to be made from such Funds. Monies in the Reserve and Contingency Fund may be invested in Investment Securities which mature within seven years, and in any case the Investment Securities in such

Fund or in the Accounts therein shall mature not later than such times as shall be necessary to provide monies when needed to provide payments from such Fund or Accounts. The Trustee shall make all such investments of monies held by them in accordance with written instructions received from any Authorized Officer.

Net interest earned on any monies or investments in such Funds or Accounts, other than the Construction Fund, are paid into the Revenue and Operating Fund. Interest on monies or investments in the Construction Fund are held in such Fund.

The foregoing provisions of the Project One Resolution are substantially similar to those contained in the General Resolution Projects Resolution. Also, in the case of the General Resolution Projects Resolution, net interest earned or any monies or investments in such Funds or Accounts, other than the Debt Service Account and the Debt Service Reserve Account and the Construction Fund, will be paid into the Revenue and Operating Fund. Interest on monies or investments in any Project Account in the Construction Fund are held in such Project Account. Interest on monies or investments in the Debt Service Account or the Debt Service Reserve Account which MEAG Power determines is allocable to any Project Component are paid into the Revenue and Operating Fund.

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

MEAG Power covenants in the Project One Resolution that it will not issue bonds or other evidences of indebtedness, other than Project One Senior Bonds, payable out of or secured by a pledge of the Revenues or of the monies, securities or funds held or set aside under the Project One Resolution nor will it create any lien or charge thereon; *provided, however*, that nothing contained in the Project One 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 Project One 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 Project One Resolution, or (3) Project One Subordinated Bonds.

MEAG Power covenants in the Project One Resolution that it will not sell, lease, mortgage or otherwise dispose of any part of Project One, except for sales or exchanges for not less than fair market value of property or facilities (1) which are not useful in its operations, or (2) for which the proceeds received are, or the fair market value of the subject property (as certified by the Consulting Engineer) is, less than \$100,000, or (3) as to which the Consulting Engineer certifies that the ability of MEAG Power to comply with the rate covenant described under "Rate Covenant" will not be impaired. The proceeds of any such transaction not used to acquire other property are deposited in the Revenue and Operating Fund.

MEAG Power covenants in the Project One Resolution that it will not lease or make contracts or grant licenses for the operation or use of, or grant easements or any other rights with respect to, any part of Project One, which would (1) impede or restrict the operation of Project One by MEAG Power or its agents or (2) impair or adversely affect the rights or security of Bondholders under the Project One Resolution. If the depreciated cost of the subject property exceeds \$500,000, the Consulting Engineer must certify that the proposed action of MEAG Power does not result in a breach of the above-mentioned conditions. Any payments to MEAG Power in connection with any such transaction constitute Revenues.

The foregoing covenants of MEAG Power with respect to Project One are substantially similar to the corresponding covenants of MEAG Power under the General Resolution Projects Resolution.

### **Rate Covenant**

MEAG Power covenants in the Project One 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 Project One so that

Revenues, together with other available funds, are at least sufficient to provide funds in each year for the payment of the sum of (1) Operating Expenses during such year, (2) Debt Service on all series of Project One Senior Bonds for such year, (3) any amount to be paid into the Debt Service Reserve Account for such year, (4) the amount to be paid into the Reserve and Contingency Fund for such year, and (5) all other charges or liens payable out of Revenues during such year and all amounts payable on Project One Subordinated Bonds.

The foregoing covenant of MEAG Power with respect to Project One is substantially similar to the corresponding covenant of MEAG Power under the General Resolution Projects Resolution with respect to any General Resolution Project.

### **Covenants with Respect to Power Sales Contracts and Project Agreements**

MEAG Power covenants in the Project One Resolution that it will collect and deposit in the Revenue and Operating Fund amounts received under the Project One Power Sales Contracts or payable to it pursuant to any other contract for the sale of power, energy, or other services from any part of Project One. In addition, MEAG Power will enforce the Project One Power Sales Contracts and the Project Agreements, 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 Project One Power Sales Contract or Project Agreement which would impair or adversely affect the rights of MEAG Power thereunder or the rights or security of Project One Bondholders or, in the case of any Project One Power Sales Contract, would reduce payments required thereunder.

The foregoing covenants of MEAG Power with respect to Project One are substantially similar to the corresponding covenants of MEAG Power under the General Resolution Projects Resolution with respect to any General Resolution Project.

### **Annual Budget**

MEAG Power covenants in the Project One Resolution that it will file with the Trustee an Annual Budget for Project One each calendar year. The Annual Budget includes 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.

The foregoing practices by MEAG Power with respect to Project One are substantially similar to the practices by MEAG Power under the General Resolution Projects Resolution with respect to each General Resolution Project.

### **Insurance**

MEAG Power covenants in the Project One Resolution that it will keep the properties of Project One which are of an insurable nature and of the character usually insured by those operating properties similar to Project One 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 Project One 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 Project One. Insurance against business interruption loss is maintained whenever, in the judgment of MEAG Power, such insurance is obtainable at commercially reasonable rates.

The foregoing practices by MEAG Power with respect to Project One are substantially similar to the practices by MEAG Power under the General Resolution Projects Resolution with respect to each General Resolution Project.

## **Accounts and Reports**

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

MEAG Power covenants in the Project One 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 Project One 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 Project One Resolution, and a statement as to the existence of any default under the provisions of the Project One Resolution.

The reports, statements and other documents required to be furnished to the Trustee pursuant to provisions of the Project One 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.

The foregoing practices by MEAG Power with respect to Project One are substantially similar to the practices by MEAG Power under the General Resolution Projects Resolution with respect to each General Resolution Project.

## **Amendments and Supplemental Resolutions**

Any of the provisions of the Project One Resolution may be amended by MEAG Power by a supplemental resolution, upon the consent of the holders of at least two-thirds in principal amount in each case of (1) all Project One Senior Bonds then outstanding, and (2) if less than all of the series of outstanding Project One Senior Bonds are affected, the Project One Senior Bonds of each affected series, and (3) if the amendment changes the terms of any sinking fund installment, the Project One Senior 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 Project One Senior Bonds, the Project One Senior Bonds of any specified series and maturity if such amendment by its terms will not take effect so long as any such Project One Senior 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 Project One Senior Bonds) supplemental resolutions to close the Project One Resolution against, or impose limitations upon, issuance of Project One Senior Bonds or other evidences of indebtedness; to authorize Project One Senior Bonds; to authorize Project One Subordinated Bonds; to add to the restrictions contained in the Project One Resolution; to add to the covenants of MEAG Power contained in the Project One Resolution; to confirm any pledge under the Project One Resolution of Revenues or other monies; or to cure any ambiguity or to correct any defect in the Project One Resolution.

The foregoing amendments and supplemental resolutions permitted by MEAG Power under the Project One Resolution are substantially similar to the amendments and supplemental resolutions permitted by MEAG Power under the General Resolution Projects Resolution, except that under the General Resolution Projects Resolution MEAG Power may authorize Additional General Resolution Projects.

## **Additional Senior Bonds**

### ***The Project One Resolution***

After delivery of the Project One Senior Bonds of the Initial Facilities Issue, one or more series of Additional Project One Senior Bonds may be issued if and to the extent necessary as shown in a certificate of the Consulting Engineer for the purpose of paying the cost of Acquisition and Construction of the Initial Facilities. Additional Project One Senior Bonds may be issued for the purpose of paying all or any portion of the Cost of Acquisition and Construction of any Additional Facilities provided, among other things, that, for major renewals and repairs, a certificate of the Consulting Engineer is received stating that the Additional Facilities are necessary to keep Project One in good operating condition or to prevent loss of Revenues therefrom. Additional Project One Senior Bonds do not include Refunding Project One Senior Bonds.

### ***The General Resolution Projects Resolution***

***Additional General Resolution Projects Senior Bonds for the Existing General Resolution Projects.*** After delivery of the General Resolution Projects Senior Bonds of the Initial Facilities Issue for Project Two, the Initial Facilities Issue for Project Three and the Initial Facilities Issue for Project Four, one or more series of additional General Resolution Projects Senior Bonds may be issued if and to the extent necessary as shown in a certificate of the Consulting Engineer for the purpose of paying the Cost of Acquisition and Construction of the Initial Facilities for Project Two, the Initial Facilities for Project Three or the Initial Facilities for Project Four. Additional General Resolution Projects Senior Bonds may also be issued for the purpose of paying all or any portion of the Cost of Acquisition and Construction of any Capital Improvements for the Existing General Resolution Projects provided, among other things, that, for major renewals and repairs, a certificate of the Consulting Engineer is received stating that such Capital Improvements are necessary to keep such Project in good operating condition or to prevent loss of Revenues therefrom.

***Additional General Resolution Projects Senior Bonds for Additional General Resolution Projects.*** One or more series of Additional General Resolution Projects Senior Bonds may be issued to finance the Cost of Acquisition and Construction of Additional General Resolution Projects. Prior to the authentication and delivery of the first series of General Resolution Projects Senior Bonds for any Additional General Resolution Project, there must be delivered to the Trustee, among other documents:

(a) in the case of the first series of General Resolution Projects Senior Bonds for each Additional General Resolution Project, certified copies of Power Sales Contracts with each of the Participants relating to such Additional Project and certified copies of each Project Agreement relating thereto:

(b) an opinion of counsel to the effect that, among other things, the Participants are obligated under the Power Sales Contracts relating to such Additional Project in each Power Supply Year (as defined in such Power Sales Contracts) to make payments which, in the aggregate, are required, under any and all circumstances, to be sufficient, together with all other amounts available therefor, to pay 100 percent of the Annual Project Costs paid by MEAG Power during such Power Supply Year with respect to such Additional Project, and that the other provisions of each Power Sales Contract comply with the requirements of the General Resolution Projects Resolution; and

(c) an opinion of the Consulting Engineer stating, among other things, that MEAG Power can beneficially utilize the output and services of any generating facility included in such Additional Project to meet the long-term power and energy requirements of the Participants and that the cost of power and energy therefrom is reasonable in comparison to other sources which

would reasonably be available to MEAG Power at the time of the estimated date of commercial operation of such generating facility or interest therein and that any transmission facilities included therein will be necessary within a reasonable time after the estimated date of commercial operation thereof to supply transmission capability to Participants required to be supplied pursuant to the Power Sales Contracts relating to such Additional Project.

One or more series of Additional General Resolution Projects Senior Bonds may be issued for an Additional General Resolution Project (1) to complete payment of the Cost of Acquisition and Construction thereof after delivery of the General Resolution Projects Senior Bonds of an issue authorized by a Supplemental Resolution referred to in (a) above for such Additional Project, or (2) to pay the Cost of Acquisition and Construction of Capital Improvements for such Additional General Resolution Project. Each series of Additional General Resolution Projects Senior Bonds for either such purpose may be authenticated and delivered by the Trustee only upon receipt by the Trustee of an opinion of counsel to the effect set forth in paragraph (b) above and, if no General Resolution Projects Senior Bonds have previously been issued for such Capital Improvements, an opinion of the Consulting Engineer to the effect set forth in paragraph (c) above.

Additional General Resolution Projects Senior Bonds do not include Refunding General Resolution Projects Senior Bonds.

## **Refunding Senior Bonds**

### ***The Project One Resolution***

One or more series of Refunding Project One Senior Bonds may be authenticated and delivered upon original issuance to refund all or a portion of the outstanding Project One Senior Bonds of one or more series. Refunding Project One Senior Bonds shall be issued in a principal amount sufficient, together with other monies available therefor, to accomplish such refunding and to make the deposits in the Funds and Accounts under the Project One Resolution required by the provisions of the supplemental resolution authorizing such Project One Senior Bonds.

Refunding Project One Senior 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 the Project One Resolution, of:

- (a) Irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Project One Senior Bonds to be refunded on a redemption date specified in such instructions;
- (b) If the Project One Senior Bonds to be refunded are not by their terms subject to redemption within the next succeeding 60 days, irrevocable instructions to the Trustee, satisfactory to it, to make due publication of the notice provided for in the Project One Resolution to the holders of the Project One Senior Bonds and coupons being refunded;
- (c) Either (i) monies in an amount sufficient to effect payment at the applicable Redemption Price of the Project One Senior Bonds to be refunded, together with accrued interest on such Project One Senior Bonds to the redemption date, which monies 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 Project One Senior Bonds to be refunded, or (ii) Investment Securities in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications and any monies, as shall be necessary to comply with the provisions of the Project One Resolution, which Investment Securities and monies shall be held in trust and used only as provided in the Project One Resolution; and

(d) A certificate of an Authorized Officer of MEAG Power setting forth (i) the Aggregate Debt Service for the then current and each future calendar year to and including the calendar year next preceding the date of the last maturity of any Project One Senior Bonds of any Series then Outstanding (A) with respect to the Project One Senior Bonds of all series outstanding immediately prior to the date of authentication and delivery of such Refunding Project One Senior Bonds, and (B) with respect to the Project One Senior Bonds of all series to be Outstanding immediately thereafter, and (ii) that the Aggregate Debt Service set forth for each calendar year pursuant to (B) above is no greater than that set forth for such calendar year pursuant to (A) above.

The proceeds, including accrued interest, of the Refunding Project One Senior Bonds of each series shall be applied simultaneously with the delivery of such Project One Senior Bonds for the purposes of making deposits in such Funds and Accounts under the Project One Resolution as shall be provided by the supplemental resolution authorizing such series of Refunding Project One Senior Bonds shall be applied to the refunding purposes thereof in the manner provided in said supplemental resolution.

### ***The General Resolution Projects Resolution***

One or more series of Refunding General Resolution Projects Senior Bonds may be issued to refund all or a portion of the outstanding General Resolution Projects Senior Bonds of one or more series. The issuance of Refunding General Resolution Projects Senior Bonds to refund outstanding General Resolution Projects Senior Bonds is subject to the same conditions and requirements as set forth with respect to Refunding Senior Bonds for Project One.

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

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

The principal and interest portions of the Accreted Value of Capital Appreciation Senior 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, Aggregate Debt Service and Accrued 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 so 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.

The foregoing provisions with respect to Capital Appreciation Senior Bonds in the Project One Resolution are substantially similar to the provisions with respect to Capital Appreciation Senior Bonds in the General Resolution Projects Resolution.

### **Trustee, Paying Agents**

The Project One Resolution requires the appointment by MEAG Power of one or more Paying Agents (who may be the Trustee) for the Project One Senior 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 Project One Senior Bonds then Outstanding. Successor Trustees may be

appointed by the holders of a majority in principal amount of Project One Senior 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 or trust company or national banking association with its principal office in New York or Georgia having capital stock and surplus aggregating at least \$50,000,000 if there be such an entity willing to accept appointment.

The foregoing requirements by MEAG Power under the Project One Resolution are substantially similar to the requirements of MEAG Power under the General Resolution Projects Resolution.

## **Defeasance**

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

All or a portion of the Outstanding Project One Senior Bonds of a Series are deemed to have been paid and are not entitled to the lien, benefit or security of the Project One 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 Investment 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 Project One Senior Bonds, (2) in the case of any Project One Senior Bonds to be redeemed prior to maturity, MEAG Power has given to the Trustee irrevocable instructions to give the notice of redemption therefor, (3) in the event such Project One Senior Bonds are not subject to redemption within the next succeeding 60 days, MEAG Power has given the Trustee irrevocable instructions to mail within five days of such deposit, a notice to the holders of such Project One Senior Bonds that the above deposit has been made with the Trustee and that such 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 Project One Senior Bonds, and (4) MEAG Power shall cause such Project One Senior Bonds to be re-rated by all, or if rated by less than all, a minimum of two, of Moody's Investors Service, Standard & Poor's, and Fitch Ratings.

In the event Project One Subordinated Bonds are issued for the purpose of refunding less than all Outstanding Project One Senior Bonds of like maturity within a Series, such Outstanding Project One Senior Bonds shall be deemed to have been paid upon (a) selection by the Trustee of such Outstanding Project One Senior Bonds from among all Outstanding Project One Senior Bonds of such maturity, and, in the case of the selection of a portion of a maturity which is subject to Sinking Fund Installments, further selection by the Trustee from such portion of the particular Outstanding Project One Senior Bonds to be redeemed on each Sinking Fund Installment date designated by MEAG Power, which Outstanding Project One Senior Bonds, when deemed paid in accordance with this paragraph, shall be credited against such Sinking Fund Installments as shall be designated, and (b) compliance with the requirements of the provisions described in the preceding paragraph with respect to such Outstanding Project One Senior Bonds. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts 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.

The Trustee shall select at random, in such manner as the Trustee in its discretion may deem fair and appropriate, the particular Project One Senior Bonds or portions of Project One Senior Bonds of such maturity (in denominations of \$5,000) to be paid or redeemed. The portion of any Project One Senior Bond of a denomination of more than \$5,000 to be paid or redeemed shall be in the principal amount of \$5,000 or a multiple thereof. In selecting portions of such Project One Senior Bonds for payment or redemption, the Trustee shall treat each such Project One Senior Bond as representing that number of

Project One Senior Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Project One Senior Bonds to be paid or redeemed in part by \$5,000. If applicable, in addition to the requirements in the notice to be given as described in clause (3) of the second preceding paragraph, the Trustee shall include in such notice (i) the letters and numbers or other distinguishing marks of such Project One Senior Bonds which are deemed paid, including, in the case of Outstanding Project One Senior Bonds which constitute a portion of a maturity which is subject to Sinking Fund Installments, the particular Outstanding Project One Senior Bonds selected for redemption on particular Sinking Fund Installment dates, and (ii) instructions to the holders of such Project One Senior Bonds to surrender the same at the office of the Bond Registrar to be exchanged for an equal aggregate principal amount of Project One Senior Bonds of the same maturity and Series, which Project One Senior Bonds shall be separately marked and identified and shall be deemed a separate maturity from the remaining Project One Senior Bonds of said maturity and Series. In the event any holder of any Project One Senior Bond deemed paid as described in the preceding paragraph shall fail to present such Project One Senior Bond for exchange, such failure shall not prevent such Project One Senior Bond or portion thereof from being deemed paid and being deemed a separate maturity from the remaining Project One Senior Bonds of said maturity and Series.

The foregoing defeasance provisions under the Project One Resolution are substantially similar to the defeasance provisions under the General Resolution Projects Resolution.

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

Events of Default specified in the Project One Resolution include failure to pay principal or redemption price of any Project One Senior Bond when due; failure to pay any interest installment on any Project One Senior 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 Project One Senior Bonds then Outstanding may declare the principal of and accrued interest on such Project One Senior Bonds due and payable (subject to a rescission of such declaration upon the curing of such default before the Project One Senior Bonds have matured). The Project One Power Sales Contracts provide for payment in each year of amounts sufficient to pay scheduled debt service. However, any debt service due on Project One Senior Bonds by reason of acceleration is not payable under the Project One Power Sales Contracts in the year of acceleration, although any accelerated amounts will continue to become due in the respective years in which scheduled.

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 Project One 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 Project One 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 Trustee and Paying Agents, (2) to the payment of Operating Expenses, and (3) to the payment of interest and principal or the redemption price of Project One Senior Bonds without preference or priority of interest over principal or principal over interest, unless the principal of all Project One Senior 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 Project One Senior Bonds which have become due and payable in order of their due dates. In addition, any holders of Project One Senior 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 Project One.

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 Project One Senior 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 Project One Resolution or in aid of the execution of any power granted in the Project One 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 Project One Resolution. The Trustee may, and upon the request of the holders of a majority in principal amount of the Project One Senior 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 Project One 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 Project One Resolution or the execution of any trust under the Project One Resolution or for any remedy under the Project One 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 Project One Senior 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 Project One Resolution or in the Project One Senior Bonds which affects or impairs MEAG Power's obligation to pay the Project One Senior 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 Project One Senior 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).

The foregoing events of default and remedies under the Project One Resolution are substantially similar to the events of default and remedies under the General Resolution Projects Resolution.

## **Definitions**

### ***The Project One Resolution***

*Accreted Value.* As of any date of computation with respect to any Capital Appreciation Senior 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 January 1 or July 1 next preceding the date of computation or the date of computation if a January 1 or July 1, such interest to accrue at the interest rate per annum of the Capital Appreciation Senior Bond set forth in the supplemental resolution authorizing such Bonds, compounded on January 1 and July 1 of each year, plus, if such date of computation shall not be a January 1 or July 1, a portion of the difference between the Accreted Value as of the immediately preceding January 1 or July 1 (or the date of original issuance if the date of computation is prior to the first January 1 or July 1 succeeding the date of original issuance) and the Accreted Value as of the immediately succeeding January 1 or July 1, calculated based upon an assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on the basis of a year of twelve 30-day months.

*Accrued Aggregate Debt Service.* 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 Project One Senior Bonds, calculating accrued Debt Service with respect to each series at an amount equal to the sum of (1) interest on the Project One Senior Bonds of such series accrued and unpaid and to accrue to the end of the then current

calendar month and (2) Principal Installments due and unpaid and that portion of the Principal Installment for such series 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.

*Additional Facilities.* Any of the following: (1) any major renewals, replacements, repairs, additions, betterments and improvements, necessary, in the opinion of the Consulting Engineer, to keep Project One in good operating condition or to prevent a loss of Revenues therefrom, (2) any major additions, improvements, repairs and modifications to Project One and any decommissioning or disposals of Project One required by any governmental agency having jurisdiction over Project One or for which MEAG Power is responsible by virtue of any obligation of MEAG Power arising out of any of the Project Agreements, or (3) reload fuel or additional fuel inventory for any generating unit of Project One to the extent that sufficient funds are not available to pay the cost thereof. However, Additional Facilities do not include additional generating units or increases, if any, in MEAG Power's undivided interest in generating units forming a part of the Initial Facilities.

*Allocated Principal Amounts.* With respect to each series of Project One Senior Bonds, other than Refunding Project One Senior Bonds, the respective portions of the aggregate principal amount of such series allocated by MEAG Power to each Project One Component being financed with the proceeds of such series so that the total of all such respective portions equals the aggregate principal amount of such series as set forth in a certificate.

*Capital Appreciation Senior Bonds.* Any Project One Senior Bonds issued under the Project One Resolution as to which interest is compounded semi-annually and payable only at the maturity or prior redemption of such Bonds.

*Consulting Engineer.* The independent engineer or engineering firm or corporation having nationwide and favorable repute for skill and experience at the time retained by MEAG Power pursuant to the Project One Resolution who, if other than R.W. Beck, Inc., must be satisfactory to the Trustee.

*Debt Service.* For any period, as of any date of calculation and with respect to any series of Project One Senior Bonds, an amount equal to the sum of (1) interest accruing during such period with respect to such series (except interest to be paid from Project One Senior Bond proceeds as provided in the Project One Resolution) and (2) that portion of each Principal Installment for such series which would accrue during such period if such Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date (or, if there be no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment or from the date of issuance of the Project One Senior Bonds of such series, whichever is later).

*Debt Service Reserve Requirement.* As of any date of calculation, an amount equal to the greatest amount of the Aggregate Debt Service for the current or any future calendar year.

*Financial Guaranty.* One or more of an irrevocable and unconditional policy of insurance or surety bond in full force and effect issued by an insurance company or association duly authorized to do business in the State of New York and the State of Georgia the financial strength of which, except as otherwise provided in the Project One Resolution, is rated in the highest rating category by Moody's Investors Service, Standard & Poor's, Fitch Ratings and, if rated by A.M. Best & Company, A.M. Best & Company, and providing for the payment thereunder of monies when required pursuant to the Project One Resolution.

*Initial Facilities.* The undivided ownership interests acquired by MEAG Power in the generating units of the Plants, the transmission system facilities acquired and to be acquired and constructed by MEAG Power and working capital required by MEAG Power, all as described in the Annual Information Statement under "MEAG POWER – Bulk Power Supply Operations."

*Initial Facilities Issue.* Project One Senior Bonds in the aggregate principal amount of \$1,600,000,000 for the purpose of financing the Cost of Acquisition and Construction of the Initial Facilities.

*Investment Securities.* Any of the following securities, if and to the extent the same are at the time legal for investment of MEAG Power funds:

1. any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the Federal agencies set forth in clause (2) below to the extent unconditionally guaranteed by the United States of America;

2. obligations of the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Financing Bank, the Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Federal Land Banks, Federal Home Loan Banks, Farmers Home Administration and Federal Home Loan Mortgage Corporation;

3. New Housing Authority Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an Annual Contributions Contract or Contracts with the United States of America; or Project Notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

4. direct and general obligations of any State within the United States, to the payment of the principal of and interest on which the full faith and credit of such State is pledged, provided that at the time of their purchase under the Project One Resolution such obligations are rated in either of the two highest rating categories by a nationally recognized bond rating agency;

5. certificates of deposit, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee), provided that such certificates of deposit must be purchased directly from such a bank, trust company or national banking association and must be either (a) continuously and fully insured by the Federal Deposit Insurance Corporation, or (b) continuously and fully secured by such securities as are described in clauses (1) through (4), above which have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and are lodged with the Trustee or any Federal Reserve Bank, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit. Additionally, the bank, trust company or national banking association issuing each such certificate of deposit required to be so secured must furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each certificate of deposit will at all times be an amount equal to the principal amount of each such certificate of deposit; and

6. any repurchase agreement with (a) any bank or trust company organized under the laws of any state of the United States, (b) any national banking association organized under the laws of the United States or (c) any government bond dealer recognized and supervised as a primary dealer by the Federal Reserve Bank of New York, secured by any one or more of the securities described in clauses (1), (2), or (3) above.

*Project One.* The Initial Facilities and all Additional Facilities.

*Project One Components.* Each of the components of the Initial Facilities and each of the Additional Facilities or each component thereof designated as a Project One Component in a Supplemental Resolution.

*Revenues.* (1) All revenues, income, rents and receipts derived from the ownership and operation of Project One, (2) the proceeds of any business interruption loss insurance, and (3) interest accrued on any monies or securities (other than in the Construction Fund) held pursuant to the Project One Resolution.

### ***The General Resolution Projects Resolution***

The definitions set forth above under the Project One Resolution for Accreted Value, Accrued Aggregate Debt Service, Allocated Principal Amounts, Capital Appreciation Senior Bond, Consulting Engineer, Debt Service, Debt Service Reserve Requirement, Financial Guaranty, Investment Securities and Revenues are substantially similar to the same defined terms under the General Resolution Projects Resolution. The General Resolution Projects Resolution has the following additional defined terms:

*Additional General Resolution Project.* Any of the following if designated as an Additional General Resolution Project in a Supplemental Resolution: (i) MEAG Power's interest in any electric generating units and related transmission facilities or electric transmission system facilities, or any mine, well, pipeline, plant structure or other facility for the development, production, manufacture, transportation, storage, fabrication or processing of fossil or nuclear fuel of any kind or any facility or rights with respect to the supply of water, in each case for use, in whole or in part, in any of MEAG Power's generating plants, including, in any case, land, rights in land, structures, equipment, inventories of supplies, materials of equipment related thereto, or any one or more of the foregoing, together with any Capital Improvements authorized therefor; (ii) where MEAG Power will acquire electric power supply or transmission capability under arrangements whereby MEAG Power purchases rights to receive, or leases or otherwise acquires rights to facilities to enable it to receive, an electric power supply or transmission capability, MEAG Power's rights and interest under such arrangements; (iii) preliminary and developmental work, including engineering, legal and financial studies, in connection with the planning and development of power resources and the determination of the feasibility thereof; and (iv) working capital required by MEAG Power for providing bulk electric power and energy to the Participants in accordance with the provisions of the appropriate Power Sales Contracts; or any one or more of the foregoing, in each of the foregoing cases, together with all rights, interests and facilities of every kind related or incidental thereto or necessary or desirable to carry out such Project.

*Annual Project Costs.* With respect to any Additional General Resolution Project and any Power Supply Year, to the extent not paid as part of the Cost of Acquisition and Construction of such Project, all costs and expenses paid by MEAG Power during such Power Supply Year allocable to such Project.

*Capital Improvements.* With respect to any Additional General Resolution Project, any major renewals, replacements, repairs, additions, betterments, improvements, modifications and disposals of such Project the costs of which, pursuant to the Power Sales Contracts relating to such Project, MEAG Power is permitted to finance through the issuance of Additional General Resolution Projects Senior Bonds. In the case of Project Two, Project Three and Project Four, Capital Improvements may include any of the following: (1) any major renewals, replacements, repairs, additions, betterments and improvements, necessary, in the opinion of the Consulting Engineer, to keep the applicable Project in good operating condition or to prevent a loss of Revenues therefrom, (2) any major additions, improvements, repairs and modifications to the applicable Project and any retirements or disposals of the applicable Project required by any governmental agency having jurisdiction over such Project or for which MEAG Power is responsible by virtue of any obligation of MEAG Power arising out of any of the Project Agreements, or (3) additional fuel inventory for any generating unit of the applicable Project to the extent that sufficient funds are not available to pay the cost thereof. However, Capital Improvements

for Project Two, Project Three and Project Four may not include additional generating units or increases, if any, in MEAG Power's undivided interest in generating units forming a part of the Initial Facilities for the applicable Project.

*General Resolution Project.* Project Two, Project Three, Project Four or any Additional General Resolution Project.

*Initial Facilities for Project Four.* The undivided interests acquired by MEAG Power in generating units and common facilities at Plant Vogtle and included in Project Four, together with working capital required by MEAG Power in connection therewith, all as described in the Annual Information Statement under "MEAG POWER – Bulk Power Supply Operations."

*Initial Facilities for Project Three.* The undivided interests acquired by MEAG Power in generating units and common facilities at Plant Scherer and included in Project Three, together with working capital required by MEAG Power in connection therewith, all as described in the Annual Information Statement under "MEAG POWER – Bulk Power Supply Operations."

*Initial Facilities for Project Two.* The undivided interests acquired by MEAG Power in generating units and common facilities of Plant Scherer and Plant Wansley and included in Project Two, together with working capital required by MEAG Power in connection therewith, all as described in the Annual Information Statement under "MEAG POWER – Bulk Power Supply Operations."

*Initial Facilities Issue for Project Four.* General Resolution Projects Senior Bonds in the aggregate principal amount of \$625,000,000 for the purpose of financing the Cost of Acquisition of the Initial Facilities for Project Four.

*Initial Facilities Issue for Project Three.* General Resolution Projects Senior Bonds in the aggregate principal amount of \$300,000,000 for the purpose of financing the Cost of Acquisition of the Initial Facilities for Project Three.

*Initial Facilities Issue for Project Two.* General Resolution Projects Senior Bonds in the aggregate principal amount of \$260,000,000 for the purpose of financing the Cost of Acquisition of the Initial Facilities for Project Two.

*Power Sales Contract.* With respect to Project Two, each Project Two Power Sales Contract, with respect to Project Three, each Project Three Power Sales Contract, with respect to Project Four, each Project Four Power Sales Contract, and, with respect to any Additional General Resolution Project, each contract entered into with a Participant relating to such Project, all as supplemented or amended from time to time in accordance with the General Resolution Projects Resolution, designated in the Supplemental Resolution authorizing the acquisition and construction of such Project as a "Power Sales Contract" under the General Resolution Projects Resolution, the term of which does not end earlier than the final maturity date of any General Resolution Projects Senior Bonds authorized to be issued for the purpose of financing the Cost of Acquisition and Construction of such project; *provided, however*, that the contracts for such Projects (a) must require payments by the Participants (either on a fixed percentage basis or pursuant to rates) which are sufficient, together with all other amounts available therefor, to pay, under any and all circumstances, 100 percent of the Annual Project Costs paid by MEAG Power during each Power Supply Year with respect to such Project; (b) must contain a rate covenant by the Participants to the same effect as the rate covenant in the Existing General Resolution Projects Power Sales Contracts; (c) must provide that, unless the payments required to be made by a Participant under its contract or provisions for such payments in any fiscal year shall have been made from the revenues of its electric system, the Participant will annually include in its general revenue or appropriation measure sums sufficient to satisfy the payments required to be made under such contract and, if such provision or appropriation is not made in such year, the chief fiscal officer of the Participant shall, in accordance with

the Act, set up as an appropriation on the accounts of such Participant in such year the amounts required to satisfy the payments required to be made under such contract; and (d) must provide that the obligation of each Participant to make payments under its contract shall constitute a general obligation for the payment of which its full faith and credit are pledged and require such payments to be made whether or not such Project or any part thereof has been completed, is operating or operable or its output is suspended, interrupted, interfered with, reduced or curtailed or terminated in whole or in part.

*Project Component.* (i) With respect to Project Two, each of the components of the Initial Facilities for Project Two and each of the Capital Improvements of Project Two or each component thereof designated as a Project Component in a Supplemental Resolution, (ii) with respect to Project Three, each of the components of the Initial Facilities for Project Three and each of the Capital Improvements of Project Three or each component thereof designated as a Project Component in a Supplemental Resolution, (iii) with respect to Project Four, each of the components of the Initial Facilities for Project Four and each of the Capital Improvements of Project Four or each component thereof designated as a Project Component in a Supplemental Resolution and (iv) with respect to any Additional General Resolution Project, each component thereof designated as a Project Component in a Supplemental Resolution and (v) with respect to the Capital Improvements of any Additional General Resolution Project, each component thereof designated as a Project Component in a Supplemental Resolution.

*Project Four.* The Initial Facilities for Project Four and Capital Improvements for Project Four.

*Project Three.* The Initial Facilities for Project Three and Capital Improvements for Project Three.

*Project Two.* The Initial Facilities for Project Two and Capital Improvements for Project Two.