



Department of Energy
Washington, DC 20585

February 13, 2010

Municipal Electric Authority of Georgia
1470 Riveredge Parkway
Atlanta, GA 30328
Attention: Robert P. Johnston, President and Chief Executive Officer

Re: United States Department of Energy ("DOE") Loan Guarantee

Ladies and Gentlemen:

This letter and the summary of the proposed principal terms and conditions attached hereto as Annex A (including all exhibits, schedules and attachments referenced therein) (collectively, this "**Term Sheet**") sets forth the terms and conditions of DOE's offer to provide to three special purpose limited liability companies (the "**Borrowers**") to be formed as wholly-owned subsidiaries of Municipal Electric Authority of Georgia (the "**Company**"), pursuant to Title XVII of the Energy Policy Act of 2005 (Pub. L. No. 109-58), as amended ("**Title XVII**"), separate loan guarantees in the aggregate principal amount of up to \$1,808,910,000 (the "**Loan Guarantee**") on the terms and conditions set forth in this Term Sheet. By signing this Term Sheet in the manner provided below, the Company (i) confirms that it desires to obtain for each of the Borrowers a Loan Guarantee, on the terms and conditions set forth herein, with respect to a loan or loans (the "**Guaranteed Obligations**") to be provided by the Federal Financing Bank ("**FFB**") and (ii) acknowledges and agrees to its obligations set forth in this Term Sheet. The definitive agreements between and among DOE, FFB, the Borrowers and the Company setting forth the terms and conditions of the Loan Guarantee and the Guaranteed Obligations are referred to in this Term Sheet as the "**Definitive Agreements.**"

Upon the due execution and delivery of this Term Sheet by the Company and payment of the portion of each "DOE Loan Facility Fee" that is due and payable upon such execution and delivery (as provided in Annex A), this Term Sheet shall constitute a conditional commitment (the "**Conditional Commitment**") in accordance with Section 609.8(b) of the Regulations (as defined in Annex A). All provisions herein are subject to the terms and conditions of the Program Requirements (as defined in Annex A).

The Company represents and warrants to DOE as follows:

(a) the execution and delivery of this Term Sheet has been duly authorized by the Company and the obligations of the Company set forth in this Conditional Commitment constitute valid, legal, and binding obligations of the Company; and

(b) to the knowledge of the Company, the Company's applications for the Loan Guarantee (including all exhibits thereto, the "**Application**") and the Company's written responses to written due diligence questions from DOE (other than any forward-looking



information contained in the Application and such responses), taken together as a whole, are correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements are made at the time such information was made available. Any forward-looking information contained in the Application and the Company's written responses to written due diligence questions from DOE was prepared in good faith and was based on assumptions that the Company believed to be reasonable.

Payment Obligations. The Company shall pay or, at DOE's discretion, reimburse DOE or such persons as DOE may direct, for (a) all reasonable costs and expenses (including fees and expenses for outside legal counsel and consultants identified to the Company and with whom the Company has entered into a fee payment agreement letter) incurred by DOE in connection with the negotiation and preparation of this Term Sheet, the Definitive Agreements and the documents, instruments, and approvals required to be delivered hereunder or thereunder, and for all other reasonable out of pocket costs and expenses incurred by DOE, and (b) all costs and expenses (including fees and expenses for outside legal counsel) incurred in connection with the collection of any amount due hereunder. Reasonable costs and expenses incurred by DOE both prior to and subsequent to the date of execution of the Conditional Commitment by the Company shall be due and payable within 30 days following written demand by DOE.

Public Announcements. Neither the Company, nor any Borrower, nor any of their affiliates, on the one hand, nor DOE, on the other hand, shall issue any press release concerning the Conditional Commitment without the prior consent of the other, which consent shall not be unreasonably withheld or delayed. Any description of DOE, the Conditional Commitment, the terms and conditions thereof, or any other circumstances concerning DOE's support for the Company, the Borrowers or the Project shall be subject to DOE's prior written consent. The provisions of this paragraph shall not restrict in any way the Company or any Borrower or their affiliates from making any disclosures which the Company, any Borrower, or any of their affiliates determines are necessary or appropriate to comply with the requirements of law, including, without limitation, rules and regulations of the Georgia Public Service Commission or applicable securities laws.

Indemnification. To the extent permitted by the applicable law of the State of Georgia, the Company shall at all times indemnify and hold harmless DOE and its officials, employees, advisors, agents, and servants (each, an "Indemnified Person") from and against, and reimburse such Indemnified Persons for: (a) any and all losses, claims, damages, liabilities, penalties, costs and expenses of any kind or nature whatsoever in any way relating to or arising out of or in connection with the Conditional Commitment to which an Indemnified Person may become subject (each, a "Loss"); and (b) any and all claims, litigation, investigations or proceedings relating to any Loss regardless of whether any Indemnified Person is a party thereto, and any and all costs and expenses incurred by an Indemnified Person in defending, analyzing, settling, or resolving a Loss (the "Costs of Defense"). The foregoing indemnity shall not apply to the extent that a court or arbitral tribunal of competent jurisdiction renders a final non-appealable determination that a Loss or a Cost of Defense resulted from (i) the gross negligence or willful misconduct of an Indemnified Person, or (ii) DOE's failure to perform any act required of it under the Conditional Commitment, which failure was the subject of written notice from the

Company to DOE. The foregoing indemnity is independent of and in addition to any other rights of any Indemnified Person in connection with any Loss or Costs of Defense hereunder, under any other agreement, or at law. Each Indemnified Person shall have the right to control its, his or her defense; provided, however, that each Indemnified Person agrees to (x) notify the Company promptly after its, his or her receipt of a notice of the commencement of any claim, investigation or proceeding for which indemnification will be sought from the Company pursuant to this paragraph, and (y) keep the Company reasonably informed of material developments with respect thereto. The Company may, at any time and at its own expense, elect to participate in the defense of any claim for which indemnification will be sought from the Company. The Company shall not have any liability with respect to any settlement or compromise of any claim or proceeding effected without its prior written consent, which shall not be unreasonably withheld, nor shall the Company be liable for the fees and disbursements of more than one firm of attorneys in connection with the same matter in the same jurisdiction for all Indemnified Persons, unless it would be necessary or desirable to retain multiple firms of attorneys as a result of the interests of such Indemnified Persons not being fully aligned. The obligations in this paragraph shall survive execution and delivery of the Definitive Agreements.

If for any reason the Definitive Agreements are not executed and delivered on or before the earlier of December 31, 2012 or three months after issuance of the COL (as defined in Annex A), DOE's obligations under the Conditional Commitment shall terminate, unless extended by DOE in its sole discretion. In addition, without limiting DOE's rights under the Program Requirements, DOE may, at any time, by written notice to the Company, revoke this Term Sheet or terminate the Conditional Commitment, as applicable, terminate its obligations hereunder, or pursue any and all rights and remedies then available to DOE upon the occurrence of any of the following: (a) the Company fails or refuses to comply, or cause the Borrowers to comply, in a timely manner with any of the terms, provisions, or conditions of the Conditional Commitment; (b) DOE, in its reasonable judgment, determines that a material adverse change has occurred or is reasonably likely to occur in the (i) business, properties, or financial condition of the Company, any Borrower or the Project (as defined in Annex A), (ii) ability of the Company or any Borrower to carry out the Project or to perform its respective obligations hereunder or under the Definitive Agreements, or (iii) condition or value of any material collateral security; (c) any of the information, data, representations, or other materials submitted to DOE by or on behalf of the Company or any Borrower contains any inaccuracy, omission, or misrepresentation that is material to DOE's decision to provide the Loan Guarantee on the terms set forth herein; (d) it becomes unlawful for DOE or FFB to make or maintain any commitment to extend credit or allocate funds to the Borrowers for the Project due to the adoption of, change in, change in the interpretation of, or change in the effectiveness of, any applicable law after the date of this Term Sheet; (e) DOE, in its sole judgment, is not satisfied with the results of its due diligence investigation; (f) a determination by NRC (as defined in Annex A) that the COL will not be issued on or prior to December 31, 2012; or (g) the occurrence of any event that would constitute an Event of Default under any of clauses (n), (o) or (s) of Section 22 of Annex A, an abandonment of the Project or a total loss to either of the Project's nuclear Units. Upon any such termination, the Company shall pay to DOE on demand any fees, costs, expenses, or other amounts then due hereunder.

From the date of this Term Sheet until execution of the Definitive Agreements or termination of this Term Sheet or the Conditional Commitment, as applicable, the Company will promptly provide to DOE on an ongoing basis such information relating to the Company, its members, the Borrowers, the MEAG Power PPAs (as defined in Annex A), the Borrower PPAs (as defined in Annex A), JEA and PowerSouth (to the extent such information is in the possession of the Company or to the extent the Company can cause JEA and PowerSouth to provide such information), the Project and the financing thereof as may be reasonably requested by DOE.

The representations and warranties, and the payment, reimbursement, and indemnification provisions contained herein shall survive the execution of the Definitive Agreements and any modification, cancellation, termination, or expiration of the Conditional Commitment, as applicable, except as expressly provided in or superseded by the Definitive Agreements.

All payments due hereunder to DOE shall be paid in U.S. dollars by wire transfer in immediately available funds as follows:

U.S. Treasury Department
ABA No. 0210-3000-4 TREASNYC/CTR/BNF=D89000001
OBI=LGPO Loan No. 1024a - SPV1
1024b - SPV2
1024c - SPV3

The Company may not assign this Term Sheet or the Conditional Commitment, as applicable, or any rights hereunder to any person or entity. This Term Sheet and the Conditional Commitment is for the sole benefit of the Company and DOE, and the Borrowers upon their formation, and no other person (other than the Indemnified Persons) shall be a direct or indirect beneficiary thereof, be entitled to rely thereon, or have any direct or indirect cause of action or claim in connection therewith. The Conditional Commitment embodies the entire agreement and understanding among the parties hereto and supersedes any prior agreements or understandings, written or oral, relating to the subject matter hereof. The Conditional Commitment may not be amended or waived except by an instrument in writing signed by each of the parties hereto.

THE CONDITIONAL COMMITMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE FEDERAL LAW OF THE UNITED STATES OF AMERICA. TO THE EXTENT THAT FEDERAL LAW DOES NOT SPECIFY THE APPROPRIATE RULE OF DECISION FOR A PARTICULAR MATTER AT ISSUE, IT IS THE INTENTION AND AGREEMENT OF THE PARTIES HERETO THAT THE LAW OF THE STATE OF NEW YORK SHALL BE ADOPTED AS THE GOVERNING FEDERAL RULE OF DECISION.

Any legal action or proceeding with respect to the Conditional Commitment or any document related hereto may be brought in the courts of the United States of America located in the District of Columbia and, by execution and delivery of this Term Sheet, the Company accepts for itself and the Borrowers and in respect of their respective property, generally and unconditionally, the non-exclusive jurisdiction of the aforesaid courts. The Company hereby

accepts (for itself and on behalf of the Borrowers) venue in each such court and waives any right to claim inconvenience of the forum.

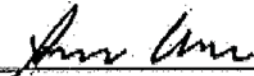
DOE AND THE COMPANY (FOR ITSELF AND ON BEHALF OF THE BORROWERS) WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE ARISING OUT OF, IN CONNECTION WITH, OR RELATED TO, THE CONDITIONAL COMMITMENT OR ANY OTHER INSTRUMENT, DOCUMENT, OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS RELATED THERETO.

This Term Sheet may be executed in separate counterparts, each of which shall be an original, and all of which taken together shall constitute one and the same agreement.

If this Term Sheet correctly sets forth our understanding please indicate your acknowledgement and agreement to the terms hereof by signing and returning to DOE an executed original counterpart of this Term Sheet no later than May 17, 2010. Upon timely receipt by DOE of such executed original counterpart (by facsimile with the original to follow by overnight or local courier) and payment of the portion of each "DOE Loan Facility Fee" that is due and payable upon such execution and delivery (as provided in Annex A), the Conditional Commitment shall constitute an effective and legally binding agreement between the parties as of the date hereof. The Company may request an extension of the date upon which execution of this Term Sheet is required. Extension of such date shall be at DOE's option.

Very truly yours,

**UNITED STATES DEPARTMENT OF
ENERGY**

By: 
Name: Steven Chu
Title: Secretary

ACKNOWLEDGED AND AGREED TO,
as of the date of this Term Sheet:

**MUNICIPAL ELECTRIC AUTHORITY
OF GEORGIA**

By: _____
Name: _____
Title: _____

**ANNEX A
TO DOE LOAN GUARANTEE LETTER
SUMMARY OF TERMS AND CONDITIONS**

This Annex A is a summary of the proposed principal terms and conditions for a U.S. Department of Energy ("**DOE**") guarantee of loans to three special purpose limited liability companies (each a "**Borrower**" and collectively, the "**Borrowers**"), each wholly-owned by Municipal Electric Authority of Georgia ("**MEAG Power**"), made by the Federal Financing Bank ("**FFB**") pursuant to Title XVII of the Energy Policy Act of 2005, as amended ("**Title XVII**").

The complete and final terms and conditions will be set forth in appropriate documentation (the "**Definitive Agreements**"), which will be negotiated by DOE, FFB, MEAG Power and the Borrowers (collectively, the "**Parties**"). Capitalized terms used but not defined in this Term Sheet have the meanings given to such terms (as of the date hereof) in the final regulations located at 10 C.F.R. Part 609 promulgated by DOE to implement Title XVII (the "**Regulations**").

All provisions of this Term Sheet are subject to the following: (i) the provisions of Title XVII and the Regulations, and (ii) all DOE or FFB legal and financial requirements, policies, and procedures applicable to the Title XVII program from time to time (the "**Program Requirements**," except that from and after the date that the Definitive Agreements are entered into, the term "Program Requirements" shall not include DOE or FFB requirements, policies and procedures referenced at subsection (ii) of this definition not having the force of law).

1. Parties

Borrowers: SPV1, SPV2 and SPV3, individually and not jointly nor severally.

SPV1: a special purpose limited liability company, to be formed as a wholly owned subsidiary of MEAG Power, owning a 9.3466% undivided interest in the Project.

SPV2: a special purpose limited liability company, to be formed as a wholly owned subsidiary of MEAG Power, owning a 5.6647% undivided interest in the Project.

SPV3: a special purpose limited liability company, to be formed as a wholly owned subsidiary of MEAG Power, owning a 7.6887% undivided interest in the Project.

MEAG Power: Municipal Electric Authority of Georgia.

Eligible Lender: FFB, an instrumentality of the United States government created by the Federal Financing Bank Act of 1973 that is under the general supervision of the Secretary of Treasury.

Loan Servicer: FFB, DOE, or such other financial institution

selected by DOE in its sole discretion.

Collateral Agent: a financial institution selected by DOE in its sole discretion.

2. Project

The construction of an approximately 2,214 MW nuclear generating facility in accordance with the Project Plans (as defined below), utilizing the Westinghouse AP1000 technology, and located approximately 30 miles south of Augusta, Georgia, including associated transmission facilities and fuel (the "*Project*"). The Project will be comprised of two units (the "*Units*"). The AP1000 is a pressurized water reactor with passive safety systems, designed to achieve and maintain safe shutdown in case of design-basis accidents without operator action, AC power or pumps. It is contemplated that SPV1 will own a 9.3466% undivided interest in the Project (the "*SPV1 Undivided Interest*"), SPV2 will own a 5.6647% undivided interest in the Project (the "*SPV2 Undivided Interest*"), and SPV3 will own a 7.6887% undivided interest in the Project (the "*SPV3 Undivided Interest*" and, each of the SPV1 Undivided Interest, the SPV2 Undivided Interest and the SPV3 Undivided Interest, an "*Undivided Interest*," and collectively, the "*Undivided Interests*"), with Oglethorpe Power Corporation ("*OPC*") owning a 30% undivided interest in the Project, Georgia Power Corporation ("*GPC*") owning a 45.7% undivided interest in the Project, and the City of Dalton ("*Dalton*") owning a 1.6% undivided interest in the Project (collectively, the Borrowers, OPC, GPC and Dalton are referred to as the "*Owners*").

MEAG Power will provide, or cause to be provided, detailed project plans that have been approved by the United States Nuclear Regulatory Commission (the "*NRC*") and any other regulatory authority the approval of which is required by law for the design, construction, equipping, operation and maintenance of the Project (the "*Project Plans*"), including without limitation engineering and construction plans, operating and maintenance plans and/or management plans. Such Project Plans may be revised from time to time by MEAG Power, the Borrowers or the Operator (as defined below) subject to receipt of any required approvals of the NRC and any other regulatory authority the approval of which is required by law.

Southern Nuclear Operating Company, a wholly-owned subsidiary of Southern Company (the "*Operator*"), will oversee construction of and operate the Project on behalf of

the Owners. The Operator will be the holder of the combined construction permit and operating license (the "COL") issued by the NRC. The Operator currently operates the Vogtle Electric Generating Plants Units 1 and 2, as well as four other nuclear units.

MEAG Power will provide, or cause to be provided, detailed plans for financing all estimated costs of construction and start-up of the Project attributable to the Undivided Interests ("*MEAG Base Project Costs*"). MEAG Power estimates as of the date of this Term Sheet that MEAG Base Project Costs equal \$3,688.1 million, as set forth on Schedule 1 attached hereto, and are attributable to each Borrower's Undivided Interest as follows: SPV1: \$ [REDACTED], SPV2: \$ [REDACTED] and SPV3: \$ [REDACTED]. As used herein, "*MEAG Overrun Project Costs*" shall mean the dollar amount of the portion of costs of construction and start-up of the Project attributable to the Undivided Interests, if any, in excess of MEAG Base Project Costs.

3. FFB Credit Facility

A loan from FFB (each, a "*Guaranteed Loan*") available to each Borrower in the principal amount (the "*Guaranteed Loan Amount*") of up to the lesser of (i) in the case of SPV 1, \$728,236,000, in the case of SPV2, \$692,546,000, and in the case of SPV3, \$599,739,000, and (ii) in each such case, such Borrower's Maximum Loan Percentage of its Eligible Project Costs which percentage, when taken together with each other Borrower's Maximum Loan Percentage of its Eligible Project Costs, shall not exceed 50% of Eligible Project Costs attributable to the Undivided Interests in the aggregate (which amounts to \$1,808,910,000), as set forth on Schedule 2 attached hereto. As used herein, "*Eligible Project Costs*" shall mean those portions of MEAG Base Project Costs that are eligible for funding as "Project Costs" as defined in the Regulations, and includes capitalized interest.

As used herein, "*Maximum Loan Percentage*" means, as of the date hereof (and based on the current base case financial model), (x) for SPV1, 41.88156%, (y) for SPV2, 71.20011% and (z) for SPV3, 41.83383%. To take account of possible changes in market conditions, each Borrower's Maximum Loan Percentage may be increased or decreased in the Definitive Agreements, with DOE's consent; provided, however, that (a) SPV2's Maximum Loan Percentage of its respective Eligible Project Costs may not exceed 72%, (b) the aggregate of all three Borrowers' Maximum Loan Percentages shall not exceed 50% of the Borrowers' aggregate Eligible

Project Costs and (c) in the case of each of SPV1 and SPV3, such Borrower's Maximum Loan Percentage of its respective Eligible Project Costs shall not exceed 50%.

A sub-limit of the Maximum Loan Percentage for each Borrower will be sized to cover the debt service reserve requirement for its Guaranteed Loan (for SPV 1, [REDACTED], for SPV 2, [REDACTED], and for SPV 3, [REDACTED]).

payment due on the final maturity date for such Guaranteed Loan) (such sub-limit for each Borrower, such Borrower's "DSR Sub-Limit" and, together, the "DSR Sub-Limits"). Advances under the DSR Sub-Limits will be made only to pay debt service on the applicable Guaranteed Loan in the event that adequate cash is not available (including in the applicable debt service reserve account) to make such payments, and may not be borrowed for any other purpose. Advances under the DSR Sub-Limits will not be subject to the satisfaction of any conditions precedent, other than the delivery of at least one Business Day's prior written notice of the Advance request.

Amounts borrowed and repaid may not be reborrowed.

4. Equity Commitments and Contributions

All portions of MEAG Base Project Costs attributable to each Borrower's Undivided Interest that are not Eligible Project Costs ("*Ineligible Project Costs*"), and each Borrower's Balance Percentage of Eligible Project Costs, shall be paid from equity provided by MEAG Power. MEAG Power shall commit to provide such equity to each Borrower ("*Base Equity*"), on terms and conditions satisfactory to DOE, in an amount (the "*Base Equity Commitment*") not less than 100% of all Ineligible Project Costs attributable to such Borrower's Undivided Interest, plus such Borrower's Balance Percentage of its Eligible Project Costs. As used herein, "*Balance Percentage*" means, with respect to a Borrower, the difference between 100% minus such Borrower's Maximum Loan Percentage.

MEAG Power shall commit to fund 100% of MEAG Overrun Project Costs attributable to each Borrower's Undivided Interest from sources other than the Guaranteed Loans (the "*Overrun Equity Commitment*"). Amounts previously funded by MEAG Power and applied to pay MEAG Base Project

Costs attributable to a Borrower's Undivided Interest that are in excess of MEAG Power's Base Equity Commitment for such Borrower (and are not reimbursed to MEAG Power as permitted under Section 8 below) will be credited towards MEAG Power's Overrun Equity Commitment for such Borrower.

MEAG Power will issue bonds (the "**Bonds**") to fund its equity commitments and contributions with respect to each Borrower. Bonds with respect to each Borrower will be issued pursuant to one or more bond resolutions ("**Bond Resolutions**") that will authorize the issuance of such Bonds and provide for such Bonds to be secured by the revenue stream of the applicable Undivided Interest, including under the applicable MEAG Power PPAs (as defined below), and certain accounts into which such revenues are deposited, all as described in greater detail in Schedule 3 hereto, (together, the "**Shared Collateral**"). Rights in the applicable Shared Collateral that are for the benefit of DOE may be granted to a trustee for the benefit of the applicable Borrower (as a creditor of MEAG Power under the applicable Borrower PPA) and pledged to DOE pursuant to such Borrower's security documents. The Bonds and the Bond Resolutions will be on terms and conditions satisfactory to DOE.

5. **DOE Guarantee** An unconditional guarantee by DOE (each, a "**DOE Guarantee**") of 100% of the principal of and interest on the applicable Guaranteed Loan (the "**Guaranteed Obligations**") in accordance with the Program Requirements and on terms and conditions as agreed with FFB.
6. **Full Faith and Credit** The DOE Guarantee will be irrevocable and unconditional and will pledge the full faith and credit of the United States of America to the payment of the Guaranteed Obligations.
7. **Availability of Funds** Subject to the terms of the Definitive Agreements, advances of each Guaranteed Loan (each an "**Advance**") may be requested from time to time during the period from (x) the Financial Closing Date (as defined in Section 16 below) through (y) a date to be agreed in the Definitive Agreements (the "**Availability Period**"). For the DSR Sub-Limits the end of the Availability Period will be the final maturity date.
8. **Use of Proceeds** The proceeds of Advances will be used to pay Eligible Project Costs in accordance with a financial plan and construction budget to be submitted to DOE by or on behalf of the applicable Borrower. The applicable Borrower will provide

updated financial plans and construction budgets to DOE each quarter, unless there have been no material changes to the previously delivered plans and budgets, in which case the applicable Borrower will certify to DOE that no material changes have been made.

Each Borrower shall request an Advance by submitting an Advance request to DOE. Each Borrower will certify in each Advance request that the amounts are to be borrowed: (i) to pay Eligible Project Costs (other than interest-related expenses on the Bonds) then due and payable by such Borrower, or (ii) to reimburse such Borrower for Eligible Project Costs (other than interest-related expenses on the Bonds) incurred after the Financial Closing Date that have been previously paid by such Borrower after the Financial Closing Date and have not been the subject of a prior Advance, in each case in accordance with the then-current financial plan and construction budget submitted by such Borrower; provided, that amounts may also be borrowed to reimburse MEAG Power to the extent Base Equity contributed by MEAG Power towards such Borrower's Eligible Project Costs (but not towards such Borrower's Overrun Equity Commitment or MEAG Overrun Project Costs) exceeds such Borrower's Balance Percentage of its Eligible Project Costs and provided further that the DOE Engineer has confirmed that no MEAG Overrun Project Costs for such Borrower are anticipated (or, if the DOE Engineer advises that any MEAG Overrun Project Costs are anticipated for such Borrower, after giving effect to any such reimbursement, MEAG Power's contributions made towards its applicable Overrun Equity Commitment will continue to be equal to or greater than such MEAG Overrun Project Costs projected by the DOE Engineer). Each Advance request will provide sufficient detail of the subject Eligible Project Costs and include wire transfer instructions and copies of invoices. Each Advance request will be reviewed and certified by MPR Associates, Inc., or such other engineering firm selected by DOE in its sole discretion (the "*DOE Engineer*"). The DOE Engineer will be permitted to conduct reasonable periodic inspections of the Project during construction, subject to the rules and regulations of the NRC.

Amounts requested in any Advance request will be funded by FFB within five business days following receipt by FFB of (i) an Advance request from the applicable Borrower, and (ii) an Advance approval notice from DOE. DOE shall promptly review each Advance request and, after such review and receipt of all necessary certifications, shall promptly issue

an Advance approval notice. Each Borrower may request Advances no more frequently than once per calendar quarter.

9. Amortization; Term

The outstanding principal amount of each Guaranteed Loan will be payable in quarterly installments commencing on a date to be agreed in the Definitive Agreements; provided that the applicable Borrower shall not be required to commence repayment of the principal amount of its Guaranteed Loan earlier than the projected commercial operation date for the Project (each such payment date, a "*Principal Payment Date*"). Amortization of each Guaranteed Loan will be computed on the basis of level mortgage-style debt amortization over a period of 40 years commencing from the projected commercial operation date for the Project (to be identified prior to the Financial Closing Date and specified in the Definitive Agreements), with the outstanding principal amount payable on the final maturity date of such Guaranteed Loan. The final maturity of each Guaranteed Loan will be the last Principal Payment Date to occur prior to the date that is 360 months after the date of the Financial Closing Date.

10. Interest Rate; Late Charge Rate

The interest rate on each Advance may be a fixed rate or a floating rate as selected by the applicable Borrower at the time of such Advance. The interest rate on each Advance (each such interest rate, an "*Advance Interest Rate*") will be a rate per annum equal to the sum of (x) the single equivalent rate of the Advance repayment stream determined from Treasury's "Constant Maturity Treasury" curve, taking into consideration the shortest maturity Treasury bill being then currently auctioned, up through the Constant Maturity Treasury rate corresponding to the period from the date of such Advance to the end of the interest rate calculation period selected by the Borrower for such Advance, plus (y) a spread to be calculated prior to closing, to be determined in accordance with FFB policy guidelines.

The applicable Borrower may select multiple interest rate calculation periods for each Advance in accordance with FFB policies and procedures, whereby the interest rate calculation method and interest rate period may be reset periodically for any particular Advance; provided, that each Advance shall have only one Advance Interest Rate at any given time. The applicable Borrower may request multiple Advances on the same Advance request date, each Advance with a separate interest rate calculation period. Any such interest rate resets shall not be considered amounts repaid and reborrowed for purposes of Section 3 (*FFB Credit Facility*) of this Term

Sheet.

All overdue amounts on each Guaranteed Loan will accrue interest at a late charge rate (the "*Late Charge Rate*") equal to ~~one and one-half times the rate to be determined by the~~ Secretary of the Treasury taking into consideration the prevailing market yield on the remaining maturity of the most recently auctioned 13-week United States Treasury bills.

The initial Late Charge Rate shall be in effect until the earlier to occur of either (A) the date on which payment of the overdue amount and the amount of the accrued late charge is made, or (B) the first Interest Payment Date or Principal Payment Date to occur after the scheduled date of payment for such overdue amount. In the event that the overdue amount and the amount of the accrued late charge are not paid on or before such Interest Payment Date or Principal Payment Date, then the amount payable shall be the sum of the overdue amount and the amount of the accrued late charge, plus a late charge on such sum accruing at a new Late Charge Rate to be then determined in accordance with the preceding paragraph. For so long as any overdue amount remains unpaid, the Late Charge Rate shall again be redetermined on each Interest Payment Date or Principal Payment Date, as the case may be, and shall be applied to the overdue amount and all amounts of the accrued late charge to the date on which payment of the overdue amount and all amounts of the accrued late charge is made.

11. Interest Payments

Interest will accrue from the first Advance and be payable in cash in arrears on each date interest is due under the applicable FFB Promissory Note (each such payment date, an "*Interest Payment Date*"). On any Interest Payment Date to occur during the Availability Period, the applicable Borrower shall be permitted to borrow all or a portion of the amount of its accrued interest due and payable on such Interest Payment Date by making a request for an Advance (and, subject to the satisfaction of all applicable conditions precedent, FFB will make an Advance by an internal transfer of funds on the books of the U.S. Department of the Treasury in the specified amount and shall apply such amount to the payment of such accrued interest).

Interest on each Advance shall be computed on the basis of (a) actual days elapsed from (but not including) the date on which the respective Advance is made (for the first Interest Payment Date for the respective Advance) or the last Interest Payment Date (for all other payments of interest due under the applicable FFB Promissory Note for the respective Advance), to (and including) the next Interest Payment Date, and (b) a year of 365 days.

12. DOE Fees

The Borrowers (or MEAG Power on their behalf) have paid or will pay the following fees to DOE (collectively, the "*DOE Fees*");

Application Fee: A single application fee (on behalf of all Borrowers) of \$800,000 (which DOE acknowledges that it has received in two payments, the first on September 23, 2008 in the amount of \$200,000 and the second on December 19, 2008 in the amount of \$600,000).

DOE Loan Facility Fee: A facility fee equal to 0.5% of each Guaranteed Loan Amount, 20% of which is payable upon the execution of this Term Sheet and 80% of which is payable not later than the Financial Closing Date (as defined below in Section 16 (*Definitive Agreements*) of this Term Sheet) for such Guaranteed Loan.

DOE Maintenance Fee: A maintenance fee payable to DOE by each Borrower for DOE's administrative expenses in servicing and monitoring the Project and the applicable Guaranteed Loan during the construction, startup, commissioning and operation of the Project in the amount of \$66,667 for the first year, subject to escalation each year as determined in the following sentence, until completion of the second refueling outage for the Project, at which time the maintenance fee for each Borrower shall be reset at \$33,334, subject to escalation each year as determined in the following sentence for each remaining year over the scheduled term of the applicable Guaranteed Loan. The maintenance fee shall be payable each year in advance, commencing on the Financial Closing Date. The maintenance fee shall be modified in an amount equal to the percentage determined by the sum of (i) the percentage (rounded to the nearest one-tenth of one percent) by which the ECI for the Base Quarter of the year before the preceding calendar year deviates from the ECI for the Base Quarter of the second year before the preceding calendar year (if at all), plus (ii) the percentage (rounded to the nearest one-tenth of one percent) by which the amount of the

comparability payment for federal government employees in the Washington Metropolitan Area (as defined by the United States Office of Management and Budget) recommended by the President's Pay Agent (if any) for the year before the ~~preceding calendar year deviates from the amount of such~~ comparability payment (if any) recommended by the President's Pay Agent for the second year before the preceding calendar year. "*Base Quarter*" means the quarter ending September 30 in the given calendar year and "*ECI*" means the Employment Cost Index, as published by the Bureau of Labor Statistics for the relevant period.

DOE Modification Fee: A modification fee payable to DOE in the event that the Project experiences technical, financial, legal or other events which require the DOE to incur time or expenses (including third-party expenses) beyond standard monitoring of the applicable Definitive Agreements, reimbursing DOE in full for such amounts as DOE reasonably determines are its additional internal administrative costs and related expenses of its independent consultants and outside legal counsel, to the extent that such third parties are not paid directly by the applicable Borrower.

13. Credit Subsidy

The credit subsidy cost for each DOE Guarantee is the "cost of a loan guarantee," as set forth in Section 502(5)(C) of the Federal Credit Reform Act of 1990 (each, a "*Credit Subsidy Cost*"). The final Credit Subsidy Cost amount for each Guaranteed Loan shall be determined by DOE in its sole discretion, taking into consideration, among other things, the spread to Treasury as applied by FFB, subject to review and approval by the Office of Management and Budget prior to the Financial Closing Date.

Changes to the terms of the transaction requested by any Borrower that constitute "modifications" as set forth in Federal Credit Reform Act of 1990 and OMB Circular A-11 may result in an increase of the applicable Credit Subsidy Cost that such Borrower may be required to pay. Except if explicitly authorized by an act of Congress, none of the Borrowers shall use any funds obtained from the United States government, or from a loan or other instrument guaranteed by the United States government, to pay for any Credit Subsidy Cost, administrative fees, or other fees charged by or paid to DOE pursuant to the Program Requirements.

14. Mandatory Prepayments

The Definitive Agreements shall require each Borrower to make mandatory prepayments of its Guaranteed Loan upon the occurrence of any of the following events (with customary qualifications and exceptions):

- (a) With the proceeds of insurance or condemnation to the extent such proceeds are not used to rebuild or restore the Project or upon a total loss to either of the Project's nuclear Units;
- (b) the receipt of liquidated damages under the engineering, procurement and construction contracts, other than (i) amounts used to pay to construct, rebuild or restore the Project and (ii) the amounts of any delay liquidated damages needed to pay financing and operating costs payable during the period of the delay;
- (c) sales of any assets no longer used or useful in the operation of the Project facilities, or any other assets of the applicable Borrower, in excess of an amount to be agreed in the Definitive Agreements in a single transaction or a series of related transactions, in an amount equal to the proceeds of such unless applied or to be applied to the acquisition of replacement assets; and
- (d) at DOE's request, in the event of (and pro-rata to) any prepayment of the applicable Bonds, other than (i) a refunding or refinancing of any such Bonds or (ii) a redemption of any such Bonds with the proceeds of such Bonds that were not applied to, and are not needed for, the payment of Project costs.

Mandatory prepayments may include a premium or a discount in accordance with FFB requirements.

15. Voluntary Prepayments

Each Borrower may prepay all of the principal amount of any Advance of its Guaranteed Loan upon prior written notice to FFB, DOE and the Loan Servicer and subject to certain conditions, including without limitation: (i) minimum amount requirements and (ii) payment of (x) all accrued and unpaid interest on such principal amount, and (y) any fees and expenses then payable, including any prepayment premiums or other amounts as may be required under the Definitive Agreements. All voluntary prepayments will be applied to the remaining scheduled principal payments on the applicable Guaranteed Loan in accordance with the Definitive

Agreements.

Voluntary prepayments may include a premium or a discount in accordance with FFB requirements.

16. Definitive Agreements


Upon execution of this Term Sheet by DOE and MEAG Power, the parties agree to work to negotiate and execute mutually acceptable Definitive Agreements for the Guaranteed Loans to each Borrower and the DOE Guarantees. The Definitive Agreements shall set forth the final terms for the Guaranteed Loans and the DOE Guarantees. The Definitive Agreements for the Guaranteed Loan to each Borrower shall include without limitation (i) a Common Terms Agreement, a Loan Guarantee Agreement, an FFB Note Purchase Agreement, an FFB Promissory Note, a Consent and Acknowledgment from the other Owners and an FFB Program Financing Agreement, (ii) the security documents, such as the Collateral Agency Agreement and all security agreements necessary or desirable to create and perfect security interests in the Collateral, or to establish and maintain each Borrower's or DOE's rights to, or interests in, the Shared Collateral, (iii) with respect to each Guaranteed Loan, an Equity Contribution and Undertaking Agreement (each, an "*Equity Contribution and Undertaking Agreement*") among MEAG Power, the applicable Borrower, DOE and FFB, pursuant to which MEAG Power will commit to provide the applicable Base Equity Commitment and Overrun Equity Commitment and to make certain undertakings, for the duration of the applicable Guaranteed Loan, including with respect to the applicable MEAG Power PPA(s) (such as enforcement of rights, limitations on amendments, waivers and liens, and application of revenues) and the applicable Bond Resolutions (such as limitations on amendments), and the threshold for applicability of the limitations to be included in such undertakings will be agreed in the Definitive Agreements, (iv) other definitive agreements, such as the Environmental Indemnity Agreements and others reasonably required by DOE or FFB as a result of matters specifically identified in their due diligence investigation.

The execution of each Loan Guarantee Agreement and FFB Promissory Note and the issuance of the DOE Guarantee (the date of such execution and issuance, the "*Financial Closing Date*") will be subject to the satisfaction of all of the conditions set forth in Section 17 (*Conditions Precedent to Financial Closing Date*) and Section 18 (*Conditions Precedent to Each Advance*) (other than those identified as

"not applicable to the Financial Closing Date") of this Term Sheet. The initial Advance under each Guaranteed Loan may not be made prior to the occurrence of the Financial Closing Date for such Guaranteed Loan.

17. Conditions Precedent to Financial Closing Date

The occurrence of the Financial Closing Date for each Guaranteed Loan is subject to closing conditions as are usual and customary for financings of this type or as are otherwise deemed necessary or appropriate for this transaction in particular, including without limitation to the satisfaction of the following conditions, each of which must be to the satisfaction of DOE or FFB, as applicable:

- (a) DOE shall have completed its due diligence review of the applicable Borrower, MEAG Power, the Project, the Operator, and all matters related thereto, and the results thereof shall be satisfactory to DOE, including that no material adverse issues exist with respect to the applicable Borrower, MEAG Power, the Project, the Operator, or any Material Offtaker under the laws of the United States, the State of Georgia, or any subdivision thereof. As used herein, "*Material Offtakers*" means (i) with respect to SPV1, JEA and certain other material Offtakers (or group of Offtakers) for SPV1's Undivided Interest that are participants in MEAG Power, (ii) with respect to SPV2, PowerSouth and certain other material Offtakers (or group of Offtakers) for SPV2's Undivided Interest that are participants in MEAG Power, and (ii) with respect to SPV3, certain material Offtakers (or group of Offtakers) for SPV3's Undivided Interest;
- (b) MEAG Power will have assigned to the applicable Borrower its Undivided Interest, pursuant to documentation satisfactory to DOE;
- (c) execution of the Definitive Agreements for each Guaranteed Loan;
- (d) 

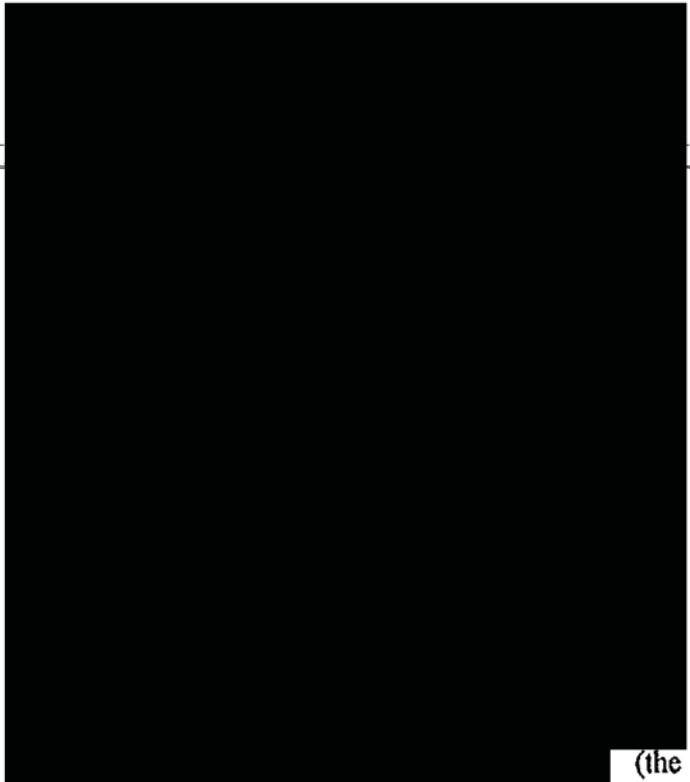
[REDACTED]

(e) MEAG Power will have entered into [REDACTED]

[REDACTED]

As used herein, "*Offtakers*" means each purchaser of power party to a MEAG Power PPA;

(f) execution of the "*Project Documents*", which shall include [REDACTED]



(the Definitive Agreements, together with the Project Documents, collectively, the "*Transaction Documents*");

- (g) all representations and warranties shall be true and correct;
- (h) delivery of all necessary consents, approvals and waivers from third parties; including consents to assignment;
- (i) delivery of organizational documents in form and substance satisfactory to DOE for the applicable Borrower, MEAG Power and the Material Offtakers;
- (j) delivery of secretary's certificates, resolutions, incumbencies and (to the extent applicable) good standing certificates for the applicable Borrower, MEAG Power and the Material Offtakers in form and substance acceptable to DOE;
- (k) delivery of such legal opinions, bring-down certificates, reliance letters and similar documents as DOE or FFB may request, including legal opinions under the laws of New York, Georgia, Florida and

Alabama, and covering, among other matters, the enforceability of the MEAG Power PPAs with the MEAG Participants, JEA and PowerSouth (and, in particular, the enforceability of the hell-or-high-water provisions thereof), the Bond Resolutions and validation orders;

- (l) delivery of most recent (i) financial statements for the applicable Borrower, MEAG Power, JEA (in the case of SPV1) and PowerSouth (in the case of SPV2) and (ii) to the extent available, "shadow ratings" from Standard & Poors, Moody's or Fitch for the MEAG Power participants that are Offtakers for the applicable Borrower;
- (m) not later than 30 days prior to the Financial Closing Date, delivery of an updated credit rating from a nationally recognized rating agency reflecting the Conditional Commitment without the DOE Guarantee;
- (n) payment in full of the applicable Credit Subsidy Cost in accordance with Program Requirements;
- (o) payment of all DOE Fees due as of the Financial Closing Date;
- (p) the Director of the Office and Management and Budget has certified in advance in writing that the applicable DOE Guarantee and the Project comply with the provisions of the Omnibus Appropriations Act, 2009, P.L. No. 111-8, Division C, Title III, as amended by Section 408 of the Supplemental Appropriations Act, 2009, P.L. No. 111-32;
- (q) acquisition of all real estate rights and other property interests required for the development of the Project;
- (r) evidence that the Owners have available, directly or indirectly, all the patents and technology necessary to complete and operate the Project;
- (s) delivery of environmental site assessments and associated reliance letters and satisfaction of any additional environmental requirements in accordance with DOE policy set forth in the Definitive Agreements;

- (t) the Operator shall have received the COL and the relevant parties shall have received all environmental, regulatory and other permits and approvals then required for the current stage of development of the Project, including the final environmental impact statement, the final safety evaluation report and the publication of a record of decision by DOE;
- (u) delivery of a report and associated closing certificate from the DOE's Engineer;
- (v) evidence that (i) MEAG Power has authority to issue Bonds for the Undivided Interests in an amount up to \$14,350,000,000, and (ii) Bond proceeds have been raised in an amount of at least (A) \$ [REDACTED] for SPV1 (to satisfy its Base Equity Commitment and to provide availability for its Overrun Equity Commitments), (B) \$ [REDACTED] for SPV2 (to satisfy its Base Equity Commitment and to provide availability for its Overrun Equity Commitments), and (C) \$ [REDACTED] for SPV3 (to satisfy its Base Equity Commitment and to provide availability for its Overrun Equity Commitments);
- (w) receipt of the Advance Schedule, the Financial Plan, the Base Case Projections, the Construction Plan, and the Construction Budget;
- (x) not less than 30 days prior to the Financial Closing Date, updated financing information if the terms and conditions of the financing arrangements changed between the date of execution of this Term Sheet and the Financial Closing Date, and the Parties shall amend the Definitive Agreements to reflect the revised terms and conditions in the event such revisions occur;
- (y) evidence of the filing of all documents and taking of all actions required or desirable to ensure perfection of a first-priority perfected security interests in the Collateral, and to establish and maintain the applicable Borrower's or DOE's rights to, and interests in, the Shared Collateral (which, in each case, shall be free and clear of all liens other than Permitted Liens);
- (z) delivery of a certification from the applicable Borrower, certificates from insurers, and such other evidence as DOE may request (i) that such Borrower

has in effect insurance coverage for the Project that is in accordance with normal nuclear industry practices, and (ii) that the applicable insurance policies are in full force and effect without default and that all premiums have been paid;

- (aa) delivery of evidence that notice to proceed has been issued under the EPC Agreement;
- (bb) evidence that the Project Accounts have been established, and that satisfactory arrangements have been put in place with respect to the Shared Collateral;
- (cc) receipt of satisfactory lien and judgment searches;
- (dd) all DOE requirements as set forth in the Regulations have been satisfied; and
- (ee) receipt by DOE of satisfactory evidence that each Borrower has complied with all Davis Bacon Requirements (as defined below in Section 20(aa) (*Affirmative Covenants*) of this Term Sheet).

18. Conditions Precedent to Each Advance

Each Advance of each Guaranteed Loan and DOE Guarantee, including the initial Advance and the occurrence of the Financial Closing Date (but not including Advances under the DSR Sub-Limits), will be subject to conditions as are usual and customary for financings of this type, or as are otherwise deemed necessary or appropriate for this transaction in particular (with customary qualifications and exceptions, including materiality and material adverse effect qualifiers), including the satisfaction of the following conditions, each of which must be to the satisfaction of DOE or FRB, as applicable:

- (a) (i) all representations and warranties shall be true and correct in all material respects, provided that any representation and warranty relating to an earlier date shall be true and correct in all material respects as of such earlier date, and (ii) no Event of Default or potential Event of Default shall have occurred and be continuing; provided, however, that if the relevant default is one of the defaults referenced in the proviso at the end of Section 22 (*Events of Default*) of this Term Sheet, and subsection (i) or (ii) of such proviso shall apply to such default, such default shall be deemed not to be continuing for purposes of this

Section 18(a);

- (b) the applicable Borrower is in compliance with its Definitive Agreements and MEAG Power is in compliance with the applicable Equity Contribution and Undertaking Agreement;
- (c) receipt of an Advance request from the applicable Borrower, together with a certification as to the satisfaction of conditions precedent; (not applicable for Financial Closing Date if no Advance is to be made)
- (d) payment of all DOE Fees and other fees and expenses payable to DOE, its counsel and its advisors that are then due;
- (e) receipt of all necessary certifications and delivery of officer's certificates and other customary certificates;
- (f) immediately following the Advance, the aggregate amount of all Base Equity for such Borrower shall equal or exceed such Borrower's Balance Percentage of its Eligible Project Costs previously paid by or on behalf of the Borrower or previously funded with Advances or to be paid with proceeds of such Advance, plus all Ineligible Project Costs then required for the timely completion of the Project; (not applicable for Financial Closing Date if no Advance is to be made)
- (g) receipt of written certification from the applicable Borrower that it has complied with the reporting requirements of the Program Requirements;
- (h) evidence that the proceeds of all Advances to be made will pay for Eligible Project Costs that have been incurred, together with sufficient description thereof, as certified by DOE's Engineer; (not applicable for Financial Closing Date if no Advance is to be made)
- (i) certification by the applicable Borrower that the proceeds of all prior Advances have been applied for Eligible Project Costs; (not applicable for Financial Closing Date or initial Advance)
- (j) copies of all governmental approvals, permits or consents not previously delivered, as required from time to time for the construction or operation of the

Project or as otherwise required under the Transaction Documents;

(k) ~~such other documents, certifications or consents relating to the Project or the matters contemplated by the Transaction Documents as DOE may reasonably request; and~~

(l) receipt by DOE of satisfactory evidence that the applicable Borrower has complied with all Davis Bacon Requirements.

19. Representations and Warranties

The Definitive Agreements will contain such customary and appropriate representations and warranties as are usual and customary for financings of this kind or are otherwise deemed appropriate by DOE and FFB for this transaction in particular (with customary qualifications and exceptions, including materiality, material adverse effect and knowledge qualifiers), including without limitation:

- (a) due organization and valid existence;
- (b) good standing of the applicable Borrower;
- (c) power and authority;
- (d) capitalization, ownership and organization;
- (e) solvency;
- (f) legality, validity and enforceability of the applicable Transaction Documents and the applicable Bond Resolutions;
- (g) no conflicts with charter, bylaws, contracts and applicable laws;
- (h) no litigation;
- (i) indebtedness;
- (j) no defaults;
- (k) no judgments or orders against the applicable Borrower or MEAG Power that could reasonably be expected to have a material adverse effect on its financial condition;

- (l) compliance by the applicable Borrower and the Project in all respects with Title XVII and the Regulations;
- (m) compliance by the applicable Borrower and the Project in all material respects with (i) all other requirements of law and (ii) all other Program Requirements (other than subsection (i) of the definition of "Program Requirements") (it being understood that the Borrower shall be deemed in compliance with the foregoing for this purpose if (x) with respect to any assertion by any governmental agency of non-compliance, the applicable Borrower or the Operator is contesting in good faith by appropriate legal proceedings such assertion that the applicable Borrower or the Operator is not in compliance, and (y) with respect to any violation being cured pursuant to a Remediation Plan (as defined in Section 22 (*Events of Default*) of this Term Sheet), the applicable Borrower or the Operator is diligently working to cure such non-compliance according to such Remediation Plan);
- (n) disclosure (including completeness and accuracy) and projections (including good faith and reasonableness);
- (o) Project Plans;
- (p) title to properties;
- (q) no liens (except for the lien created by the security documents and agreed upon permitted liens) against the applicable Borrower's assets or the equity ownership of the applicable Borrower or the applicable MEAG Power PPAs or Shared Collateral;
- (r) taxes;
- (s) third party consents and government permits and approvals;
- (t) validity, perfection and priority of security interests with respect to the Collateral and the Shared Collateral;
- (u) financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the applicable Borrower and MEAG Power, as of and from the dates indicated, and such financial statements have been prepared in conformity

with U.S. GAAP;

- (v) Employee Retirement Income Security Act of 1974, as amended ("*ERISA*"), and other labor and employment matters;
- (w) no default under the Definitive Agreements has occurred and is continuing;
- (x) no corrupt or prohibited practices by the applicable Borrower;
- (y) no "*Material Adverse Effect*" (defined as (a) a material adverse change in, or a material adverse effect upon, the operations, business, assets, properties, liabilities (actual or contingent) or condition (financial or otherwise) of the applicable Borrower or (if required by DOE following completion of its due diligence review of MEAG Power) MEAG Power; (b) a material impairment of (i) the rights or remedies of FFB or DOE under the applicable Definitive Agreements or (ii) the ability of the applicable Borrower or MEAG Power to perform its obligations under the Definitive Agreements or the Project Documents to which it is a party or (iii) the liens on the applicable Collateral or Shared Collateral; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability (i) against the applicable Borrower, MEAG Power or any Material Offtaker of any applicable Definitive Agreement or Project Document to which it is a party or (ii) of any Bond Resolution;
- (z) not required to register as an investment company under the Investment Company Act of 1940, as amended;
- (aa) based on conditions existing as of the date of such representation, the applicable Borrower reasonably expects that total funding available to the applicable Borrower will be sufficient to fund such Borrower's share of (i) the MEAG Base Project Costs and (ii) the MEAG Overrun Project Costs that are reasonably expected to be incurred;
- (bb) no violation of Foreign Asset Control Regulations;
- (cc) the Guaranteed Loan will not finance, directly or

indirectly, tax-exempt debt obligations;

- (dd) insurance;
- ~~(ee) possession of franchises, certificates, licenses, permits and other authorizations necessary for operation;~~
- (ff) no funds, personnel or property (tangible or intangible) of any federal agency, instrumentality, personnel or affiliated entity are expected to be used (directly or indirectly) through acquisitions, contracts, demonstrations, exchanges, grants, incentives, leases, procurements, sales, other transaction authority, or other arrangements, to support the Undivided Interests or to obtain goods or services from the Undivided Interests, except to the extent that the Undivided Interests benefit from any exemption set forth in Omnibus Appropriations Act, 2009, P.L. No. 111-8, Division C, Title III, as amended by Section 408 of the Supplemental Appropriations Act, 2009, P.L. No. 111-32;
- (gg) availability and adequacy of all patents and technology necessary to complete and operate the Project;
- (hh) government permits and approvals;
- (ii) environmental and safety matters;
- (jj) applicable Project Documents;
- (kk) the applicable Borrower has delivered to DOE a current and complete copy of the construction plan and budget;
- (ll) single-purpose nature of the applicable Borrower, no prior business activity other than related to its Undivided Interest in the Project;
- (mm) no subsidiaries of the applicable Borrower;
- (nn) existing and other material agreements;
- (oo) operation of business;
- (pp) ownership and sufficiency of Project assets, Project Documents and necessary assignments;

- (qq) rights to intellectual property;
- (rr) third party consents;

- ~~(ss) no transactions with Affiliates, other than pursuant to the Transaction Documents on arm's length basis;~~
- (tt) not subject to the Public Utility Company Holding Act;
- (uu) no judgment liens; and
- (vv) compliance with all Davis Bacon Requirements.

Unless otherwise noted, the representations and warranties in (a) - (e) above will include representations and warranties related to MEAG Power and the Borrowers only.

20. Affirmative Covenants

The Definitive Agreements shall contain such affirmative covenants as are usual and customary for financings of this kind or as are otherwise deemed appropriate by DOE and FFB for this transaction in particular (with customary qualifications and exceptions, including materiality), including, without limitation, regarding:

- (a) use of proceeds;
- (b) maintenance of company existence, rights, franchises and authority;
- (c) separateness;
- (d) maintenance of (i) first priority security interests in the Collateral and (ii) such Borrower's or DOE's rights to, and interests in, the Shared Collateral;
- (e) performance of Transaction Documents to which it is a party and other material agreements to which it is a party;
- (f) provision of financial statements and other information as provided in Section 28 (*Reporting Requirements*) of this Term Sheet;
- (g) provision of default notices and notices of other material events and information, including material events involving any applicable Borrower PPA or MEAG Power PPA;

- (h) maintenance of required insurance and application of proceeds thereof;
- (i) payment of taxes, fees, etc.;
- (j) maintenance of nationally recognized independent auditors;
- (k) maintenance of books and records and inspection thereof, including such records as are necessary to facilitate an effective and accurate audit and performance evaluation of the Project as required by Program Requirements;
- (l) maintenance of properties in good working order and title thereto;
- (m) compliance with debarment regulations;
- (n) maintenance of audit provisions complying with 10 C.F.R. § 609.10(f);
- (o) compliance with lobbying requirements under 31 U.S.C. § 1352;
- (p) provision to DOE of construction budgets, monthly construction progress reports for the Project, periodic operating budgets and progress reports for the Project and disclosure of cost overruns;
- (q) maintenance of and compliance with permits, licenses, approvals and consents for the applicable Borrower and the Project;
- (r) construction of the Project substantially in accordance with the Project Plans as directed or permitted by the NRC;
- (s) provision to DOE and its representatives and advisors, including DOE's Engineer, of access to the Project site and ancillary facilities at all reasonable times in order to monitor the performance of the Project, subject to the rules and regulations of the NRC;
- (t) maintenance of direct or indirect access to all patents and technology necessary to complete and operate the Project;

- (u) provision of a description of any material changes to any existing, and copies of any new, material agreements;
- (v) maintenance of adequate accounting, management information and cost control systems;
- (w) maintenance of Project Accounts and the cash flow arrangements forming part of the Shared Collateral;
- (x) ERISA covenants;
- (y) further assurances;
- (z) compliance with the requirement that all laborers and mechanics employed by contractors and subcontractors in the performance of construction work related to the Project shall be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with the Davis Bacon Act, and all regulations related thereto, including but not limited to those set forth in 29 C.F.R. § 5.5(a)(1) to (10), and all notice, reporting and other obligations related thereto as required by DOE (collectively, the "*Davis Bacon Requirements*");
- (aa) at the request of DOE, exercise its right to conduct management audits of GPC's performance as agent for the Owners in respect of the Project, pursuant to the terms of the Project operating agreement; and
- (bb) maintenance of insurance coverage for the Project that is in accordance with normal nuclear industry practices, provided that such insurance coverage is available on commercially reasonable terms, conditions and price.

21. Negative Covenants

The Definitive Agreements shall contain such negative covenants as are usual and customary for financings of this kind or as are otherwise deemed appropriate by DOE and FFB for this transaction in particular (with customary qualifications and exceptions, including materiality), including without limitation:

- (a) no transactions with affiliates that are not conducted pursuant to the Transaction Documents or otherwise

- (i) on an arm's length basis or (ii) at cost;
- (b) no merger, consolidation, dissolution, or other similar actions;

- (c) the applicable Borrower shall not incur or permit to exist any lien with respect to any of its Undivided Interest or other assets except for certain permitted exceptions;
- (d) no transfer of any of such Borrower's Undivided Interest or other assets, transfer or release of the Collateral or the Shared Collateral, or other similar actions;
- (e) no material modifications of the Project Plans, except as approved by the NRC and any other regulatory authority the approval of which is required by law;
- (f) no material change to the Project or engaging in other lines of business;
- (g) no incurrence of additional debt or guarantees (other than indebtedness in respect of amounts to trade creditors and accrued expenses arising in the ordinary course of business);
- (h) no acquisitions and dispositions of assets or capital expenditures;
- (i) no lease (or sale-leaseback) transactions;
- (j) no investments (other than permitted investments to be defined);
- (k) no formation of subsidiaries or entering into partnerships or joint ventures;
- (l) no changes to organizational documents, legal form, fiscal year or capital structure (including the issuance of any options, warrants, or other rights with respect thereto);
- (m) no issuance of equity (subject to exceptions to be agreed, including without limitation issuance of equity to MEAG Power);
- (n) restrictions on termination of, and amendments or

waivers of certain provisions of, any applicable Borrower PPA or MEAG Power PPA;

- (o) ~~restrictions on material amendments or waivers of certain provisions of the applicable Bond Resolutions;~~
- (p) no hedging or speculative transactions, other than as specifically permitted or required by DOE;
- (q) no compromise or settlement of any material dispute under any Borrower PPA or MEAG Power PPA without the prior written consent of DOE;
- (r) no vote to replace or remove the Operator or GPC as agent for the Owners without the prior written consent of DOE;
- (s) no abandonment of the Project;
- (t) no use of the proceeds of any Advance for the purchase of margin stock;
- (u) limitations on prepayments, redemptions and repurchases of debt (other than the applicable Guaranteed Loan) except as permitted under Section 14(d) (*Mandatory Prepayments*) of this Term Sheet;
- (v) limitations on capital expenditures outside of approved operating budget; and
- (w) no dividends.

Except for matters to be addressed in the applicable Equity Contributions and Undertaking Agreement, the affirmative and negative covenants shall be obligations of the applicable Borrower and not of MEAG.

22. Events of Default

The Definitive Agreements shall contain events of default as are usual and customary for financings of this kind or as are otherwise deemed appropriate by DOE and FFB for this transaction in particular (with customary qualifications, exceptions and grace periods, including materiality), including without limitation:

- (a) failure to make payments when due;
- (b) default under any other indebtedness of the applicable

Borrower (other than the Guaranteed Loan);

- (c) failure by the applicable Borrower, or the Operator (with respect to the Project), or the Project to comply with the provisions of Title XVII and the continuance of such failure for a period of 30 days; provided, however, that the failure to comply with Section 1702(k) of Title XVII shall be an event of default only if such failure continues for a period of 90 days;
- (d) failure by the applicable Borrower, or the Operator (with respect to the Project), or the Project to comply with the provisions of the Regulations, unless such breach is capable of being cured, in which case failure to cure such breach within a period of 90 days, so long as the Borrower or Operator is diligently pursuing such cure;
- (e) failure by the applicable Borrower, or the Operator (with respect to the Project), or the Project to comply in all material respects with (i) all other requirements of law and (ii) all other Program Requirements (other than subsection (i) of the definition of "Program Requirements"), and the continuance of any such failure for a period of 90 days;
- (f) breach of representations and warranties under any Definitive Agreement;
- (g) breach of covenants under any Definitive Agreement;
- (h) failure to fund when required the Base Equity Commitment or the Overrun Equity Commitment;
- (i) bankruptcy, insolvency or dissolution of MEAG Power, any Material Offtaker or the applicable Borrower; provided, however, that a dissolution of a Material Offtaker in connection with its consolidation with another political subdivision shall not constitute an Event of Default so long as the consolidated entity assumes the relevant offtake obligation;
- (j) judgments in excess of an amount to be agreed against the applicable Borrower;
- (k) certain ERISA events;

- (l) impairment of security interests in Collateral or the Shared Collateral;
- (m) invalidity or unenforceability of any of the Definitive Agreements (other than the DOE Guarantee), the applicable Borrower PPA or MEAG Power PPAs or the applicable Bond Resolution(s) and related validation orders;
- (n) breach or termination of any applicable Borrower PPA or MEAG Power PPA;
- (o) revocation of the COL or any other permit or license necessary for the construction or completion or operation of the Project (following the exhaustion of all regulatory and judicial rights of appeal by the Operator and the Borrowers);
- (p) cessation of construction or operations for a period of time to be set forth in the Definitive Agreements, or abandonment of the Project;
- (q) physical destruction of any of the Project facilities that could reasonably be expected to have a material adverse effect on the Project or the business of the applicable Borrower and that has not been repaired with the proceeds of insurance within a specified number of days;
- (r) an event of default under the Bonds relating to such Borrower's Undivided Interest that would give rise to a right to accelerate such Bonds;
- (s) without the prior written consent of DOE, a Change of Control occurs, it being agreed that as used herein, "Change of Control" means a failure of MEAG Power to own 100% of the equity interests in the applicable Borrower;
- (t) failure by the applicable Borrower to use the proceeds of the Guaranteed Loan for Eligible Project Costs if not cured within 30 days after the Borrower becomes aware of such failure;
- (u) failure by the applicable Borrower to fund its share of operation and maintenance expenses attributable to its Undivided Interest;

- (v) failure by the applicable Borrower, the Operator or the Project to comply in all material respects with environmental and safety matters with respect to the Project, including without limitation with respect to ~~compliance with the National Environmental Policy Act of 1969 (NEPA) and all other Environmental Laws applicable to the Project and the continuance of any such breach for a period of 90 days;~~
- (w) failure by the applicable Borrower to comply with debarment regulations; and
- (x) failure to comply with the terms of Schedule 3 attached hereto if such failure is not promptly cured after MEAG Power or the applicable Borrower becomes aware or should have become aware of such failure;

provided, that for the events of default in subsections (e) and (v) the following shall apply: (i) the applicable Borrower shall not be in default at any time it or the Operator is contesting in good faith by appropriate legal proceedings any assertion by any governmental agency that the applicable Borrower or the Operator is not in compliance with the matters identified in such subsections, and (ii) in the event that such default cannot reasonably be cured within a 90-day period, the applicable Borrower will not be in default if the applicable Borrower or the Operator is diligently working to cure such default according to an applicable Remediation Plan. For purposes of this Term Sheet a "*Remediation Plan*" means a plan of correction with a timetable for curing such default that has been approved by a court of competent jurisdiction, or the lead regulatory authority with enforcement responsibility with respect to such matter, or DOE, as the case may be.

23. DOE Control; Remedies Assignment of Rights: As of the Financial Closing Date, DOE shall be considered to, and shall, have the rights, powers, privileges and remedies of FFB under the Definitive Agreements. Each Borrower agrees to take post-closing direction solely from DOE.

Subrogation: On and as of any business day that Borrower defaults under the Definitive Agreements, DOE shall have, by way of subrogation or agreement or otherwise, all of the rights, powers, privileges and remedies of FFB, including, without limitation, with respect to any fees, costs, expenses and other amounts (such amounts, collectively, the "*Additional Amounts*"); provided, however, if acceleration of

such guaranteed obligation has occurred, then such subrogation and assignment shall include the entire guaranteed amount of the guaranteed obligations, plus the Additional Amounts, notwithstanding that the Secretary shall be obligated to make payment hereunder only in installments on each subsequent Principal Payment Date and only as to the guaranteed amounts. DOE's subrogation rights shall be in addition to the rights assigned to it by FFB, and shall not be the exclusive source of rights, powers, privileges and remedies against each Borrower.

Remedies: Upon the occurrence and continuation of an Event of Default, DOE (and not FFB) will have the right, among others, without consultation, to do any or all of the following, without limitation: (a) suspend or terminate further Advances of the applicable Guaranteed Loan including any undrawn commitments, (b) accelerate the maturity of the applicable Guaranteed Loan, (c) take those actions necessary to perfect and maintain any or all of the security interests granted by the applicable Borrower, (d) set off and apply amounts to the satisfaction of the Guaranteed Obligations under all of the applicable Definitive Agreements, (e) cure defaults, (f) protect and enforce its rights and remedies by appropriate proceedings, including the filing of proofs of claim in any bankruptcy, insolvency, or other judicial proceeding, (g) exercise any and all rights and remedies available to it under any of the applicable Transaction Documents, and (h) in accordance with Section 609.10(e)(4) of the Regulations, take such other actions as DOE may reasonably require to provide for the care, preservation, protection, and maintenance of all Collateral so as to enable the United States to achieve maximum recovery upon default by a Borrower on its Guaranteed Loan; provided that during the Standstill Period DOE will not accelerate the maturity of the applicable Guaranteed Loan or foreclose on and cause a transfer of ownership of the applicable Undivided Interest. In addition, upon the bankruptcy or insolvency of the applicable Borrower (including during the Standstill Period), the applicable Guaranteed Loan, together with interest accrued thereon and all other amounts due under the applicable Definitive Agreements, shall immediately mature and become due and payable.

As used herein, "*Standstill Period*" means, (a) with respect to SPV1, during the term of the MEAG Power PPA with JEA, an Event of Default has occurred and is continuing as a result of JEA's failure to satisfy its payment obligations under its

MEAG Power PPA (and no Event of Default, other than a payment default on the Guaranteed Loan or any other Event of Default resulting from such failure, has occurred and is continuing) and (b) with respect to SPV2, during the term of ~~the MEAG Power PPA with PowerSouth, an Event of Default~~ has occurred and is continuing as a result of PowerSouth's failure to satisfy its payment obligations under its MEAG Power PPA (and no Event of Default, other than a payment default on the Guaranteed Loan or any other Event of Default resulting from such failure, has occurred and is continuing); provided that (i) MEAG Power at all times during such Event of Default uses its best efforts to sell the applicable Borrower's power generation (A) into the market in a manner intended to maximize recovery of the applicable Guaranteed Loans and Bonds pursuant to a plan of recovery approved by DOE or (B) as otherwise directed by DOE, (ii) all revenues from the sales described in clause (i) immediately above will be applied as provided in Schedule 3. Each applicable Bond Resolution will also provide that the respective bondholders and trustee will not accelerate the maturity of the applicable Bonds during the Standstill Period.

24. Collateral

Each Borrower's obligations under its Guaranteed Loan and DOE Guarantee will be secured by a first-priority perfected security interest in certain of the assets of the Borrower, including without limitation (collectively, the "*Collateral*");

- (a) all equity interests in such Borrower;
- (b) such Borrower's Undivided Interest in the Project, including all ownership interests of such Borrower in the Project and Project property (including fixtures, personal property and real property);
- (c) such Borrower's interest in all intellectual property and licenses used in connection with the Project;
- (d) such Borrower's interest in all governmental approvals and permits for the Project and the business of such Borrower;
- (e) all revenues, accounts receivable, investment property, equity contributions, equity commitments and bank accounts of or payable to such Borrower, including without limitation such Borrower's Project Accounts and all amounts therein;

- (f) such Borrower's rights and interest under all Project Documents and all other contracts and agreements relating to the Project or to which the Borrower is a party;
- (g) such Borrower's interest in all nuclear fuel purchased for the Project;
- (h) such Borrower's rights to, or interests in, the Shared Collateral;
- (i) such Borrower's interest in all insurance policies and proceeds and related rights with respect to the Project;
- (j) all funds allocated to such Borrower's Undivided Interest pursuant to the nuclear decommissioning trust fund held by MEAG Power, provided that the lien on such funds will be subject to the requirements of the NRC and any applicable provisions of the PPAs and funds in such nuclear commissioning trust may not be used other than for the purposes required by the NRC;
- (k) such Borrower's interest in all other agreements and rights required for the continued operation of the Project, including arrangements for the storage and disposition of spent nuclear fuel;
- (l) any other assets and other collateral as required under the Program Requirements; and
- (m) such other collateral as may be required by DOE or FFB based on their due diligence review of such Borrower, the Project, and all matters related thereto.

The security interests in the Collateral will be granted in favor of the Collateral Agent or other agents designated by DOE. The Guaranteed Loan will not be subordinate to any loan or other debt obligation and the DOE will have a first-priority perfected security interest in the Collateral, subject only to customary permitted liens (see "Remedies" above for a discussion of DOE remedies).

25. Project Accounts

Each Borrower and MEAG Power will establish and maintain the Project accounts and other funds described in Schedule 3 attached hereto (the "*Project Accounts*").

The applicable Borrower will pay all related fees associated with the establishment and maintenance of such Borrower's

Project Accounts, including those related to the compensation of any account management agents as may be required by DOE in its sole discretion.

26. Revenue Account Waterfall The Project Accounts shall be funded, and amounts on deposit in such accounts shall be applied, in each case in accordance with Schedule 3.

27. Expenses Each Borrower will bear all of the following amounts from time to time due under or in connection with its Definitive Agreements: (i) all recordation and other costs, fees and charges in connection with the execution, delivery, filing, registration, or performance of its Transaction Documents, the perfection of the security interests in its Collateral, and the establishment and maintenance of such Borrower's or DOE's rights to, or interests in, the Shared Collateral, (ii) all fees, charges, and expenses of any independent consultants, legal counsel, accountants, and other advisors to DOE and (iii) all other fees, charges, expenses and other amounts from time to time due under or in connection with its Definitive Agreements.

28. Reporting Requirements Each Borrower shall provide FFB, DOE and the Loan Servicer with the following reports, all in accordance with U.S. GAAP where applicable:

- (a) monthly construction reports consistent with such Borrower's requirement of GPC (as such Borrower's agent) to provide such reports to (i) the other Owners pursuant to the Project ownership agreements, (ii) the Georgia Public Service Commission and (iii) the NRC;
- (b) monthly statement reports on such Borrower's Project Accounts and on the accounts forming part of the Shared Collateral;
- (c) quarterly financial statements and reports of the applicable Borrower and MEAG Power within 90 days after the end of each fiscal quarter (except in the case of the first fiscal quarter of each fiscal year, within 120 days after the end of such fiscal quarter), with such financial statements to be prepared in accordance with U.S. GAAP, subject to changes resulting from audit and normal year-end adjustments;
- (d) annual financial statements and reports of the applicable Borrower and MEAG Power on or prior to

150 days after the end of each fiscal year, with such financial statements to be prepared in accordance with U.S. GAAP (except for changes with which the independent auditor shall concur); and

- (e) other financial information of the applicable Borrower, MEAG Power or applicable Material Offtakers as reasonably requested by DOE, FFB or the Loan Servicer.

29. Reimbursement Agreement

If any Borrower defaults in any payment due to FFB under its Guaranteed Loan or otherwise under any of its Definitive Agreements, and as a result of such payment default by such Borrower, DOE becomes obligated to make any payments to FFB pursuant to the DOE Guarantee, such Borrower shall become immediately obligated to reimburse DOE in an amount equal to the sum of (i) all applicable DOE Guarantee payments paid by DOE to FFB, (ii) all costs or expenses incurred by DOE in connection therewith, whether by payment to FFB or otherwise, and (iii) interest on each applicable DOE Guarantee payment from the date such payment was paid or incurred by DOE under the applicable DOE Guarantee until payment in full thereof by such Borrower to DOE at the applicable rate of interest provided in the applicable Definitive Agreement. Such Borrower Reimbursement Obligations are absolute, irrevocable and unconditional and will be evidenced by the DOE Reimbursement Note.

30. Waiver of Jury Trial; Consent to Jurisdiction; Governing Law

Each Party waives any rights it may have to a trial by jury in respect of any litigation arising out of the Definitive Agreements. Each of the Borrowers and MEAG Power (a) submits to the non-exclusive general jurisdiction of (i) the courts of the United States of America located in the District of Columbia, (ii) any other federal court of competent jurisdiction in any other jurisdiction where it or any of its property may be found, and (iii) appellate courts from any of the foregoing, and (b) waives any right to claim inconvenience of the forum.

The choice of law provision in the Definitive Agreements and any other transaction document to which DOE is a party, or under which it may have or come to have any rights or obligations, whether by subrogation or otherwise (other than mortgages and other similar agreements appropriately the subject of local law, which may substitute reference to such law for that of New York in the following clause), shall be as

follows:

THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE FEDERAL LAW OF THE UNITED STATES OF AMERICA. TO THE EXTENT THAT FEDERAL LAW DOES NOT SPECIFY THE APPROPRIATE RULE OF DECISION FOR A PARTICULAR MATTER AT ISSUE, IT IS THE INTENTION AND AGREEMENT OF THE PARTIES HERETO THAT THE LAW OF THE STATE OF NEW YORK SHALL BE ADOPTED AS THE GOVERNING FEDERAL RULE OF DECISION.

- 31. Freedom of Information Act (FOIA)** The parties acknowledge and agree that all correspondence, books, documents, papers and records relating to the structuring, negotiation and execution of this Term Sheet, the Definitive Agreements, and all supporting documentation, financial statements, audit reports of independent accounting firms, permits and regulatory approvals furnished or otherwise made available to DOE, will be handled in accordance with all applicable federal laws, rules, or regulations, including but not limited to the Trade Secrets Act, 18 U.S.C. §1905, and the Freedom of Information Act (FOIA), 5 U.S.C. §552, and DOE's implementing regulations at 10 C.F.R. 1004.

The closing of any financial transaction relating to the Guaranteed Loans is subject to Definitive Agreements acceptable to the applicable Borrower, DOE and FFB.

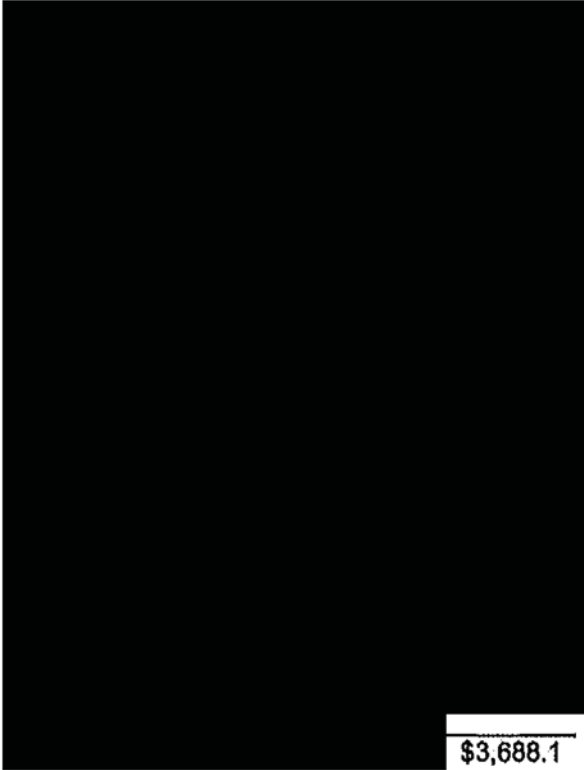


Schedule 1

MEAG Base Project Costs (\$Millions)

<u>Line</u>	<u>Description</u>	<u>SPV1</u>	<u>SPV2</u>	<u>SPV3</u>	<u>TOTAL</u>
1	EPC, Contingencies and Net Interest During Construction				
2	Owner's Costs				
	Nuclear Fuel				
3	Initial Core				
4	Future Reloads				
5	Total Nuclear Fuel Bonds				
6	Total Project Costs				
	Excluded Costs				
7	DOE Fees				
	Deposit to:				
8					
9					
10					
11	Total Deposits				
12	Issuance Expense				
13	Total Estimated Costs				\$3,688.1

Schedule 2

Eligible Project Costs (\$Millions)

<u>Line</u>	<u>Description</u>	<u>SPV1</u>	<u>SPV2</u>	<u>SPV3</u>	<u>TOTAL</u>
1	EPC, Contingencies and Net Interest During Construction				
2	Owner's Costs				
	Nuclear Fuel				
3	Initial Core				
4	Future Reloads				
5	Total Nuclear Fuel Bonds				
6	Total Project Costs				
	Excluded Costs				
7	DOE Fees				
	Deposit to:				
8					
9					
10					
11					
12	Issuance Expense				
13	Total Estimated Costs				\$3,688.1
14	Eligible Costs (excluding Nuclear Fuel Reloads, DOE Fees, and Revenue & Operating Fund Deposit)				

Schedule 3

Establishment of Funds Under Each Bond Resolution and for Each Borrower, Application of Amounts on Deposit Therein

A. Establishment of Funds:

The following funds and accounts will be established under the Bond Resolution with respect to each Undivided Interest:

- Construction Fund, to be held by MEAG Power
- Revenue Fund, to be held by MEAG Power
- Debt Service Fund, to be held by Trustee under the Bond Resolution, consisting of:
 - Debt Service Account
 - Debt Service Reserve Account
 - Bond Retirement Account
- Subordinated Bond Fund, to be held by Trustee under the Bond Resolution
- Reserve and Contingency (R&C) Fund, to be held by MEAG Power
- Debt Service Arrearages Fund, to be held by the Trustee under the Bond Resolution (not applicable for the Non-PPA (SPV3) project)

The following funds and accounts will be established under a collateral agreement for each Borrower, and all funds will be held by the custodian under such agreement:

- Construction Fund
- O&M Fund
- Debt Service Fund, consisting of:
 - Debt Service Account
 - Debt Service Reserve Account
- Reserve and Contingency (R&C) Fund
- Extraordinary Proceeds Fund

B. Application of Proceeds of Bonds:

Proceeds of applicable Bonds will be deposited to Construction Fund established under applicable Bond Resolution

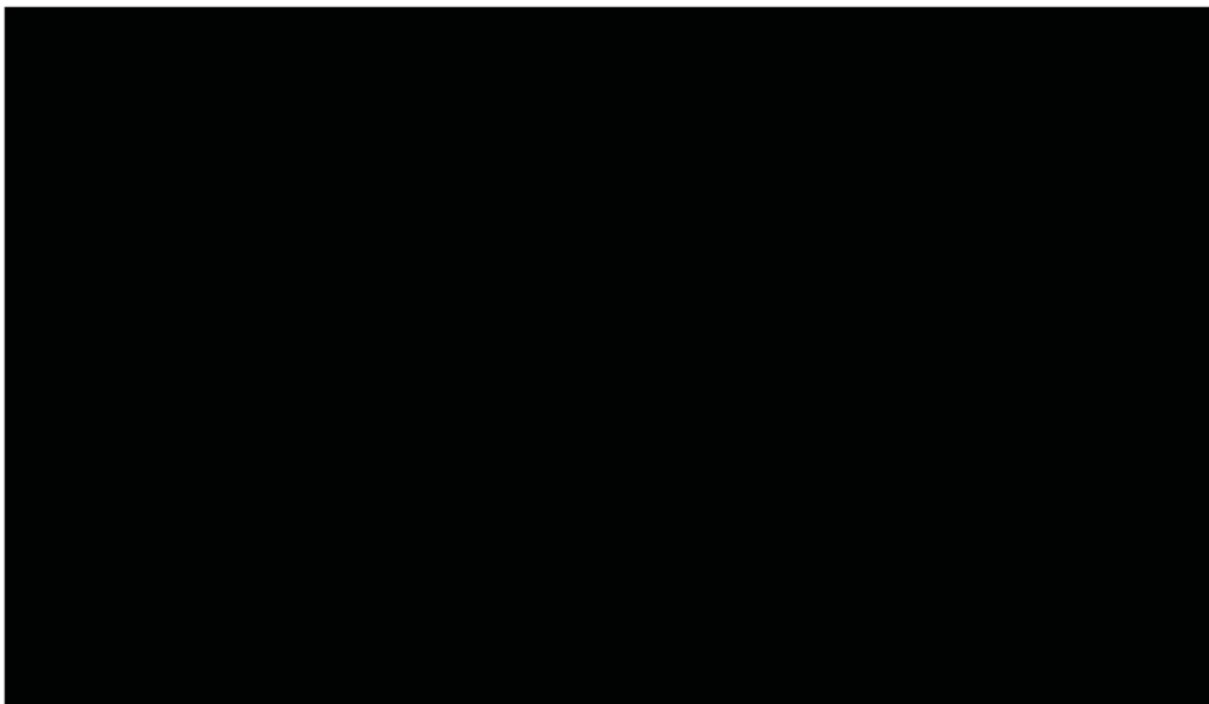
- Proceeds will be pledged to secure the holders of the applicable Bonds
- Proceeds will be expended to:
 - (a) pay costs of acquisition and construction of applicable Undivided Interest (either (1) directly by MEAG Power, for the account of applicable Borrower, or (2) by paying such proceeds over to applicable Borrower),
 - (b) fund applicable Debt Service Reserve Account for applicable Bonds,

(c) pay capitalized interest on applicable Bonds, and

(d) shortly prior to commercial operation date of first Unit, (i) fund a working capital reserve in Revenue Fund (which will be sized to cover 45 days' O&M expenses and 30 days' debt service on both the applicable Bonds and the applicable Guaranteed Loans) and (ii) fund the initial balance in Reserve and Contingency Funds (which will be sized based on one-half percent (0.5%) of the asset value of the applicable Undivided Interest, which sizing will be expressed in the applicable Bond Resolution as a dollar amount, and will be allocated between the applicable Bond Resolution R&C Fund and the applicable Borrower's R&C Fund pro rata in proportion to outstanding amounts of debt).

- In the event of a default in the payment of debt service on applicable Bonds, amounts in the Construction Fund will be used to pay debt service on such Bonds

C. Application of Proceeds of Guaranteed Loans:



D. Receipt and Application of Revenues:

- All payments from applicable Offtakers or otherwise from the sale of power from the Undivided Interests will be received by MEAG Power and deposited to applicable Revenue Fund (which, in the case of JEA and PowerSouth, will be received by direct deposit to such applicable Revenue Fund).
- During any period (other than such periods when JEA and PowerSouth are obligated to be making payments with respect to debt service on the Guaranteed Loans and are in payment default under their power purchase agreements), amounts in the applicable Revenue Fund will be applied to the following purposes, in the following order of priority:

First, MEAG Power will pay to applicable Borrower's custodian each month the amount of budgeted O&M expenses for the applicable Undivided Interest for such month, for deposit to Borrower's O&M Fund

- ~~MEAG Power will invoice each Borrower monthly for MEAG Power's applicable O&M expenses (e.g., administrative and general expenses) allocable to the applicable Undivided Interest, and the Borrower will cause such invoices to be paid monthly together with all of its other O&M expenses~~

Second, MEAG Power will, on a parity basis, (a) transfer to the applicable Bond Resolution Trustee for deposit in the applicable Debt Service Account principal and interest accruing on the applicable Bonds during such month and (b) transfer to the applicable Borrower's custodian for deposit to the applicable Debt Service Account principal and interest accruing on the applicable Guaranteed Loans during such month

Third, MEAG Power will, on a parity basis, (a) transfer to the applicable Bond Resolution Trustee for deposit in the applicable Debt Service Reserve Account such amount as is necessary to restore the balance in such account to the requirement therefore (subject to certain provisions permitting certain types of deficiencies to be funded over a longer period) and (b) transfer to the applicable Borrower's custodian, for deposit in the applicable Debt Service Reserve Account such amount as is necessary to fund or restore the balance in such account to the requirement therefore (which requirement is the difference between the total debt service reserve required amount and the available amounts under the DSR Sub-Limit) (subject to certain provisions permitting certain types of deficiencies to be funded over a longer period)

Fourth, MEAG Power will transfer to the applicable Bond Resolution Trustee for deposit in the applicable Subordinated Bond Fund principal and interest accruing on any applicable subordinate bonds during such month

Fifth, MEAG Power will, on a parity basis, (a) deposit in the Reserve and Contingency Fund established under the applicable Bond Resolution an amount equal to 10 percent of the principal and interest accruing on the applicable Bonds and any subordinated bonds during such month and (b) transfer to the applicable Borrower's custodian, for deposit in the Reserve and Contingency Fund held by such custodian an amount equal to 10 percent of the principal and interest accruing on the applicable Guaranteed Loans during such month

Sixth, at year-end, surpluses to be funded back to applicable Offtakers as described in further detail below

- The Definitive Agreements will address the flow of funds and allocation of revenues in circumstances other than that described immediately above, including with respect to circumstances where the output of the applicable Undivided Interest is being sold to the market following a payment default by JEA or Power South under its MEAG Power PPA . In this case, the net proceeds of such sales would be used first to pay accrued and unpaid principal and interest on the applicable Guaranteed Loan (after payment of O&M with respect to the applicable Undivided Interest) before being applied for any other purposes.

E. Treatment of Year-End Surpluses:

As of the end of each calendar year, to the extent that revenues exceed actual O&M costs, debt service, required deposits to the respective Debt Service Reserve Accounts and that portion of deposits made to the Reserve and Contingency Funds required to be retained therein at year-end and all other costs and expenses of the applicable Undivided Interest, the excess will be credited back to the Offtakers, in proportion to the respective amounts paid by them during such year

- The amount of such year-end excess will include any amount on deposit in each Debt Service Reserve Account and each Reserve and Contingency Fund that exceeds the respective required balance therefor
- From and after the time that the MEAG Power participants become obligated to pay debt service, with the consent of applicable participants having obligation shares in excess of 66 2/3 percent, such amounts may be applied to the retirement of applicable Bonds and Guaranteed Loan on a pro rata basis

F. Operation of Debt Service Arrearages Fund:

Debt Service Arrearages Fund will be utilized only if, at the time that the MEAG Power participants become obligated to purchase power under the applicable MEAG Power PPA and pay debt service, principal or interest on the Bonds or Guaranteed Loans remains unpaid as a result of a payment default by JEA/Power South under its PPA

- In that event, such unpaid principal and/or interest no longer will be payable from amounts accumulated in the Debt Service Account, but will be payable solely from amounts received by MEAG Power from JEA/Power South in respect of such defaulted payments
- All amounts received by MEAG Power in respect of such defaulted payments will be deposited to the applicable Debt Service Arrearages Fund and will be applied pro rata to pay unpaid Bonds and Guaranteed Loans, in proportion to the amounts unpaid