

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED)

JUNE 3, 2004 (May 28, 2004)

CHESAPEAKE ENERGY CORPORATION

(Exact name of Registrant as specified in its Charter)

OKLAHOMA

1-13726

73-1395733

(State or other jurisdiction  
of incorporation)

(Commission File No.)

(IRS Employer  
Identification No.)

6100 NORTH WESTERN AVENUE, OKLAHOMA CITY, OKLAHOMA

73118

(Address of principal executive offices)

(Zip Code)

(405) 848-8000

(Registrant's telephone number, including area code)

INFORMATION TO BE INCLUDED IN THE REPORT

ITEM 5. OTHER MATTERS

Chesapeake Exploration Limited Partnership, a wholly owned subsidiary of Chesapeake Energy Corporation, entered into an International Swap Dealers Association, Inc. ("ISDA") Master Agreement with Deutsche Bank AG on May 28, 2004. The ISDA Master Agreement, Schedule to the ISDA Master Agreement and Credit Support Annex to the Schedule to the ISDA Master Agreement are filed as Exhibits 99.1, 99.2 and 99.3 to this current report on Form 8-K and are incorporated in their entirety into Item 5 of this report.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits. The following exhibits are filed herewith:

99.1 ISDA Master Agreement

99.2 Schedule to the ISDA Master Agreement

99.3 Credit Support Annex to the Schedule to the ISDA Master Agreement

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHESAPEAKE ENERGY CORPORATION

By: /S/ AUBREY K. MCCLENDON

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Aubrey K. McClendon  
Chairman of the Board and  
Chief Executive Officer

Dated: June 3 2004

## ISDA(R)

International Swaps and Derivatives Association, Inc.

## 2002 MASTER AGREEMENT

dated as of May 28, 2004

Deutsche Bank AG and Chesapeake Exploration Limited Partnership

have entered and/or anticipate entering into one or more transactions (each a "Transaction") that are or will be governed by this 2002 Master Agreement, which includes the schedule (the "Schedule"), and the documents and other confirming evidence (each a "Confirmation") exchanged between the parties or otherwise effective for the purpose of confirming or evidencing those Transactions. This 2002 Master Agreement and the Schedule are together referred to as this "Master Agreement".

Accordingly, the parties agree as follows:--

## 1. INTERPRETATION

(a) DEFINITIONS. The terms defined in Section 14 and elsewhere in this Master Agreement will have the meanings therein specified for the purpose of this Master Agreement.

(b) INCONSISTENCY. In the event of any inconsistency between the provisions of the Schedule and the other provisions of this Master Agreement, the Schedule will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Master Agreement, such Confirmation will prevail for the purpose of the relevant Transaction.

(c) SINGLE AGREEMENT. All Transactions are entered into in reliance on the fact that this Master Agreement and all Confirmations form a single agreement between the parties (collectively referred to as this "Agreement"), and the parties would not otherwise enter into any Transactions.

## 2. OBLIGATIONS

## (a) GENERAL CONDITIONS.

(i) Each party will make each payment or delivery specified in each Confirmation to be made by it, subject to the other provisions of this Agreement.

(ii) Payments under this Agreement will be made on the due date for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency. Where settlement is by delivery (that is, other than by payment), such delivery will be made for receipt on the due date in the manner customary for the relevant obligation unless otherwise specified in the relevant Confirmation or elsewhere in this Agreement.

(iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default or Potential Event of Default with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other condition specified in this Agreement to be a condition precedent for the purpose of this Section 2(a)(iii).

(b) CHANGE OF ACCOUNT. Either party may change its account for receiving a payment or delivery by giving notice to the other party at least five Local Business Days prior to the Scheduled Settlement Date for the payment or delivery to which such change applies unless such other party gives timely notice of a reasonable objection to such change.

(c) NETTING OF PAYMENTS. If on any date amounts would otherwise be payable:--

(i) in the same currency; and

(ii) in respect of the same Transaction,

by each party to the other, then, on such date, each party's obligation to make payment of any such amount will be automatically satisfied and discharged and,

if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, replaced by an obligation upon the party by which the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller aggregate amount.

The parties may elect in respect of two or more Transactions that a net amount and payment obligation will be determined in respect of all amounts payable on the same date in the same currency in respect of those Transactions, regardless of whether such amounts are payable in respect of the same Transaction. The election may be made in the Schedule or any Confirmation by specifying that "Multiple Transaction Payment Netting" applies to the Transactions identified as being subject to the election (in which case clause (ii) above will not apply to such Transactions). If Multiple Transaction Payment Netting is applicable to Transactions, it will apply to those Transactions with effect from the starting date specified in the Schedule or such Confirmation, or, if a starting date is not specified in the Schedule or such Confirmation, the starting date otherwise agreed by the parties in writing. This election may be made separately for different groups of Transactions and will apply separately to each pairing of Offices through which the parties make and receive payments or deliveries.

(d) DEDUCTION OR WITHHOLDING FOR TAX.

(i) GROSS-UP. All payments under this Agreement will be made without any deduction or withholding for or on account of any Tax unless such deduction or withholding is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If a party is so required to deduct or withhold, then that party ("X") will:--

(1) promptly notify the other party ("Y") of such requirement;

(2) pay to the relevant authorities the full amount required to be deducted or withheld (including the full amount required to be deducted or withheld from any additional amount paid by X to Y under this Section 2(d)) promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against Y;

(3) promptly forward to Y an official receipt (or a certified copy), or other documentation reasonably acceptable to Y, evidencing such payment to such authorities; and

(4) if such Tax is an Indemnifiable Tax, pay to Y, in addition to the payment to which Y is otherwise entitled under this Agreement, such additional amount as is necessary to ensure that the net amount actually received by Y (free and clear of Indemnifiable Taxes, whether assessed against X or Y) will equal the full amount Y would have received had no such deduction or withholding been required. However, X will not be required to pay any additional amount to Y to the extent that it would not be required to be paid but for:--

(A) the failure by Y to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d); or

(B) the failure of a representation made by Y pursuant to Section 3(f) to be accurate and true unless such failure would not have occurred but for (I) any action taken by a taxing authority, or brought in a court of competent jurisdiction, after a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (II) a Change in Tax Law.

(ii) LIABILITY. If:--

(1) X is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding in respect of which X would not be required to pay an additional amount to Y under Section 2(d)(i)(4);

(2) X does not so deduct or withhold; and

(3) a liability resulting from such Tax is assessed directly against X,

then, except to the extent Y has satisfied or then satisfies the liability resulting from such Tax, Y will promptly pay to X the amount of such liability (including any related liability for interest, but including any related liability for penalties only if Y has failed to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d)).

3. REPRESENTATIONS

Each party makes the representations contained in Sections 3(a), 3(b), 3(c), 3(d), 3(e) and 3(f) and, if specified in the Schedule as applying, 3(g) to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into and, in the case of the representations in Section 3(f), at all times until the termination of this Agreement). If any "Additional Representation" is specified in the Schedule or any Confirmation as applying, the party or parties specified for such Additional Representation will make and, if applicable, be deemed to repeat such Additional Representation at the time or times specified for such Additional Representation.

(a) BASIC REPRESENTATIONS.

(i) STATUS. It is duly organized and validly existing under the laws of the jurisdiction of its organization or incorporation and, if relevant under such laws, in good standing;

(ii) POWERS. It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party and has taken all necessary action to authorize such execution, delivery and performance;

(iii) NO VIOLATION OR CONFLICT. Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;

(iv) CONSENTS. All governmental and other consents that are required to have been obtained by it with respect to this Agreement or any Credit Support Document to which it is a party have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and

(v) OBLIGATIONS BINDING. Its obligations under this Agreement and any Credit Support Document to which it is a party constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).

(b) ABSENCE OF CERTAIN EVENTS. No Event of Default or Potential Event of Default or, to its knowledge, Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.

(c) ABSENCE OF LITIGATION. There is not pending or, to its knowledge, threatened against it, any of its Credit Support Providers or any of its applicable Specified Entities any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity or enforceability against it of this Agreement or any Credit Support Document to which it is a party or its ability to perform its obligations under this Agreement or such Credit Support Document.

(d) ACCURACY OF SPECIFIED INFORMATION. All applicable information that is furnished in writing by or on behalf of it to the other party and is identified for the purpose of this Section 3(d) in the Schedule is, as of the date of the information, true, accurate and complete in every material respect.

(e) PAYER TAX REPRESENTATION. Each representation specified in the Schedule as being made by it for the purpose of this Section 3(e) is accurate and true.

(f) PAYEE TAX REPRESENTATIONS. Each representation specified in the Schedule as being made by it for the purpose of this Section 3(f) is accurate and true.

(g) NO AGENCY. It is entering into this Agreement, including each Transaction, as principal and not as agent of any person or entity.

#### 4. AGREEMENTS

Each party agrees with the other that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party:--

(a) FURNISH SPECIFIED INFORMATION. It will deliver to the other party or, in certain cases under clause (iii) below, to such government or taxing authority as the other party reasonably directs:--

(i) any forms, documents or certificates relating to taxation specified in the Schedule or any Confirmation,

(ii) any other documents specified in the Schedule or any Confirmation; and

(iii) upon reasonable demand by such other party, any form or document that may be required or reasonably requested in writing in order to allow such other party or its Credit Support Provider to make a payment under this Agreement or any applicable Credit Support Document without any deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate (so long as the completion, execution or submission of such form or document would not materially prejudice the legal or commercial position of the party in receipt of such demand), with any such form or document to be accurate and completed in a manner reasonably satisfactory to such other party and to be executed and to be delivered with any reasonably required certification,

in each case by the date specified in the Schedule or such Confirmation or, if none is specified, as soon as reasonably practicable.

(b) MAINTAIN AUTHORIZATIONS. It will use all reasonable efforts to maintain in full force and effect all consents of any governmental or other authority that are required to be obtained by it with respect to this Agreement or any Credit Support Document to which it is a party and will use all reasonable efforts to obtain any that may become necessary in the future.

(c) COMPLY WITH LAWS. It will comply in all material respects with all applicable laws and orders to which it may be subject if failure so to comply would materially impair its ability to perform its obligations under this Agreement or any Credit Support Document to which it is a party.

(d) TAX AGREEMENT. It will give notice of any failure of a representation made by it under Section 3(f) to be accurate and true promptly upon learning of such failure.

(e) PAYMENT OF STAMP TAX. Subject to Section 11, it will pay any Stamp Tax levied or imposed upon it or in respect of its execution or performance of this Agreement by a jurisdiction in which it is incorporated, organized, managed and controlled or considered to have its seat, or where an Office through which it is acting for the purpose of this Agreement is located ("Stamp Tax Jurisdiction"), and will indemnify the other party against any Stamp Tax levied or imposed upon the other party or in respect of the other party's execution or performance of this Agreement by any such Stamp Tax Jurisdiction which is not also a Stamp Tax Jurisdiction with respect to the other party.

## 5. EVENTS OF DEFAULT AND TERMINATION EVENTS

(a) EVENTS OF DEFAULT. The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any of the following events constitutes (subject to Sections 5(c) and 6(e)(iv)) an event of default (an "Event of Default") with respect to such party:--

(i) FAILURE TO PAY OR DELIVER. Failure by the party to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 9(h)(i)(2) or (4) required to be made by it if such failure is not remedied on or before the first Local Business Day in the case of any such payment or the first Local Delivery Day in the case of any such delivery after, in each case, notice of such failure is given to the party;

(ii) BREACH OF AGREEMENT; REPUDIATION OF AGREEMENT.

(1) Failure by the party to comply with or perform any agreement or obligation (other than an obligation to make any payment under this Agreement or delivery under Section 2(a)(i) or 9(h)(i)(2) or (4) or to give notice of a Termination Event or any agreement or obligation under Section 4(a)(i), 4(a)(iii) or 4(d)) to be complied with or performed by the party in accordance with this Agreement if such failure is not remedied within 30 days after notice of such failure is given to the party; or

(2) the party disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, this Master Agreement, any Confirmation executed and delivered by that party or any Transaction evidenced by such a Confirmation (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(iii) CREDIT SUPPORT DEFAULT.

(1) Failure by the party or any Credit Support Provider of such party to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with any Credit Support Document if such failure is continuing after any applicable grace period has elapsed;

(2) the expiration or termination of such Credit Support Document or the failing or ceasing of such Credit Support Document, or any security interest granted by such party or such Credit Support Provider to the other party pursuant to any such Credit Support Document, to be in full force and effect for the purpose of this Agreement (in each case other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each Transaction to which such Credit Support Document relates without the written consent of the other party; or

(3) the party or such Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Credit Support Document (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(iv) MISREPRESENTATION. A representation (other than a representation under Section 3(e) or 3(f)) made or repeated or deemed to have been made or repeated by the party or any Credit Support Provider of such party in this Agreement or any Credit Support Document proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated;

(v) DEFAULT UNDER SPECIFIED TRANSACTION. The party, any Credit Support Provider of such party or any applicable Specified Entity of such party:--

(1) defaults (other than by failing to make a delivery) under a Specified Transaction or any credit support arrangement relating to a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, such default results in a liquidation of, an acceleration of obligations under, or an early termination of, that Specified Transaction;

(2) defaults, after giving effect to any applicable notice requirement or grace period, in making any payment due on the last payment or exchange date of, or any payment on early termination of, a Specified Transaction (or, if there is no applicable notice requirement or grace period, such default continues for at least one Local Business Day);

(3) defaults in making any delivery due under (including any delivery due on the last delivery or exchange date of) a Specified Transaction or any credit support arrangement relating to a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, such default results in a liquidation of, an acceleration of obligations under, or an early termination of, all transactions outstanding under the documentation applicable to that Specified Transaction; or

(4) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, a Specified Transaction or any credit support arrangement relating to a Specified Transaction that is, in either case, confirmed or evidenced by a document or other confirming evidence executed and delivered by that party, Credit Support Provider or Specified Entity (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(vi) CROSS-DEFAULT. If "Cross-Default" is specified in the Schedule as applying to the party, the occurrence or existence of:--

(1) a default, event of default or other similar condition or event (however described) in respect of such party, any Credit Support Provider of such party or any applicable Specified Entity of such party under one or more agreements or instruments relating to Specified Indebtedness of any of them (individually or collectively) where the aggregate principal amount of such agreements or instruments, either alone or together with the amount, if any, referred to in clause (2) below, is not less than the applicable Threshold Amount (as specified in the Schedule) which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments before it would otherwise have been due and payable; or

(2) a default by such party, such Credit Support Provider or such Specified Entity (individually or collectively) in making one or more payments under such agreements or instruments on the due date for payment (after giving effect to any applicable notice requirement or grace period) in an aggregate amount, either alone or together with the amount, if any, referred to in clause (1) above, of not less than the applicable Threshold Amount;

(vii) BANKRUPTCY. The party, any Credit Support Provider of such party or any applicable Specified Entity of such party:--

(1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4)(A) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (B) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in clause (A) above and either (I) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (II) is not dismissed, discharged, stayed or restrained in each case within 15 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 15 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) above (inclusive); or (9) takes any action in furtherance of, or indicating its consent to,



approval of, or acquiescence in, any of the foregoing acts; or

(viii) MERGER WITHOUT ASSUMPTION. The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, or reorganizes, reincorporates or reconstitutes into or as, another entity and, at the time of such consolidation, amalgamation, merger, transfer, reorganization, reincorporation or reconstitution:--

(1) the resulting, surviving or transferee entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party; or

(2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving or transferee entity of its obligations under this Agreement.

(b) TERMINATION EVENTS. The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any event specified below constitutes (subject to Section 5(c)) an Illegality if the event is specified in clause (i) below, a Force Majeure Event if the event is specified in clause (ii) below, a Tax Event if the event is specified in clause (iii) below, a Tax Event Upon Merger if the event is specified in clause (iv) below, and, if specified to be applicable, a Credit Event Upon Merger if the event is specified pursuant to clause (v) below or an Additional Termination Event if the event is specified pursuant to clause (vi) below:--

(i) ILLEGALITY. After giving effect to any applicable provision, disruption fallback or remedy specified in, or pursuant to, the relevant Confirmation or elsewhere in this Agreement, due to an event or circumstance (other than any action taken by a party or, if applicable, any Credit Support Provider of such party) occurring after a Transaction is entered into, it becomes unlawful under any applicable law (including without limitation the laws of any country in which payment, delivery or compliance is required by either party or any Credit Support Provider, as the case may be), on any day, or it would be unlawful if the relevant payment, delivery or compliance were required on that day (in each case, other than as a result of a breach by the party of Section 4(b)):--

(1) for the Office through which such party (which will be the Affected Party) makes and receives payments or deliveries with respect to such Transaction to perform any absolute or contingent obligation to make a payment or delivery in respect of such Transaction, to receive a payment or delivery in respect of such Transaction or to comply with any other material provision of this Agreement relating to such Transaction; or

(2) for such party or any Credit Support Provider of such party (which will be the Affected Party) to perform any absolute or contingent obligation to make a payment or delivery which such party or Credit Support Provider has under any Credit Support Document relating to such Transaction, to receive a payment or delivery under such Credit Support Document or to comply with any other material provision of such Credit Support Document;

(ii) FORCE MAJEURE EVENT. After giving effect to any applicable provision, disruption fallback or remedy specified in, or pursuant to, the relevant Confirmation or elsewhere in this Agreement, by reason of force majeure or act of state occurring after a Transaction is entered into, on any day:--

(1) the Office through which such party (which will be the Affected Party) makes and receives payments or deliveries with respect to such Transaction is prevented from performing any absolute or contingent obligation to make a payment or delivery in respect of such Transaction, from receiving a payment or delivery in respect of such Transaction or from complying with any other material provision of this Agreement relating to such Transaction (or would be so prevented if such payment, delivery or compliance were required on that day), or it becomes impossible or impracticable for such Office so to perform, receive or comply (or it would be impossible or impracticable for such Office so to perform, receive or comply if such payment, delivery or compliance were required on that day); or

(2) such party or any Credit Support Provider of such party (which will be the Affected Party) is prevented from performing any absolute or contingent obligation to make a payment or delivery which such party or Credit Support Provider has under any Credit Support Document relating to such Transaction, from receiving a payment or delivery under such Credit Support Document or from complying with any other material provision of such Credit Support Document (or would be so prevented if such payment, delivery or compliance were required on that day), or it becomes impossible or impracticable for such party or Credit Support Provider so to perform, receive or

comply (or it would be impossible or impracticable for such party or Credit Support Provider so to perform, receive or comply if such payment, delivery or compliance were required on that day),

so long as the force majeure or act of state is beyond the control of such Office, such party or such Credit Support Provider, as appropriate, and such Office, party or Credit Support Provider could not, after using all reasonable efforts (which will not require such party or Credit Support Provider to incur a loss, other than immaterial, incidental expenses), overcome such prevention, impossibility or impracticability;

(iii) TAX EVENT. Due to (1) any action taken by a taxing authority, or brought in a court of competent jurisdiction, after a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (2) a Change in Tax Law, the party (which will be the Affected Party) will, or there is a substantial likelihood that it will, on the next succeeding Scheduled Settlement Date (A) be required to pay to the other party an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 9(h)) or (B) receive a payment from which an amount is required to be deducted or withheld for or on account of a Tax (except in respect of interest under Section 9(h)) and no additional amount is required to be paid in respect of such Tax under Section 2(d)(i)(4) (other than by reason of Section 2(d)(i)(4)(A) or (B));

(iv) TAX EVENT UPON MERGER. The party (the "Burdened Party") on the next succeeding Scheduled Settlement Date will either (1) be required to pay an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 9(h)) or (2) receive a payment from which an amount has been deducted or withheld for or on account of any Tax in respect of which the other party is not required to pay an additional amount (other than by reason of Section 2(d)(i)(4)(A) or (B)), in either case as a result of a party consolidating or amalgamating with, or merging with or into, or transferring all or substantially all its assets (or any substantial part of the assets comprising the business conducted by it as of the date of this Master Agreement) to, or reorganizing, reincorporating or reconstituting into or as, another entity (which will be the Affected Party) where such action does not constitute a Merger Without Assumption;

(v) CREDIT EVENT UPON MERGER. If "Credit Event Upon Merger" is specified in the Schedule as applying to the party, a Designated Event (as defined below) occurs with respect to such party, any Credit Support Provider of such party or any applicable Specified Entity of such party (in each case, "X") and such Designated Event does not constitute a Merger Without Assumption, and the creditworthiness of X or, if applicable, the successor, surviving or transferee entity of X, after taking into account any applicable Credit Support Document, is materially weaker immediately after the occurrence of such Designated Event than that of X immediately prior to the occurrence of such Designated Event (and, in any such event, such party or its successor, surviving or transferee entity, as appropriate, will be the Affected Party). A "Designated Event" with respect to X means that:--

(1) X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets (or any substantial part of the assets comprising the business conducted by X as of the date of this Master Agreement) to, or reorganizes, reincorporates or reconstitutes into or as, another entity;

(2) any person, related group of persons or entity acquires directly or indirectly the beneficial ownership of (A) equity securities having the power to elect a majority of the board of directors (or its equivalent) of X or (B) any other ownership interest enabling it to exercise control of X; or

(3) X effects any substantial change in its capital structure by means of the issuance, incurrence or guarantee of debt or the issuance of (A) preferred stock or other securities convertible into or exchangeable for debt or preferred stock or (B) in the case of entities other than corporations, any other form of ownership interest; or

(vi) ADDITIONAL TERMINATION EVENT. If any "Additional Termination Event" is specified in the Schedule or any Confirmation as applying, the occurrence of such event (and, in such event, the Affected Party or Affected Parties will be as specified for such Additional Termination Event in the Schedule or such Confirmation).

(c) HIERARCHY OF EVENTS.

(i) An event or circumstance that constitutes or gives rise to an Illegality or a Force Majeure Event will not, for so long as that is the case, also constitute or give rise to an Event of Default under Section 5(a)(i), 5(a)(ii)(1) or 5(a)(iii)(1) insofar as such event or circumstance relates to the failure to make any payment or delivery or a failure to comply with any other material provision of this Agreement or a Credit Support Document, as the case may be.

(ii) Except in circumstances contemplated by clause (i) above, if an event or circumstance which would otherwise constitute or give rise to an Illegality or a Force Majeure Event also constitutes an Event of Default or any other Termination Event, it will be treated as an Event of Default or such other Termination Event, as the case may be, and will not constitute or give rise to an Illegality or a Force Majeure Event.

(iii) If an event or circumstance which would otherwise constitute or give rise to a Force Majeure Event also constitutes an Illegality, it will be treated as an Illegality, except as described in clause (ii) above, and not a Force Majeure Event.

(d) DEFERRAL OF PAYMENTS AND DELIVERIES DURING WAITING PERIOD. If an Illegality or a Force Majeure Event has occurred and is continuing with respect to a Transaction, each payment or delivery which would otherwise be required to be made under that Transaction will be deferred to, and will not be due until:--

(i) the first Local Business Day or, in the case of a delivery, the first Local Delivery Day (or the first day that would have been a Local Business Day or Local Delivery Day, as appropriate, but for the occurrence of the event or circumstance constituting or giving rise to that Illegality or Force Majeure Event) following the end of any applicable Waiting Period in respect of that Illegality or Force Majeure Event, as the case may be; or

(ii) if earlier, the date on which the event or circumstance constituting or giving rise to that Illegality or Force Majeure Event ceases to exist or, if such date is not a Local Business Day or, in the case of a delivery, a Local Delivery Day, the first following day that is a Local Business Day or Local Delivery Day, as appropriate.

(e) INABILITY OF HEAD OR HOME OFFICE TO PERFORM OBLIGATIONS OF BRANCH. If (i) an Illegality or a Force Majeure Event occurs under Section 5(b)(i)(1) or 5(b)(ii)(1) and the relevant Office is not the Affected Party's head or home office, (ii) Section 10(a) applies, (iii) the other party seeks performance of the relevant obligation or compliance with the relevant provision by the Affected Party's head or home office and (iv) the Affected Party's head or home office fails so to perform or comply due to the occurrence of an event or circumstance which would, if that head or home office were the Office through which the Affected Party makes and receives payments and deliveries with respect to the relevant Transaction, constitute or give rise to an Illegality or a Force Majeure Event, and such failure would otherwise constitute an Event of Default under Section 5(a)(i) or 5(a)(iii)(1) with respect to such party then, for so long as the relevant event or circumstance continues to exist with respect to both the Office referred to in Section 5(b)(i)(1) or 5(b)(ii)(1), as the case may be, and the Affected Party's head or home office, such failure will not constitute an Event of Default under Section 5(a)(i) or 5(a)(iii)(1).

6. EARLY TERMINATION; CLOSE-OUT NETTING

(a) RIGHT TO TERMINATE FOLLOWING EVENT OF DEFAULT. If at any time an Event of Default with respect to a party (the "Defaulting Party") has occurred and is then continuing, the other party (the "Non-defaulting Party") may, by not more than 20 days notice to the Defaulting Party specifying the relevant Event of Default, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all outstanding Transactions. If, however, "Automatic Early Termination" is specified in the Schedule as applying to a party, then an Early Termination Date in respect of all outstanding Transactions will occur immediately upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(1), (3), (5), (6) or, to the extent analogous thereto, (8), and as of the time immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(4) or, to the extent analogous thereto, (8).

(b) RIGHT TO TERMINATE FOLLOWING TERMINATION EVENT.

(i) NOTICE. If a Termination Event other than a Force Majeure Event occurs, an Affected Party will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Termination Event and each Affected Transaction, and will also give the other party such other information about that Termination Event as the other party may reasonably require. If a Force Majeure Event occurs, each party will, promptly upon becoming aware of it, use all reasonable efforts to notify the other party, specifying the nature of that Force Majeure Event, and will also give the other party such other information about that Force Majeure Event as the other party may reasonably require.

(ii) TRANSFER TO AVOID TERMINATION EVENT. If a Tax Event occurs and there is only one Affected Party, or if a Tax Event Upon Merger occurs and the Burdened Party is the Affected Party, the Affected Party will, as a condition to its right to designate an Early Termination Date under Section 6(b)(iv), use all reasonable efforts (which will not require such party to incur a loss, other than immaterial, incidental expenses) to transfer within 20 days after it gives notice under Section 6(b)(i) all its rights and obligations under this Agreement in respect of the Affected Transactions to another of its Offices or Affiliates so that such Termination Event ceases to exist.

If the Affected Party is not able to make such a transfer it will give notice to the other party to that effect within such 20 day period, whereupon the other party may effect such a transfer within 30 days after the notice is given under Section 6(b)(i).

Any such transfer by a party under this Section 6(b)(ii) will be subject to and conditional upon the prior written consent of the other party, which consent will not be withheld if such other party's policies in effect at such time would permit it to enter into transactions with the transferee on the terms proposed.

(iii) TWO AFFECTED PARTIES. If a Tax Event occurs and there are two Affected Parties, each party will use all reasonable efforts to reach agreement within 30 days after notice of such occurrence is given under Section 6(b)(i) to avoid that Termination Event.

(iv) RIGHT TO TERMINATE.

(1) If:--

(A) a transfer under Section 6(b)(ii) or an agreement under Section 6(b)(iii), as the case may be, has not been effected with respect to all Affected Transactions within 30 days after an Affected Party gives notice under Section 6(b)(i); or

(B) a Credit Event Upon Merger or an Additional Termination Event occurs, or a Tax Event Upon Merger occurs and the Burdened Party is not the Affected Party,

the Burdened Party in the case of a Tax Event Upon Merger, any Affected Party in the case of a Tax Event or an Additional Termination Event if there are two Affected Parties, or the Non-affected Party in the case of a Credit Event Upon Merger or an Additional Termination Event if there is only one Affected Party may, if the relevant Termination Event is then continuing, by not more than 20 days notice to the other party, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all Affected Transactions.

(2) If at any time an Illegality or a Force Majeure Event has occurred and is then continuing and any applicable Waiting Period has expired:--

(A) Subject to clause (B) below, either party may, by not more than 20 days notice to the other party, designate (I) a day not earlier than the day on which such notice becomes effective as an Early Termination Date in respect of all Affected Transactions or (II) by specifying in that notice the Affected Transactions in respect of which it is designating the relevant day as an Early Termination Date, a day not earlier than two Local Business Days following the day on which such notice becomes effective as an Early Termination Date in respect of less than all Affected Transactions. Upon receipt of a notice designating an Early Termination Date in respect of less than all Affected Transactions, the other party may, by notice to the designating party, if such notice is effective on or before the day so designated, designate that same day as an Early Termination Date in respect of any or all other Affected Transactions.

(B) An Affected Party (if the Illegality or Force Majeure Event relates to performance by such party of any Credit Support Provider of such party of an obligation to make any payment or delivery under, or to compliance with any other material provision of, the relevant Credit Support Document) will only have the right to designate an Early Termination Date under Section 6(b)(iv)(2)(A) as a result of an Illegality under Section 5(b)(i)(2) or a Force Majeure Event under Section 5(b)(ii)(2) following the prior designation by the other party of an Early Termination Date, pursuant to Section 6(b)(iv)(2)(A), in respect of less than all Affected Transactions.

(c) EFFECT OF DESIGNATION.

(i) If notice designating an Early Termination Date is given under Section 6(a) or 6(b), the Early Termination Date will occur on the date so designated, whether or not the relevant Event of Default or Termination Event is then continuing.

(ii) Upon the occurrence or effective designation of an Early Termination Date, no further payments or deliveries under Section 2(a)(i) or 9(h)(i) in respect of the Terminated Transactions will be required to be made, but without prejudice to the other provisions of this Agreement. The amount, if any, payable in respect of an Early Termination Date will be determined pursuant to Sections 6(e) and 9(h)(ii).

(d) CALCULATIONS; PAYMENT DATE.

(i) STATEMENT. On or as soon as reasonably practicable following the occurrence of an Early Termination Date, each party will make the calculations on its part, if any, contemplated by Section 6(e) and will provide to the other party a statement (1) showing, in reasonable detail, such calculations (including any quotations, market data or information from internal sources used in making such calculations), (2) specifying (except where there are two Affected Parties) any Early Termination Amount payable and (3) giving details of the relevant account to which any amount payable to it is to be paid. In the absence of written confirmation from the source of a quotation or market data obtained in determining a Close-out Amount, the records of the party obtaining such quotation or market data will be conclusive evidence of the existence and accuracy of such quotation or market data.

(ii) PAYMENT DATE. An Early Termination Amount due in respect of any Early Termination Date will, together with any amount of interest payable pursuant to Section 9(h)(ii)(2), be payable (1) on the day on which notice of the amount payable is effective in the case of an Early Termination Date which is designated or occurs as a result of an Event of Default and (2) on the day which is two Local Business Days after the day on which notice of the amount payable is effective (or, if there are two Affected Parties, after the day on which the statement provided pursuant to clause (i) above by the second party to provide such a statement is effective) in the case of an Early Termination Date which is designated as a result of a Termination Event.

(e) PAYMENTS ON EARLY TERMINATION. If an Early Termination Date occurs, the amount, if any, payable in respect of that Early Termination Date (the "Early Termination Amount") will be determined pursuant to this Section 6(e) and will be subject to Section 6(f).

(i) EVENTS OF DEFAULT. If the Early Termination Date results from an Event of Default, the Early Termination Amount will be an amount equal to (1) the sum of (A) the Termination Currency Equivalent of the Close-out Amount or Close-out Amounts (whether positive or negative) determined by the Non-defaulting Party for each Terminated Transaction or group of Terminated Transactions, as the case may be, and (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party less (2) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party. If the Early Termination Amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of the Early Termination Amount to the Defaulting Party.

(ii) TERMINATION EVENTS. If the Early Termination Date results from a Termination Event:--

(1) ONE AFFECTED PARTY. Subject to clause (3) below, if there is one Affected Party, the Early Termination Amount will be determined in accordance with Section 6(e)(i), except that references to the Defaulting Party and to the Non-defaulting Party will be deemed to be references to the Affected Party and to the Non-affected Party, respectively.

(2) TWO AFFECTED PARTIES. Subject to clause (3) below, if there are two Affected Parties, each party will determine an amount equal to the Termination Currency Equivalent of the sum of the Close-out Amount or Close-out Amounts (whether positive or negative) for each Terminated Transaction or group of Terminated Transactions, as the case may be, and the Early Termination Amount will be an amount equal to (A) the sum of (I) one-half of the difference between the higher amount so determined (by party 'T') and the lower amount so determined (by party "Y") and (II) the Termination Currency Equivalent of the Unpaid Amounts owing to X less (B) the Termination Currency Equivalent of the Unpaid Amounts owing to Y. If the Early Termination Amount is a positive number, Y will pay it to X; if it is a negative number, X will pay the absolute value of the Early Termination Amount to Y.

(3) MID-MARKET EVENTS. If that Termination Event is an Illegality or a Force Majeure Event, then the Early Termination Amount will be determined in accordance with clause (1) or (2) above, as appropriate, except that, for the purpose of determining a Close-out Amount or Close-out Amounts, the Determining Party will:--

(A) if obtaining quotations from one or more third parties (or from any of the Determining Party's Affiliates), ask each third party or Affiliate (I) not to take account of the current creditworthiness of the Determining Party or any existing Credit Support Document and (II) to provide mid-market quotations; and

(B) in any other case, use mid-market values without regard to the creditworthiness of the Determining Party.

(iii) ADJUSTMENT FOR BANKRUPTCY. In circumstances where an Early Termination Date occurs because Automatic Early Termination applies in respect of a party, the Early Termination Amount will be subject to such adjustments as are appropriate and permitted by applicable law to reflect any payments or deliveries made by one party to the other under this Agreement (and retained by such other party) during the period from the relevant Early Termination Date to the date for payment determined under Section 6(d)(ii).

(iv) ADJUSTMENT FOR ILLEGALITY OR FORCE MAJEURE EVENT. The failure by a party or any Credit Support Provider of such party to pay, when due, any Early Termination Amount will not constitute an Event of Default under Section 5(a)(i) or 5(a)(iii)(1) if such failure is due to the occurrence of an event or circumstance which would, if it occurred with respect to payment, delivery or compliance related to a Transaction, constitute or give rise to an Illegality or a Force Majeure Event. Such amount will (1) accrue interest and otherwise be treated as an Unpaid Amount owing to the other party if subsequently an Early Termination Date results from an Event of Default, a Credit Event Upon Merger or an Additional Termination Event in respect of which all outstanding Transactions are Affected Transactions and (2) otherwise accrue interest in accordance with Section 9(h)(ii)(2).

(v) PRE-ESTIMATE. The parties agree that an amount recoverable under this Section 6(e) is a reasonable pre-estimate of loss and not a penalty. Such amount is payable for the loss of bargain and the loss of protection



against future risks, and, except as otherwise provided in this Agreement, neither party will be entitled to recover any additional damages as a consequence of the termination of the Terminated Transactions.

(f) SET-OFF. Any Early Termination Amount payable to one party (the "Payee") BY the other party (the "Payer"), in circumstances where there is a Defaulting Party or where there is one Affected Party in the case where either a Credit Event Upon Merger has occurred or any other Termination Event in respect of which all outstanding Transactions are Affected Transactions has occurred, will, at the option of the Non-defaulting Party or the Non-affected Party, as the case may be ("X") (and without prior notice to the Defaulting Party or the Affected Party, as the case may be), be reduced by its set-off against any other amounts ("Other Amounts") payable by the Payee to the Payer (whether or not arising under this Agreement, matured or contingent and irrespective of the currency, place of payment or place of booking of the obligation). To the extent that any Other Amounts are so set off, those Other Amounts will be discharged promptly and in all respects. X will give notice to the other party of any set-off effected under this Section 6(f).

For this purpose, either the Early Termination Amount or the Other Amounts (or the relevant portion of such amounts) may be converted by X into the currency in which the other is denominated at the rate of exchange at which such party would be able, in good faith and using commercially reasonable procedures, to purchase the relevant amount of such currency.

If an obligation is unascertained, X may in good faith estimate that obligation and set off in respect of the estimate, subject to the relevant party accounting to the other when the obligation is ascertained.

Nothing in this Section 6(f) will be effective to create a charge or other security interest. This Section 6(f) will be without prejudice and in addition to any right of set-off, offset, combination of accounts, lien, right of retention or withholding or similar right or requirement to which any party is at any time otherwise entitled or subject (whether by operation of law, contract or otherwise).

## 7. TRANSFER

Subject to Section 6(b)(ii) and to the extent permitted by applicable law, neither this Agreement nor any interest or obligation in or under this Agreement may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party, except that:--

(a) a party may make such a transfer of this Agreement pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all its assets to, another entity (but without prejudice to any other right or remedy under this Agreement); and

(b) a party may make such a transfer of all or any part of its interest in any Early Termination Amount payable to it by a Defaulting Party, together with any amounts payable on or with respect to that interest and any other rights associated with that interest pursuant to Sections 8, 9(h) and 11.

Any purported transfer that is not in compliance with this Section 7 will be void.

## 8. CONTRACTUAL CURRENCY

(a) PAYMENT IN THE CONTRACTUAL CURRENCY. Each payment under this Agreement will be made in the relevant currency specified in this Agreement for that payment (the "Contractual Currency"). To the extent permitted by applicable law, any obligation to make payments under this Agreement in the Contractual Currency will not be discharged or satisfied by any tender in any currency other than the Contractual Currency, except to the extent such tender results in the actual receipt by the party to which payment is owed, acting in good faith and using commercially reasonable procedures in converting the currency so tendered into the Contractual Currency, of the full amount in the Contractual Currency of all amounts payable in respect of this Agreement. If for any reason the amount in the Contractual Currency so received falls short of the amount in the Contractual Currency payable in respect of this Agreement, the party required to make the payment will, to the extent permitted by applicable law, immediately pay such additional amount in the Contractual Currency as may be necessary to compensate for the shortfall. If for any reason the amount in the Contractual Currency so received exceeds the amount in the Contractual Currency payable in respect of this Agreement, the party receiving the payment will refund promptly the amount of such excess.

(b) JUDGMENTS. To the extent permitted by applicable law, if any judgment or order expressed in a currency other than the Contractual Currency is rendered (i) for the payment of any amount owing in respect of this Agreement, (ii) for the payment of any amount relating to any early termination in respect of this Agreement or (iii) in respect of a judgment or order of another court for the payment of any amount described in clause (i) or (ii) above, the party seeking recovery, after recovery in full of the aggregate amount to which such party is entitled pursuant to the judgment or order, will be entitled to receive immediately from the other party the amount of any shortfall of the Contractual Currency received by such party as a consequence of sums paid in such other currency and will refund promptly to the other party any excess of the Contractual Currency received by such party as a consequence of sums paid in such other currency if such shortfall or such excess arises or results from any variation between the rate of exchange at which the Contractual Currency is converted into the currency of the judgment or order for the purpose of such judgment or order and the rate of exchange at which such party is able, acting in good faith and using commercially reasonable procedures in converting the currency received into the Contractual Currency, to purchase the Contractual Currency with the amount of the currency of the judgment or order actually received by such party.

(c) SEPARATE INDEMNITIES. To the extent permitted by applicable law, the indemnities in this Section 8 constitute separate and independent obligations from the other obligations in this Agreement, will be enforceable as separate and independent causes of action, will apply notwithstanding any indulgence granted by the party to which any payment is owed and will not be affected by judgment being obtained or claim or proof being made for any other sums payable in respect of this Agreement.

(d) EVIDENCE OF LOSS. For the purpose of this Section 8, it will be sufficient for a party to demonstrate that it would have suffered a loss had an actual exchange or purchase been made.

## 9. MISCELLANEOUS

(a) ENTIRE AGREEMENT. This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter. Each of the parties acknowledges that in entering into this Agreement it has not relied on any oral or written representation, warranty or other assurance (except as provided for or referred to in this Agreement) and waives all rights and remedies which might otherwise be available to it in respect thereof, except that nothing in this Agreement will limit or exclude any liability of a party for fraud.

(b) AMENDMENTS. An amendment, modification or waiver in respect of this Agreement will only be effective if in writing (including a writing evidenced by a facsimile transmission) and executed by each of the parties or confirmed by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system.

(c) SURVIVAL OF OBLIGATIONS. Without prejudice to Sections 2(a)(iii) and 6(c)(ii), the obligations of the parties under this Agreement will survive the termination of any Transaction.

(d) REMEDIES CUMULATIVE. Except as provided in this Agreement, the rights, powers, remedies and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies and privileges provided by law.

(e) COUNTERPARTS AND CONFIRMATIONS.

(i) This Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by facsimile transmission and by electronic messaging system), each of which will be deemed an original.

(ii) The parties intend that they are legally bound by the terms of each Transaction from the moment they agree to those terms (whether orally or otherwise). A Confirmation will be entered into as soon as practicable and may be executed and delivered in counterparts (including by facsimile transmission) or be created by an exchange of telexes, by an exchange of electronic messages on an electronic messaging system or by an exchange of e-mails, which in each case will be sufficient for all purposes to evidence a binding supplement to this Agreement. The parties will specify therein or through another effective means that any such counterpart, telex, electronic message or e-mail constitutes a Confirmation.

(f) NO WAIVER OF RIGHTS. A failure or delay in exercising any right, power or privilege in respect of this Agreement will not be presumed to operate as a waiver, and a single or partial exercise of any right, power or privilege will not be presumed to preclude any subsequent or further exercise, of that right, power or privilege or the exercise of any other right, power or privilege.

(g) HEADINGS. The headings used in this Agreement are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Agreement.

(h) INTEREST AND COMPENSATION.

(i) PRIOR TO EARLY TERMINATION. Prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction:--

(1) INTEREST ON DEFAULTED PAYMENTS. If a party defaults in the performance of any payment obligation, it will, to the extent permitted by applicable law and subject to Section 6(c), pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as the overdue amount, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment (and excluding any period in respect of which interest or compensation in respect of the overdue amount is due pursuant to clause (3)(B) or (C) below), at the Default Rate.

(2) COMPENSATION FOR DEFAULTED DELIVERIES. If a party defaults in the performance of any obligation required to be settled by delivery, it will on demand (A) compensate the other party to the extent provided for in the relevant Confirmation or elsewhere in this Agreement and (B) unless otherwise provided in the relevant Confirmation or elsewhere in this Agreement, to the extent permitted by applicable law and subject to Section 6(c), pay to the other party interest (before as well as after judgment) on an amount equal to the fair market value of that which was required to be delivered in the same currency as that amount, for the period from (and including) the originally scheduled date for delivery to (but excluding) the date of actual delivery (and excluding any period in respect of which interest or compensation in respect of that amount is due pursuant to clause (4) below), at the Default Rate. The fair market value of any obligation referred to above will be determined as of the originally scheduled date for delivery, in good faith and using commercially reasonable procedures, by the party that was entitled to take delivery.

(3) INTEREST ON DEFERRED PAYMENTS. If:--

(A) a party does not pay any amount that, but for Section 2(a)(iii), would have been payable, it will, to the extent permitted by applicable law and subject to Section 6(c) and clauses (B) and (C) below, pay interest (before as well as after judgment) on that amount to the other party on demand (after such amount becomes payable) in the same currency as that amount, for the period from (and including) the date the amount would, but for Section 2(a)(iii), have been payable to (but excluding) the date the amount actually becomes payable, at the Applicable Deferral Rate;

(B) a payment is deferred pursuant to Section 5(d), the party which would otherwise have been required to make that payment will, to the extent permitted by applicable law, subject to Section 6(c) and for so long as no Event of Default or Potential Event of Default with respect to that party has occurred and is continuing, pay interest (before as well as after judgment) on the amount of the deferred payment to the other party on demand (after such amount becomes payable) in the same currency as the deferred payment, for the period from (and including) the date the amount would, but for Section 5(d), have been payable to (but excluding) the earlier of the date the payment is no longer deferred pursuant to Section 5(d) and the date during the deferral period upon which an Event of Default or Potential Event of Default with respect to that party occurs, at the Applicable Deferral Rate; or

(C) a party fails to make any payment due to the occurrence of an Illegality or a Force Majeure Event (after giving effect to any deferral period contemplated by clause (B) above), it will, to the extent permitted by applicable law, subject to Section 6(c) and for so long as the event or circumstance giving rise to that Illegality or Force Majeure Event continues and no Event of Default or Potential Event of Default with respect to that party has occurred and is continuing, pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as the overdue amount, for the period from (and including) the date the party fails to make the payment due to the occurrence of the relevant Illegality or Force Majeure Event (or, if later, the date the payment is no longer deferred pursuant to Section 5(d)) to (but excluding) the earlier of the date the event or circumstance giving rise to that Illegality or Force Majeure Event ceases to exist and the date during the period upon which an Event of Default or Potential Event of Default with respect to that party occurs (and excluding any period in respect of which interest or compensation in respect of the overdue amount is due pursuant to clause (B) above), at the Applicable Deferral Rate.

(4) COMPENSATION FOR DEFERRED DELIVERIES. If:--

(A) a party does not perform any obligation that, but for Section 2(a)(iii), would have been required to be settled by delivery;

(B) a delivery is deferred pursuant to Section 5(d); or

(C) a party fails to make a delivery due to the occurrence of an Illegality or a Force Majeure Event at a time when any applicable Waiting Period has expired,

the party required (or that would otherwise have been required) to make the delivery will, to the extent permitted by applicable law and subject to Section 6(c), compensate and pay interest to the other party on demand (after, in the case of clauses (A) and (B) above, such delivery is required) if and to the extent provided for in the relevant Confirmation or elsewhere in this Agreement.

(ii) EARLY TERMINATION. Upon the occurrence or effective designation of an Early Termination Date in respect of a Transaction:--

(1) UNPAID AMOUNTS. For the purpose of determining an Unpaid Amount in respect of the relevant Transaction, and to the extent permitted by applicable law, interest will accrue on the amount of any payment obligation or the amount equal to the fair market value of any obligation required to be settled by delivery included in such determination in the same currency as that amount, for the period from (and including) the date the relevant obligation was (or would have been but for Section 2(a)(iii) or 5(d)) required to have been performed to (but excluding) the relevant Early Termination Date, at the Applicable Close-out Rate.

(2) INTEREST ON EARLY TERMINATION AMOUNTS. If an Early Termination Amount is due in respect of such Early Termination Date, that amount will, to the extent permitted by applicable law, be paid together with interest (before as well as after judgment) on that amount in the Termination Currency, for the period from (and including) such Early Termination Date to (but excluding) the date the amount is paid, at the Applicable Close-out Rate.

(iii) INTEREST CALCULATION. Any interest pursuant to this Section 9(h) will

be calculated on the basis of daily compounding and the actual number of days elapsed.

## 10. OFFICES; MULTIBRANCH PARTIES

(a) If Section 10(a) is specified in the Schedule as applying, each party that enters into a Transaction through an Office other than its head or home office represents to and agrees with the other party that, notwithstanding the place of booking or its jurisdiction of incorporation or organization, its obligations are the same in terms of recourse against it as if it had entered into the Transaction through its head or home office, except that a party will not have recourse to the head or home office of the other party in respect of any payment or delivery deferred pursuant to Section 5(d) for so long as the payment or delivery is so deferred. This representation and agreement will be deemed to be repeated by each party on each date on which the parties enter into a Transaction.

(b) If a party is specified as a Multibranch Party in the Schedule, such party may, subject to clause (c) below, enter into a Transaction through, book a Transaction in and make and receive payments and deliveries with respect to a Transaction through any Office listed in respect of that party in the Schedule (but not any other Office unless otherwise agreed by the parties in writing).

(c) The Office through which a party enters into a Transaction will be the Office specified for that party in the relevant Confirmation or as otherwise agreed by the parties in writing, and, if an Office for that party is not specified in the Confirmation or otherwise agreed by the parties in writing, its head or home office. Unless the parties otherwise agree in writing, the Office through which a party enters into a Transaction will also be the Office in which it books the Transaction and the Office through which it makes and receives payments and deliveries with respect to the Transaction. Subject to Section 6(b)(ii), neither party may change the Office in which it books the Transaction or the Office through which it makes and receives payments or deliveries with respect to a Transaction without the prior written consent of the other party.

## 11. EXPENSES

A Defaulting Party will on demand indemnify and hold harmless the other party for and against all reasonable out-of-pocket expenses, including legal fees, execution fees and Stamp Tax, incurred by such other party by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document to which the Defaulting Party is a party or by reason of the early termination of any Transaction, including, but not limited to, costs of collection.

## 12. NOTICES

(a) EFFECTIVENESS. Any notice or other communication in respect of this Agreement may be given in any manner described below (except that a notice or other communication under Section 5 or 6 may not be given by electronic messaging system or e-mail) to the address or number or in accordance with the electronic messaging system or e-mail details provided (see the Schedule) and will be deemed effective as indicated:--

(i) if in writing and delivered in person or by courier, on the date it is delivered;

(ii) if sent by telex, on the date the recipient's answerback is received;

(iii) if sent by facsimile transmission, on the date it is received by a responsible employee of the recipient in legible form (it being agreed that the burden of proving receipt will be on the sender and will not be met by a transmission report generated by the sender's facsimile machine);

(iv) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), on the date it is delivered or its delivery is attempted;

(v) if sent by electronic messaging system, on the date it is received; or

(vi) if sent by e-mail, on the date it is delivered,

unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Local Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Local Business Day, in which case that communication will be deemed given and effective on the first following day that is a Local Business Day.

(b) CHANGE OF DETAILS. Either party may by notice to the other change the address, telex or facsimile number or electronic messaging system or e-mail details at which notices or other communications are to be given to it.

### 13. GOVERNING LAW AND JURISDICTION

(a) GOVERNING LAW. This Agreement will be governed by and construed in accordance with the law specified in the Schedule.

(b) JURISDICTION. With respect to any suit, action or proceedings relating to any dispute arising out of or in connection with this Agreement ("Proceedings"), each party irrevocably:--

(i) submits:--

(1) if this Agreement is expressed to be governed by English law, to (A) the non-exclusive jurisdiction of the English courts if the Proceedings do not involve a Convention Court and (B) the exclusive jurisdiction of the English courts if the Proceedings do involve a Convention Court; or

(2) if this Agreement is expressed to be governed by the laws of the State of New York, to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City;

(ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party; and

(iii) agrees, to the extent permitted by applicable law, that the bringing of Proceedings in any one or more jurisdictions will not preclude the bringing of Proceedings in any other jurisdiction.

(c) SERVICE OF PROCESS. Each party irrevocably appoints the Process Agent, if any, specified opposite its name in the Schedule to receive, for it and on its behalf, service of process in any Proceedings. If for any reason any party's Process Agent is unable to act as such, such party will promptly notify the other party and within 30 days appoint a substitute process agent acceptable to the other party. The parties irrevocably consent to service of process given in the manner provided for notices in Section 12(a)(i), 12(a)(iii) or 12(a)(iv). Nothing in this Agreement will affect the right of either party to serve process in any other manner permitted by applicable law.

(d) WAIVER OF IMMUNITIES. Each party irrevocably waives, to the extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction or order for specific performance or recovery of property, (iv) attachment of its assets (whether before or after judgment) and (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any Proceedings in the courts of any jurisdiction and irrevocably agrees, to the extent permitted by applicable law, that it will not claim any such immunity in any Proceedings.

### 14. DEFINITIONS

As used in this Agreement:--

"ADDITIONAL REPRESENTATION" has the meaning specified in Section 3.

"ADDITIONAL TERMINATION EVENT" has the meaning specified in Section 5(b).

"AFFECTED PARTY" has the meaning specified in Section 5(b).

"AFFECTED TRANSACTIONS" means (a) with respect to any Termination Event consisting of an Illegality, Force Majeure Event, Tax Event or Tax Event Upon Merger, all Transactions affected by the occurrence of such Termination Event (which, in the case of an Illegality under Section 5(b)(i)(2) or a Force Majeure Event under Section 5(b)(ii)(2), means all Transactions unless the relevant Credit Support Document references only certain Transactions, in which case those Transactions and, if the relevant Credit Support Document constitutes a Confirmation for a Transaction, that Transaction) and (b) with respect to any other Termination Event, all Transactions.



"AFFILIATE" means, subject to the Schedule, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the-voting power of the entity or person.

"AGREEMENT" has the meaning specified in Section 1(c).

"APPLICABLE CLOSE-OUT RATE" means:--

(a) in respect of the determination of an Unpaid Amount:--

(i) in respect of obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Defaulting Party, the Default Rate;

(ii) in respect of obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Non-defaulting Party, the Non-default Rate;

(iii) in respect of obligations deferred pursuant to Section 5(d), if there is no Defaulting Party and for so long as the deferral period continues, the Applicable Deferral Rate; and

(iv) in all other cases following the occurrence of a Termination Event (except where interest accrues pursuant to clause (iii) above), the Applicable Deferral Rate; and

(b) in respect of an Early Termination Amount:--

(i) for the period from (and including) the relevant Early Termination Date to (but excluding) the date (determined in accordance with Section 6(d)(ii)) on which that amount is payable:--

(1) if the Early Termination Amount is payable by a Defaulting Party, the Default Rate;

(2) if the Early Termination Amount is payable by a Non-defaulting Party, the Non-default Rate; and

(3) in all other cases, the Applicable Deferral Rate; and

(ii) for the period from (and including) the date (determined in accordance with Section 6(d)(ii)) on which that amount is payable to (but excluding) the date of actual payment:--

(1) if a party fails to pay the Early Termination Amount due to the occurrence of an event or circumstance which would, if it occurred with respect to a payment or delivery under a Transaction, constitute or give rise to an Illegality or a Force Majeure Event, and for so long as the Early Termination Amount remains unpaid due to the continuing existence of such event or circumstance, the Applicable Deferral Rate;

(2) if the Early Termination Amount is payable by a Defaulting Party (but excluding any period in respect of which clause (I) above applies), the Default Rate;

(3) if the Early Termination Amount is payable by a Non-defaulting Party (but excluding any period in respect of which clause (1) above applies), the Non-default Rate; and

(4) in all other cases, the Termination Rate.

"APPLICABLE DEFERRAL RATE" means:--

(a) for the purpose of Section 9(h)(i)(3)(A), the rate certified by the relevant payer to be a rate offered to the payer by a major bank in a relevant interbank market for overnight deposits in the applicable currency, such bank to be selected in good faith by the payer for the purpose of obtaining a representative rate that will reasonably reflect conditions prevailing at the time in that relevant market;

(b) for purposes of Section 9(h)(i)(3)(B) and clause (a)(iii) of the definition of Applicable Close-out Rate, the rate certified by the relevant payer to be a rate offered to prime banks by a major bank in a relevant interbank market for overnight deposits in the applicable currency, such bank to be selected in good faith by the payer after consultation with the other party, if practicable, for the purpose of obtaining a representative rate that will reasonably reflect conditions prevailing at the time in that relevant market; and

(c) for purposes of Section 9(h)(i)(3)(C) and clauses (a)(iv), (b)(i)(3) and (b)(ii)(1) of the definition of Applicable Close-out Rate, a rate equal to the arithmetic mean of the rate determined pursuant to clause (a) above and a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount.

"AUTOMATIC EARLY TERMINATION" has the meaning specified in Section 6(a).

"BURDENED PARTY" has the meaning specified in Section 5(b)(iv).

"CHANGE IN TAX LAW" means the enactment, promulgation, execution or ratification of, or any change in or amendment to, any law (or in the application or official interpretation of any law) that occurs after the parties enter into the relevant Transaction.

"CLOSE-OUT AMOUNT" means, with respect to each Terminated Transaction or each group of Terminated Transactions and a Determining Party, the amount of the losses or costs of the Determining Party that are or would be incurred under then prevailing circumstances (expressed as a positive number) or gains of the Determining Party that are or would be realized under then prevailing circumstances (expressed as a negative number) in replacing, or in providing for the Determining Party the economic equivalent of, (a) the material terms of that Terminated Transaction or group of Terminated Transactions, including the payments and deliveries by the parties under Section 2(a)(i) in respect of that Terminated Transaction or group of Terminated Transactions that would, but for the occurrence of the relevant Early Termination Date, have been required after that date (assuming satisfaction of the conditions precedent in Section 2(a)(iii)) and (b) the option rights of the parties in respect of that Terminated Transaction or group of Terminated Transactions.

Any Close-out Amount will be determined by the Determining Party (or its agent), which will act in good faith and use commercially reasonable procedures in order to produce a commercially reasonable result. The Determining Party may determine a Close-out Amount for any group of Terminated Transactions or any individual Terminated Transaction but, in the aggregate, for not less than all Terminated Transactions. Each Close-out Amount will be determined as of the Early Termination Date or, if that would not be commercially reasonable, as of the date or dates following the Early Termination Date as would be commercially reasonable.

Unpaid Amounts in respect of a Terminated Transaction or group of Terminated Transactions and legal fees and out-of-pocket expenses referred to in Section 11 are to be excluded in all determinations of Close-out Amounts.

In determining a Close-out Amount, the Determining Party may consider any relevant information, including, without limitation, one or more of the following types of information:--

(i) quotations (either firm or indicative) for replacement transactions supplied by one or more third parties that may take into account the creditworthiness of the Determining Party at the time the quotation is provided and the terms of any relevant documentation, including credit support documentation, between the Determining Party and the third party providing the quotation;

(ii) information consisting of relevant market data in the relevant market supplied by one or more third parties including, without limitation, relevant rates, prices, yields, yield curves, volatilities, spreads, correlations or other relevant market data in the relevant market; or

(iii) information of the types described in clause (i) or (ii) above from internal sources (including any of the Determining Party's Affiliates) if that information is of the same type used by the Determining Party in the regular course of its business for the valuation of similar transactions.

The Determining Party will consider, taking into account the standards and procedures described in this definition, quotations pursuant to clause (i) above or relevant market data pursuant to clause (ii) above unless the Determining Party reasonably believes in good faith that such quotations or relevant market data are not readily available or would produce a result that would not satisfy those standards. When considering information described in clause (i), (ii) or (iii) above, the Determining Party may include costs of funding, to the extent costs of funding are not and would not be a component of the other information being utilized. Third parties supplying quotations pursuant to clause (i) above or market data pursuant to clause (ii) above may include, without limitation, dealers in the relevant markets, end-users of the relevant product, information vendors, brokers and other sources of market information.

Without duplication of amounts calculated based on information described in clause (i), (ii) or (iii) above, or other relevant information, and when it is commercially reasonable to do so, the Determining Party may in addition consider in calculating a Close-out Amount any loss or cost incurred in connection with

its terminating, liquidating or re-establishing any hedge related to a Terminated Transaction or group of Terminated Transactions (or any gain resulting from any of them).

Commercially reasonable procedures used in determining a Close-out Amount may include the following:--

(1) application to relevant market data from third parties pursuant to clause (ii) above or information from internal sources pursuant to clause (iii) above of pricing or other valuation models that are, at the time of the determination of the Close-out Amount, used by the Determining Party in the regular course of its business in pricing or valuing transactions between the Determining Party and unrelated third parties that are similar to the Terminated Transaction or group of Terminated Transactions; and

(2) application of different valuation methods to Terminated Transactions or groups of Terminated Transactions depending on the type, complexity, size or number of the Terminated Transactions or group of Terminated Transactions.

"CONFIRMATION" has the meaning specified in the preamble.

"CONSENT" includes a consent, approval, action, authorization, exemption, notice, filing, registration or exchange control consent.

"CONTRACTUAL CURRENCY" has the meaning specified in Section 8(a).

"CONVENTION COURT" means any court which is bound to apply to the Proceedings either Article 17 of the 1968 Brussels Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters or Article 17 of the 1988 Lugano Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters.

"CREDIT EVENT UPON MERGER" has the meaning specified in Section 5(b).

"CREDIT SUPPORT DOCUMENT" means any agreement or instrument that is specified as such in this Agreement.

"CREDIT SUPPORT PROVIDER" has the meaning specified in the Schedule.

"CROSS-DEFAULT" means the event specified in Section 5(a)(vi).

"DEFAULT RATE" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount plus 1% per annum.

"DEFAULTING PARTY" has the meaning specified in Section 6(a).

"DESIGNATED EVENT" has the meaning specified in Section 5(b)(v).

"DETERMINING PARTY" means the party determining a Close-out Amount.

"EARLY TERMINATION AMOUNT" has the meaning specified in Section 6(e).

"EARLY TERMINATION DATE" means the date determined in accordance with Section 6(a) or 6(b)(iv).

"ELECTRONIC MESSAGES" does not include e-mails but does include documents expressed in markup languages, and "ELECTRONIC MESSAGING SYSTEM" will be construed accordingly.

"ENGLISH LAW" means the law of England and Wales, and "ENGLISH" will be construed accordingly.

"EVENT OF DEFAULT" has the meaning specified in Section 5(a) and, if applicable, in the Schedule.

"FORCE MAJEURE EVENT" has the meaning specified in Section 5(b).

"GENERAL BUSINESS DAY" means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits).

"ILLEGALITY" has the meaning specified in Section 5(b).

"INDEMNIFIABLE TAX" means any Tax other than a Tax that would not be imposed in respect of a payment under this Agreement but for a present or former connection between the jurisdiction of the government or taxation authority imposing such Tax and the recipient of such payment or a person related to such recipient (including, without limitation, a connection arising from such recipient or related person being or having been a citizen or resident of such jurisdiction, or being or having been organized, present or engaged in a trade or business in such jurisdiction, or having or having had a permanent establishment or fixed place of business in such jurisdiction, but excluding a connection arising solely from such recipient or related person having executed, delivered, performed its obligations or received a payment under, or enforced, this



"LAW" includes any treaty, law, rule or regulation (as modified, in the case of tax matters, by the practice of any relevant governmental revenue authority), and "UNLAWFUL" will be construed accordingly.

"LOCAL BUSINESS DAY" means (a) in relation to any obligation under Section 2(a)(i), a General Business Day in the place or places specified in the relevant Confirmation and a day on which a relevant settlement system is open or operating as specified in the relevant Confirmation or, if a place or a settlement system is not so specified, as otherwise agreed by the parties in writing or determined pursuant to provisions contained, or incorporated by reference, in this Agreement, (b) for the purpose of determining when a Waiting Period expires, a General Business Day in the place where the event or circumstance that constitutes or gives rise to the Illegality or Force Majeure Event, as the case may be, occurs, (c) in relation to any other payment, a General Business Day in the place where the relevant account is located and, if different, in the principal financial center, if any, of the currency of such payment and, if that currency does not have a single recognized principal financial center, a day on which the settlement system necessary to accomplish such payment is open, (d) in relation to any notice or other communication, including notice contemplated under Section 5(a)(i), a General Business Day (or a day that would have been a General Business Day but for the occurrence of an event or circumstance which would, if it occurred with respect to payment, delivery or compliance related to a Transaction, constitute or give rise to an Illegality or a Force Majeure Event) in the place specified in the address for notice provided by the recipient and, in the case of a notice contemplated by Section 2(b), in the place where the relevant new account is to be located and (e) in relation to Section 5(a)(v)(2), a General Business Day in the relevant locations for performance with respect to such Specified Transaction.

"LOCAL DELIVERY DAY" means, for purposes of Sections 5(a)(i) and 5(d), a day on which settlement systems necessary to accomplish the relevant delivery are generally open for business so that the delivery is capable of being accomplished in accordance with customary market practice, in the place specified in the relevant Confirmation or, if not so specified, in a location as determined in accordance with customary market practice for the relevant delivery.

"MASTER AGREEMENT" has the meaning specified in the preamble.

"MERGER WITHOUT ASSUMPTION" means the event specified in Section 5(a)(viii).

"MULTIPLE TRANSACTION PAYMENT NETTING" has the meaning specified in Section 2(c).

"NON-AFFECTED PARTY" means, so long as there is only one Affected Party, the other party.

"NON-DEFAULT RATE" means the rate certified by the Non-defaulting Party to be a rate offered to the Non-defaulting Party by a major bank in a relevant interbank market for overnight deposits in the applicable currency, such bank to be selected in good faith by the Non-defaulting Party for the purpose of obtaining a representative rate that will reasonably reflect conditions prevailing at the time in that relevant market.

"NON-DEFAULTING PARTY" has the meaning specified in Section 6(a).

"OFFICE" means a branch or office of a party, which may be such party's head or home office.

"OTHER AMOUNTS" has the meaning specified in Section 6(f).

"PAYEE" has the meaning specified in Section 6(f).

"PAYER" has the meaning specified in Section 6(f).

"POTENTIAL EVENT OF DEFAULT" means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

"PROCEEDINGS" has the meaning specified in Section 13(b).

"PROCESS AGENT" has the meaning specified in the Schedule.

"RATE OF EXCHANGE" includes, without limitation, any premiums and costs of exchange payable in connection with the purchase of or conversion into the Contractual Currency.

"RELEVANT JURISDICTION" means, with respect to a party, the jurisdictions (a) in which the party is incorporated, organized, managed and controlled or considered to have its seat, (b) where an Office through which the party is acting for purposes of this Agreement is located, (c) in which the party executes this Agreement and (d) in relation to any payment, from or through which such payment is made.

"SCHEDULE" has the meaning specified in the preamble.

"SCHEDULED SETTLEMENT DATE" means a date on which a payment or delivery is to be made under Section 2(a)(i) with respect to a Transaction.

"SPECIFIED ENTITY" has the meaning specified in the Schedule.

"SPECIFIED INDEBTEDNESS" means, subject to the Schedule, any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money.

"SPECIFIED TRANSACTION" means, subject to the Schedule, (a) any transaction (including an agreement with respect to any such transaction) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party) which is not a Transaction under this Agreement but (i) which is a rate swap transaction, swap option, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option, credit protection transaction, credit swap, credit default swap, credit default option, total return swap, credit spread transaction, repurchase transaction, reverse repurchase transaction, buy/sell-back transaction, securities lending transaction, weather index transaction or forward purchase or sale of a security, commodity or other financial instrument or interest (including any option with respect to any of these transactions) or (ii) which is a type of transaction that is similar to any transaction referred to in clause (i) above that is currently, or in the future becomes, recurrently entered into in the financial markets (including terms and conditions incorporated by reference in such agreement) and which is a forward, swap, future, option or other derivative on one or more rates, currencies, commodities, equity securities or other equity instruments, debt securities or other debt instruments, economic indices or measures of economic risk or value, or other benchmarks against which payments or deliveries are to be made, (b) any combination of these transactions and (c) any other transaction identified as a Specified Transaction in this Agreement or the relevant confirmation.

"STAMP TAX" means any stamp, registration, documentation or similar tax.

"STAMP TAX JURISDICTION" has the meaning specified in Section 4(e).

"TAX" means any present or future tax, levy, impost, duty, charge, assessment or fee of any nature (including interest, penalties and additions thereto) that is imposed by any government or other taxing authority in respect of any payment under this Agreement other than a stamp, registration, documentation or similar tax.

"TAX EVENT" has the meaning specified in Section 5(b).

"TAX EVENT UPON MERGER" has the meaning specified in Section 5(b).

"TERMINATED TRANSACTIONS" means, with respect to any Early Termination Date, (a) if resulting from an Illegality or a Force Majeure Event, all Affected Transactions specified in the notice given pursuant to Section 6(b)(iv), (b) if resulting from any other Termination Event, all Affected Transactions and (c) if resulting from an Event of Default, all Transactions in effect either immediately before the effectiveness of the notice designating that Early Termination Date or, if Automatic Early Termination applies, immediately before that Early Termination Date.

"TERMINATION CURRENCY" means (a) if a Termination Currency is specified in the Schedule and that currency is freely available, that currency, and (b) otherwise, euro if this Agreement is expressed to be governed by English law or United States Dollars if this Agreement is expressed to be governed by the laws of the State of New York.

"TERMINATION CURRENCY EQUIVALENT" means, in respect of any amount denominated in the Termination Currency, such Termination Currency amount and, in respect of any amount denominated in a currency other than the Termination Currency (the "Other Currency"), the amount in the Termination Currency determined by the party making the relevant determination as being required to purchase such amount of such Other Currency as at the relevant Early Termination Date, or, if the relevant Close-out Amount is determined as of a later date, that later date, with the Termination Currency at the rate equal to the spot exchange rate of the foreign exchange agent (selected as provided below) for the purchase of such Other Currency with the Termination Currency at or about 11:00 a.m. (in the city in which such foreign exchange agent is located) on such date as would be customary for the determination of such a rate for the purchase of such Other Currency for value on the relevant Early Termination Date or that later date. The foreign exchange agent will, if only one party is obliged to make a determination under Section 6(e), be selected in good faith by that party and otherwise will be agreed by the parties.

"TERMINATION EVENT" means an illegality, a Force Majeure Event, a Tax Event, a Tax Event Upon Merger or, if specified to be applicable, a Credit Event Upon Merger or an Additional Termination Event.

"TERMINATION RATE" means a rate per annum equal to the arithmetic mean of the cost (without proof or evidence of any actual cost) to each party (as certified by such party) if it were to fund or of funding such amounts.

"THRESHOLD AMOUNT" means the amount, if any, specified as such in the Schedule.

"TRANSACTION" has the meaning specified in the preamble.

"UNPAID AMOUNTS" owing to any party means, with respect to an Early Termination Date, the aggregate of (a) in respect of all Terminated Transactions, the amounts that became payable (or that would have become payable but for Section 2(a)(iii) or due but for Section 5(d)) to such party under Section 2(a)(i) or 2(d)(i)(4) on or prior to such Early Termination Date and which remain unpaid as at such Early Termination Date, (b) in respect of each Terminated Transaction, for each obligation under Section 2(a)(i) which was (or would have been but for Section 2(a)(iii) or 5(d)) required to be settled by delivery to such party on or prior to such Early Termination Date and which has not been so settled as at such Early Termination Date, an amount equal to the fair market value of that which was (or would have been) required to be delivered and (c) if the Early Termination Date results from an Event of Default, a Credit Event Upon Merger or an Additional Termination Event in respect of which all outstanding Transactions are Affected Transactions, any Early Termination Amount due prior to such Early Termination Date and which remains unpaid as of such Early Termination Date, in each case together with any amount of interest accrued or other compensation in respect of that obligation or deferred obligation, as the case may be, pursuant to Section 9(h)(ii)(1) or (2), as appropriate. The fair market value of any obligation referred to in clause (b) above will be determined as of the originally scheduled date for delivery, in good faith and using commercially reasonable procedures, by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it will be the average of the Termination Currency Equivalents of the fair market values so determined by both parties.

"WAITING PERIOD" means:--

(a) in respect of an event or circumstance under Section 5(b)(i), other than in the case of Section 5(b)(i)(2) where the relevant payment, delivery or compliance is actually required on the relevant day (in which case no Waiting Period will apply), a period of three Local Business Days (or days that would have been Local Business Days but for the occurrence of that event or circumstance) following the occurrence of that event or circumstance; and

(b) in respect of an event or circumstance under Section 5(b)(ii), other than in the case of Section 5(b)(ii)(2) where the relevant payment, delivery or compliance is actually required on the relevant day (in which case no Waiting Period will apply), a period of eight Local Business Days (or days that would have been Local Business Days but for the occurrence of that event or circumstance) following the occurrence of that event or circumstance.



IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

Deutsche Bank AG

Chesapeake Exploration Limited Partnership

-----  
(Name of Party)

-----  
(Name of Party)

By: Chesapeake Operating, Inc., its  
general Partner

By: /s/ GREGORY COLLETT

By: /s/ MARTHA A. BURGER

-----  
Name: Gregory Collett  
Title: Vice President and Counsel  
Date:

-----  
Name: Martha A. Burger  
Title: Treasurer  
Date:

By: /s/ CARLO CARLTON

-----  
Name: Carlo Carlton  
Title: Vice President and Counsel  
Date:

SCHEDULE  
TO THE  
ISDA MASTER AGREEMENT  
DATED AS OF MAY 28, 2004

BETWEEN

DEUTSCHE BANK AG ("PARTY A")

AND

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP ("PARTY B")

PART 1. TERMINATION PROVISIONS.

(a) "SPECIFIED ENTITY" means:

(i) in relation to Party A:

Section 3(c):	Party A's Affiliates
Otherwise:	Not Applicable

(ii) in relation to Party B: Party B's Affiliates

(b) "SPECIFIED TRANSACTION" will have the meaning specified in Section 14 of this Agreement.

(c) The "CROSS DEFAULT" provisions of Section 5(a)(vi) will apply to both parties subject to amendment by adding at the end thereof the following words:

"PROVIDED that, notwithstanding the foregoing, an Event of Default shall not occur under either clause (1) or (2) above if (A) (I) the default, or other similar event or condition referred to in clause (1) or the failure to pay referred to in clause (2) is a failure to pay or deliver caused by an error or omission of an administrative or operational nature, and (II) funds or the asset to be delivered were available to such party to enable it to make the relevant payment or delivery when due and (III) such payment or delivery is made within three Local Business Days following receipt of written notice from an interested party of such failure to pay or such failure to deliver, or (B) such party was precluded from paying, or was unable to pay, using reasonable means, through the office of the party through which it was acting for purposes of the relevant Specified Indebtedness, by reason of force majeure, act of State, illegality or impossibility."

For such purposes:

"SPECIFIED INDEBTEDNESS" means any obligation (whether present or future, contingent or otherwise) in respect of (i) borrowed money (other than indebtedness in respect of bank deposits received in the ordinary course of business) and (ii) Financial Market Transactions. For purposes herein, "FINANCIAL MARKET TRANSACTIONS" mean any transaction of a type specified in clause (a) or (b) of the definition of "Specified Transaction" which is entered into between such party and an entity other than the other party to this Agreement, or any Credit Support Provider or Specified Entity of such party. For the purposes of determining whether the Threshold Amount has been exceeded in respect of any Financial Market Transaction, the portion attributable to Financial Market Transactions shall be the amount owed and not paid or delivered when due (whether on any regularly scheduled payment or delivery date, on early termination or otherwise) to the other party under the terms relating to such Financial Market Transaction.

With regard to Party A, "THRESHOLD AMOUNT" means 1% of its shareholders' equity (as calculated in accordance with generally accepted accounting principles applicable to Party A).

With regard to Party B, any applicable Specified Entity of Party B or any Credit Support Provider of Party B, "THRESHOLD AMOUNT" means:

(x) at any time when the shareholders' equity of the Company (as calculated in accordance with generally accepted accounting principles applicable to the Company) is greater than U.S.\$1,650,000,000, U.S.\$25,000,000; and

(y) at any other time, 1% of the shareholders' equity of the

- (d) The "CREDIT EVENT UPON MERGER" provisions of Section 5(b)(v) will apply to both parties.
- (e) The "AUTOMATIC EARLY TERMINATION" provisions of Section 6(a) will not apply to Party A and will not apply to Party B.
- (f) "TERMINATION CURRENCY" means Dollars.
- (g) "ADDITIONAL TERMINATION EVENT" will not apply to Party A. Each Additional Termination Event set forth in Part 6 below or in the Credit Support Annex will apply to Party B (and, for such Additional Termination Events, Party B shall be the sole Affected Party).

PART 2. TAX REPRESENTATIONS.

- (a) PAYER REPRESENTATIONS. For the purposes of Section 3(e) of this Agreement, Party A and Party B each make the following representations to the other:

It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 9(h) of this Agreement) to be made by it to the other party under this Agreement. In making this representation, each party may rely on:

- (i) the accuracy of any representations made by the other party pursuant to Section 3(f) of this Agreement;
- (ii) the satisfaction of the agreement of the other party contained in Section 4(a)(i) or 4(a)(iii) of this Agreement and the accuracy and effectiveness of any document provided by the other party pursuant to Section 4(a)(i) or 4(a)(iii) of this Agreement; and
- (iii) the satisfaction of the agreement of the other party contained in Section 4(d) of this Agreement,

except that it will not be a breach of this representation where reliance is placed on clause (ii) and the other party does not deliver a form or document under Section 4(a)(iii) by reason of material prejudice to its legal or commercial position.

- (b) PAYEE REPRESENTATIONS. For the purpose of Section 3(f) of this Agreement:

- (1) Party A makes the following representations:--

- (A) It is a "foreign person" within the meaning of the applicable United States Treasury Regulations concerning information reporting and backup withholding tax (as in effect on January 1, 2001), unless Party A provides written notice to Party B that it is no longer a foreign person. In respect of each Transaction it enters into through an office or discretionary agent in the United States or which otherwise is allocated for United States federal income tax purposes to such United States trade or business, each payment received or to be received by it under such Transaction will be effectively connected with its conduct of a trade or business in the United States.

- (B) In respect of all Transactions (other than those described in (A) above), no payment received or to be received by it in connection with this Agreement is attributable to a trade or business carried on by it through a permanent establishment in the United States.

- (2) Party B makes the following representations:--

It is a U.S. person, and it is a limited partnership that is the beneficial owner of all payments to be made to it under this Agreement, organized under the laws of the State of Oklahoma, and its taxpayer identification number is 73-1384282.

PART 3. AGREEMENT TO DELIVER DOCUMENTS.

(a) For the purpose of Section 4(a)(i) of this Agreement, the documents to be delivered are:--

PARTY REQUIRED TO DELIVER DOCUMENT	FORM/DOCUMENT/CERTIFICATE	DATE BY WHICH TO BE DELIVERED	COVERED BY SECTION 3(d) REPRESENTATION
Party A	An executed United States Internal Revenue Service Form W-8ECI (or any successor thereto) and an executed United States Internal Revenue Service Form W-8BEN (or any successor thereto).	(i) Upon execution of this Agreement; (ii) promptly upon reasonable demand by Party B; and (iii) promptly upon learning that any such form previously provided by Party A has become obsolete or incorrect.	No
Party B	An executed United States Internal Revenue Service W-9 (or any successor thereto).	(i) Upon execution of this Agreement; (ii) promptly upon reasonable demand by Party A; and (iii) promptly upon learning that any such form previously provided by Party B has become obsolete or incorrect.	No

(b) For the purpose of Section 4(a)(ii) of this Agreement, the other documents to be delivered (which will be covered by the representation in Section 3(d) of the Agreement if specified) are as follows:--

PARTY REQUIRED TO DELIVER DOCUMENT	FORM/DOCUMENT/ CERTIFICATE	DATE BY WHICH TO BE DELIVERED	COVERED BY SECTION 3(d) REPRESENTATION
Party A and Party B	Evidence of the authority, incumbency and specimen signature of each person executing this Agreement or any Confirmation, Credit Support Document or other document entered into in connection with this Agreement on its behalf or on behalf of a Credit Support Provider or otherwise, as the case may be.	Upon or prior to the execution and delivery of this Agreement and, with respect to any Confirmation, upon request by the other party.	Yes
Party A and Party B	A copy of the most recent annual report containing consolidated financial statements of (in the case of Party A) Party A and (in the case of Party B) the Company, and such other public information respecting the condition or operations, financial or otherwise of such Person, as the other party may reasonably request from time to time.	Promptly after request by the other party.	Yes
Party B	A copy of the resolution of Party B's board of directors (or other managers of such entity) approving the entering into of this Agreement and the Transactions hereunder and a board resolution delegating the powers to named individuals to enter into any Transactions under this Agreement. Party B shall also deliver to Party A a copy of its constituent documents, each certified by an appropriately authorized officer of Party B to the effect that such documents are up to date and in full force and effect and that Party A may continue to rely thereon.	Upon execution of this Agreement	Yes
Party B	A duly executed and delivered copy of each Credit Support Document.	Upon execution of this Agreement and from time to time thereafter as required under Part 6 below	Yes
Party B	A copy of the resolution of each Credit Support Provider's board of directors (or other managers of such entity) approving the entering into of the applicable Credit Support Document and a copy of each Credit Support Provider's constituent documents, each certified by an appropriately authorized officer of the Credit Support Provider to the effect that such documents are up to date and in full force and effect and that Party A may continue to rely thereon.	Upon execution of this Agreement and from time to time thereafter as required under Part 6 below	Yes
Party B	Each other document required under Part 6 below	From time to time as required under Part 6 below	Yes, unless otherwise expressly stated in Part 6 below

PART 4. MISCELLANEOUS.

(a) ADDRESSES FOR NOTICES. For the purpose of Section 12(a) of this Agreement, the addresses for notices and communications to Party A and Party B shall be as follows:--

TO PARTY A:

All notices to Party A under Section 5 or 6 of this Agreement (other than notices under Section 5(a)(i)) shall be sent to:

Deutsche Bank AG, Head Office  
Taunusanlage 12  
60262 Frankfurt  
GERMANY  
Attention: Legal Department

Fax No: 0049 69 910 36097

With copies to:

Deutsche Bank AG, New York Branch  
60 Wall Street  
New York, NY 10005  
Attention: Legal Department

Fax No: 212 250 4566

Deutsche Bank AG, New York Branch  
60 Wall Street  
New York, NY 10005  
Attention: Brad Blesie

Fax No: 212 797 4469

Deutsche Bank Securities Inc.  
60 Wall Street  
New York, NY 10005  
Attention: Brad Blesie

Fax No: 212 797 4469

All other notices to Party A shall be sent to:

Deutsche Bank AG, New York Branch  
60 Wall Street  
New York, NY 10005  
Attention: Brad Blesie

Fax No: 212 797 4469

With a copy to:

Deutsche Bank Securities Inc.  
60 Wall Street  
New York, NY 10005  
Attention: Brad Blesie

Fax No: 212 797 4469

TO PARTY B:

With respect to Confirmations and payments:

Chesapeake Exploration Limited Partnership  
6100 N. Western Avenue  
Oklahoma City, OK 73118  
Attention: Cash Manager

Fax No: 405 879 9576

All other notices to Party B shall be sent to:

Chesapeake Exploration Limited Partnership  
6100 N. Western Avenue  
Oklahoma City, OK 73118  
Attention: Treasurer

Fax No: 405 879 9587

(b) PROCESS AGENT. For the purpose of Section 13(c) of this Agreement:--

Party A appoints as its Process Agent: Not applicable.

Party B appoints as its Process Agent: Not applicable.

(c) OFFICES. The provisions of Section 10(a) will apply to this Agreement.

(d) MULTIBRANCH PARTY. For the purpose of Section 10(b) of this Agreement:--

Party A is a Multibranch Party and may act through any of the following Offices:--

Its New York, London, Tokyo, Paris, Singapore, Brussels, Sydney, Amsterdam, Vienna, Canada (Toronto), and New Zealand (Auckland) Branches and its Frankfurt Head Office.

Party B is not a Multibranch Party.

(e) CALCULATION AGENT. The Calculation Agent shall be Party A.

(f) CREDIT SUPPORT DOCUMENTS.

(i) "CREDIT SUPPORT DOCUMENTS" means in relation to Party A: None.

(ii) "CREDIT SUPPORT DOCUMENTS" means in relation to Party B: Each of the documents stated to be a Credit Support Document in Part 6 below.

(g) CREDIT SUPPORT PROVIDER.

(i) "CREDIT SUPPORT PROVIDER" means in relation to Party A: None.

(ii) "CREDIT SUPPORT PROVIDER" means in relation to Party B: Each of the Persons stated to be a Credit Support Provider in Part 6 below.

(h) GOVERNING LAW. This Agreement is governed by, and will be construed and enforced in accordance with, the laws of the State of New York (without reference to its choice of law doctrine).

(i) NETTING OF PAYMENTS. "Multiple Transaction Payment Netting" will apply.

(j) ABSENCE OF LITIGATION. For the purpose of Section 3(c):

(i) "SPECIFIED ENTITY" means in relation to Party A: Party A's Affiliates.

(ii) "SPECIFIED ENTITY" means in relation to Party B: Party B's Affiliates.

(k) NO AGENCY. The provisions of Section 3(g) will apply to this Agreement.

(1) ADDITIONAL REPRESENTATION will apply. For the purpose of Section 3 of this Agreement, each of the following will constitute an Additional Representation:--

(i) RELATIONSHIP BETWEEN PARTIES. Each party will be deemed to represent to the other party on the date on which it enters into a Transaction that (absent a written agreement between the parties that expressly imposes affirmative obligations to the contrary for that Transaction):--

(1) NON-RELIANCE. It is acting for its own account, and it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction, it being understood that information and explanations related to the terms and conditions of a Transaction will not be considered investment advice or a recommendation to enter into that Transaction. No communication (written or oral) received from the other party will be deemed to be an assurance or guarantee as to the expected results of that Transaction.

(2) ASSESSMENT AND UNDERSTANDING. It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of that Transaction. It is also capable of assuming, and assumes, the risks of that Transaction.

(3) STATUS OF PARTIES. The other party is not acting as a fiduciary for or an adviser to it in respect of that Transaction.

(ii) COMMODITY EXCHANGE ACT. Each party represents to the other party on and as of the date hereof and on each date on which a Transaction is entered into between them that:

(1) each Transaction is intended to be exempt from, or otherwise not subject to regulation under, the Commodity Exchange Act; and

(2) such party is an "eligible contract participant" within the meaning of the Commodity Exchange Act, Section 1a(12).

(iii) ADDITIONAL REPRESENTATIONS OF PARTY B. Party B represents to Party A on and as of the date hereof and at all times until the termination of this Agreement that:

(1) with respect to each source of funds to be used by it to enter into such Transactions (each such source being referred to herein as a "SOURCE"), the Source is not the assets of any "plan" (as such term is defined in Section 4975 of the Internal Revenue Code of 1986, as amended (the "CODE")) subject to Section 4975 of the Code or any "employee benefit plan" (as such term is defined in Section 3(3) of the employee Retirement Income Security Act of 1974, as amended ("ERISA")) subject to Title I of ERISA, or otherwise out of "plan assets" within the meaning of United States Department of Labor regulation ss. 2510.3-101, 29CFR ss. 2510-3-101; and

(2) each Transaction is intended to be exempt from, or otherwise not subject to regulation under, the Investment Company Act of 1940 and Party B is exempt from regulation under such Act.



(iv) ADDITIONAL REPRESENTATIONS OF PARTY B. The representations and warranties set forth in Section 4 of the Credit Agreement, together with related definitions and ancillary provisions and schedules and exhibits, are hereby incorporated herein by reference, as if set forth herein in full, MUTATIS MUTANDIS; PROVIDED that, as incorporated herein (unless the context otherwise requires):

- (1) each reference therein to "this Agreement", "the Revolving Loans", "the Letters of Credit" or "the Revolving Commitments" or the like shall be deemed to be a reference to this Agreement and the Transactions hereunder, as the case may be;
- (2) each reference therein to any "Agent" or any "Lender" or the like shall be deemed to be a reference to Party A hereunder;
- (3) each reference therein to the "Loan Documents" or the like shall be deemed to be a reference to the Secured Trading Line Documents; and
- (4) each reference therein to the "Collateral" or the like shall be deemed to be a reference to the Collateral as defined herein.

Party B represents to Party A on and as of the date hereof and on each date on which a Transaction is entered into between them that:

- (1) Party B and each Credit Support Provider is Solvent; and
- (2) each representation and warranty set forth in Section 4 of the Credit Agreement (as incorporated by reference above) is true and correct on and as of such date as if made as of such date.

(m) RECORDING OF CONVERSATIONS. Each party (i) consents to the recording of telephone conversations between the trading, marketing and other relevant personnel of it and any personnel employed by any Affiliate or any third party acting on its behalf in connection with this Agreement or any potential Transaction, (ii) agrees to obtain any necessary consent of, and give any necessary notice of such recording to, such persons and (iii) agrees, to the extent permitted by applicable law, that recordings may be submitted in evidence in any Proceedings.

PART 5. OTHER PROVISIONS

(a) ESCROW. On any date on which both parties are required to make payments hereunder, either party may at its option and in its sole discretion notify the other party that payments on that date are to be made in escrow. In this case deposit of the payment due earlier on that date will be made by 2.00 p.m. (local time at the place for the earlier payment if there is a time difference between the cities in which payments are to be made) on that date with an escrow agent selected by the party giving the notice and reasonably acceptable to the other party, accompanied by irrevocable payment instructions (a) to release the deposited payment to the intended recipient upon receipt by the escrow agent of the required deposit of the corresponding payment from the other party on the same date accompanied by irrevocable payment instructions to the same effect or (b) if the required deposit of the corresponding payment is not made on that same date, to return the payment deposited to the party that paid it into escrow at such party's request. The party that elects to have payments made in escrow will pay the costs of the escrow arrangements and will cause those arrangements to provide that the intended recipient of the payment due to be deposited first will be entitled to interest on that deposited payment for each day in the period of its deposit at the rate offered by the escrow agent for that day for overnight deposits in the relevant currency in the office where it holds that deposited payment (at 11.00 a.m. local time on that day) if that payment is not released by 5.00 p.m. local time on the date it is deposited for any reason other than the intended recipient's failure to make the escrow deposit it is required to make hereunder in a timely fashion.

(b) TAX PROVISIONS.

(i) The definition of "Tax Event", in Section 5(b)(iii), is modified by adding the following at the end thereof:

"PROVIDED that for purposes of clarification, the parties acknowledge that the introduction or proposal of legislation will not, in and of itself, give rise to a presumption that a Tax Event has occurred."

(ii) The definition of the term "Indemnifiable Tax" is amended by adding the following at the end thereof:

"Notwithstanding the foregoing, "Indemnifiable Tax" also means any Tax imposed in respect of a payment under this Agreement by reason of a Change in Tax Law by a government or taxing authority of a Relevant Jurisdiction of the party making such payment, unless the other party is incorporated, organized, managed and controlled or considered to have its seat in such jurisdiction, or is acting for purposes of this Agreement through a branch or office located in such jurisdiction."

(c) SET OFF. Section 6(f) of this Agreement is deleted in its entirety and replaced with the following:

"(f) Upon the designation of any Early Termination Date, the party that is not the Defaulting Party or Affected Party ("X") may, without prior notice to the Defaulting or Affected Party ("Y"), set off any sum or obligation (whether or not arising under this Agreement, whether matured or unmatured, whether or not contingent and irrespective of the currency, place of payment or booking office of the sum or obligation) owed by Y to X or any Affiliate of X (the "X SET OFF AMOUNT") against any sum or obligation (whether or not arising under this Agreement, whether matured or unmatured, whether or not contingent and irrespective of the currency, place of payment or booking office of the sum or obligation) owed by X or any Affiliate of X to Y (the "Y SET OFF AMOUNT"). X will give notice to the other party of any set off effected under this Section 6(f).

For this purpose, either the X Set Off Amount or the Y Set Off Amount (or the relevant portion of such set off amounts) may be converted by X into the currency in which the other set off amount is denominated at the rate of exchange at which X would be able, acting in a reasonable manner and in good faith, to purchase the relevant amount of such currency.

If a sum or obligation is unascertained, X may in good faith estimate that obligation and set-off in respect of the estimate, subject to the relevant party accounting to the other when the obligation is ascertained.



Nothing in this Section 6(f) will be effective to create a charge or other security interest. This Section 6(f) will be without prejudice and in addition to any right of set-off, combination of accounts, lien or other rights to which any party is at any time otherwise entitled (whether by operation of law, contract or otherwise).

Notwithstanding the foregoing provisions of this Section 6(f), obligations owing under the Credit Agreement may not be set off hereunder against obligations owing under this Agreement."

(d) ADDITIONAL ACKNOWLEDGMENTS AND AGREEMENTS OF THE PARTIES.

(i) BANKRUPTCY CODE. Without limiting the applicability, if any, of any other provision of the U.S. Bankruptcy Code as amended (the "BANKRUPTCY CODE") (including Sections 362, 546, 556, and 560 thereof and the applicable definitions in Section 101 thereof), the parties acknowledge and agree that all Transactions entered into hereunder will constitute "forward contracts" or "swap agreements" as defined in Section 101 of the Bankruptcy Code or "commodity contracts" as defined in Section 761 of the Bankruptcy Code, that the rights of the parties under Section 6 of this Agreement will constitute contractual rights to liquidate Transactions, that any margin or collateral provided under any margin, collateral, security, pledge, or similar agreement related hereto will constitute a "margin payment" as defined in Section 101 of the Bankruptcy Code, and that the parties are entities entitled to the rights under, and protections afforded by, Sections 362, 546, 556, and 560 of the Bankruptcy Code.

(ii) WAIVER OF RIGHT TO TRIAL BY JURY. Each of the parties hereby irrevocably waives any and all right to a trial by jury with respect to any legal proceeding arising out of or relating to this Agreement or any Transaction.

(e) AMENDMENTS. Section 9(b) of this Agreement is modified by the deletion of the words "or confirmed by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system".

(f) COUNTERPARTS AND CONFIRMATIONS. Section 9(e)(i) of this Agreement is modified by the deletion of the words "and by electronic messaging system".

(g) DISCLOSURE. Each party consents to the communication or disclosure by the other party of information in respect of or relating to this Agreement and any Transactions hereunder to such other party's branches, subsidiaries and Affiliates and, to the extent required by law or regulation, any government or regulatory authority.

PART 6. SPECIFIED NATURAL GAS PROVISIONS

(a) PRELIMINARY STATEMENTS. Party B wishes to enter into certain natural gas derivative transactions with Party A from time to time to hedge certain volumes of natural gas production of Party B and certain of its Affiliates, and Party A has agreed to provide commercially reasonable pricing to Party B for such transactions, all on and subject to the terms and conditions set forth herein. To induce Party A to enter into this Agreement, Party B has agreed to provide credit support to Party A in the form of mortgages, guaranties and other security documents. Accordingly, Party A and Party B hereby agree to the terms and conditions set forth in this Part 6.

(b) CERTAIN DEFINITIONS. Certain terms used in this Agreement have the meanings assigned to them in clause (u) below. An index of certain defined terms and the page numbers on which such terms are defined is attached as Annex A to this Agreement.

(c) SCOPE OF MASTER AGREEMENT. This Agreement shall apply to all Specified Natural Gas Transactions entered into between Party A and Party B, and shall not apply to any other Transactions entered into between Party A and Party B.

(d) CERTAIN CONDITIONS FOR ENTERING INTO SPECIFIED NATURAL GAS TRANSACTIONS. The parties acknowledge and agree that Party A and Party B may enter into Specified Natural Gas Transactions with each other at any time and from time to time during the Trading Period (if each of Party A and Party B mutually agree in their sole discretion to do so), PROVIDED that each of the following conditions are satisfied both prior to and after giving effect to such Transaction:

- (1) Natural Gas PFE is less than or equal to Available Capacity;
- (2) the Reserve Collateral Ratio is greater than or equal to the Minimum Reserve Collateral Ratio;
- (3) the Volume Limitations are not exceeded;
- (4) each representation of Party B set forth herein is true and correct on such date as if made on and as of such date; and
- (5) no Event of Default or Potential Event of Default has occurred and is then continuing,

and each entry into a Specified Natural Gas Transaction by Party B hereunder shall be deemed to be a certification by Party B that each of the foregoing conditions is satisfied. Party A agrees that all pricing it provides for Specified Natural Gas Transactions shall be determined by it in a commercially reasonable manner.

Party A and Party B agree not to enter into any Transaction under this Agreement that includes a swap that, evaluated in isolation from any other components of such Transaction (including options, other swaps, floors, collars and the like), is not based on "costless" swap prices prevailing at the time of such Transaction. For the avoidance of doubt, it is understood that Party B may from time to time request Party A to enter into one or more Transactions under this Agreement with swap prices above or below the "costless" swap prices prevailing at the time such Transaction is entered into and if such adjustment to such swap prices results from an embedded option (sold or purchased) included in such Transaction then such Transactions (and other similar transactions) are expressly permitted under this Agreement.

(e) VOLUNTARY TERMINATION. Upon not less than 60 days' prior written notice to Party A, Party B may (if in its sole discretion it elects to do so) terminate the Trading Period (and, accordingly, terminate the ability of the parties to enter into further Specified Natural Gas Transactions hereunder and the obligations of Party A under clause (d) above) without any penalty or other damage payment to Party A (such termination, the "VOLUNTARY TRADING PERIOD TERMINATION", and the effective date of such termination, the "VOLUNTARY TRADING PERIOD TERMINATION DATE"), PROVIDED that:

- (1) Party B shall pay to Party A the Breakage Fee (if any) in accordance with clause (f)(2) below; and
- (2) such Voluntary Trading Period Termination shall not affect the rights or obligations of Party A or Party B under any Specified Natural Gas Transactions then outstanding, which Transactions shall continue to be governed by all of the terms and conditions set forth in this Agreement and the other Secured Trading Line Documents.

(f) SECURED TRADING LINE FEES. Party B hereby agrees to pay to Party A the following fees:

- (1) FACILITY FEES. On each Calculation Date (including the Effective Date), Party B shall pay to Party A a facility fee (the "FACILITY FEES") in an amount equal to:
  - (x) Maximum Total Capacity (or, if such Calculation Date is on or after the Voluntary Trading Period Termination Date, the Natural Gas PFE as of the later of the Voluntary Trading Period Termination Date and the most recent Quarter End Date falling prior to such Calculation Date); MULTIPLIED BY
  - (y) 0.30%,

PROVIDED that payment of Breakage Fees under clause (2) below on or prior to the Calculation Date in 2005 shall relieve Party B of its obligation to pay Facility Fees on the Calculation Date in 2005 (but not on any other Calculation Date).

- (2) BREAKAGE FEE. If the Voluntary Trading Period Termination Date occurs on or prior to the Calculation Date in 2005, then on the Voluntary Trading Period Termination Date Party B shall pay to Party A a fee (the "BREAKAGE FEE") in an amount equal to U.S.\$1,800,000.
- (3) EXPOSURE FEES. On the second Local Business Day following each Exposure Fee Accrual Period, Party B shall pay to Party A an exposure fee (the "EXPOSURE FEES") in an amount equal to:
- (x) the Daily Average Natural Gas Mark-to-Market Amount for such Exposure Fee Accrual Period; MULTIPLIED BY
  - (y) 1.00% MULTIPLIED BY the number of days in such Exposure Fee Accrual Period DIVIDED BY 365 (or 366 in the case of a leap year).

As used herein:

"DAILY AVERAGE NATURAL GAS MARK-TO-MARKET AMOUNT" means, for any Exposure Fee Accrual Period, the average, for each Local Business Day during such Exposure Fee Accrual Period, of the greater of (1) the Natural Gas Mark-to-Market Amount for such Local Business Day and (2) zero.

"EXPOSURE FEE ACCRUAL PERIOD" means each calendar quarter ending on the Quarter End Dates, PROVIDED that the first such period will begin on the Effective Date and the last such period will end on the Facility Termination Date.

"QUARTER END DATE" means the last day of March, June, September and December in each year.

- (4) REFUND IF NOT FULLY SYNDICATED. If, as of the 90th day following the Effective Date:
- (x) Syndicated Capacity is less than U.S.\$400,000,000; and
  - (y) no Event of Default or Potential Event of Default has occurred and either (A) continued for a period of at least 10 days; or (B) is then continuing,
- then on such date Party A shall pay to party B an amount equal to (I) the amount of Facility Fees paid by Party B to Party A on the Effective Date MULTIPLIED BY (II) U.S.\$400,000,000 MINUS Syndicated Capacity as of such date DIVIDED BY (III) U.S.\$600,000,000.
- (5) FEES NON-REFUNDABLE. Subject to clause (4) above, all Facility Fees, Breakage Fees and Exposure Fees, once paid, are non-refundable.

(g) VOLUME LIMITATIONS. Party B hereby agrees that it shall not (and it shall not permit any other CHK Company to) enter into, or have outstanding, any Natural Gas Hedges other than Natural Gas Hedges entered into with the purpose and effect of hedging price or basis risk on natural gas expected to be produced and attributable to the interests of the CHK Companies, PROVIDED that at all times:

- (1) no Price Hedge has, or fixes a price for, a term including any month later than 60 months from the date such Price Hedge is entered into;
- (2) the Net Volume for all Price Hedges for each single future month (determined, in the case of Natural Gas Hedges that are not settled on a monthly basis, by a monthly proration acceptable to Party A) is greater than or equal to zero and less than or equal to the Specified Production for such month;
- (3) the Net Basis Position for all Basis Hedges for each single future month (determined, in the case of Natural Gas Hedges that are not settled on a monthly basis, by a monthly proration acceptable to Party A) is greater than or equal to zero and less than or equal to the Specified Production for such month;
- (4) the Net Contract Volume for all Price Hedges under this Agreement for each single future month (determined, in the case of Natural Gas Hedges that are not settled on a monthly basis, by a monthly proration acceptable to Party A) is greater than or equal to zero and less than or equal to the Specified Production for such month; and
- (5) the Net Contract Basis Position for all Basis Hedges under

this Agreement for each single future month (determined, in the case of Natural Gas Hedges that are not settled on a monthly basis, by a monthly proration acceptable to Party A) is greater than or equal to zero and less than or equal to the Specified Production for such month.

The restrictions set forth in this clause (g) are referred to herein as the "VOLUME LIMITATIONS".

Party B hereby agrees to deliver to Party A, within five Local Business Days after the end of each calendar quarter ending in March, June, September and December, commencing with June 2004, a report (a "VOLUME REPORT") setting forth in reasonable detail the volumes of natural gas covered by each Natural Gas Hedge to which each CHK Company is a party, broken out monthly and separately identifying volumes for each CHK Company for such month, volumes for Long Price Hedges, Short Price Hedges, Long Basis Hedges and Short Basis Hedges for such month (each broken out for Natural Gas Hedges under this Agreement and Natural Gas Hedges not under this Agreement) and volumes of Specified Production for such month, all in form, scope and detail satisfactory to Party A and setting forth such supporting detail as Party A may request.

Each Volume Report shall be accompanied by a certificate of a Financial Officer of Party B (with such certification under no circumstances conflicting with any similar certificate provided by Party B or any of its Affiliates to other parties under any credit agreement or other financing arrangement) stating that (x) the information set forth therein is true and correct on and as of the date on which such Volume Report is delivered and (y) the Budget Basis Projected Production reported therein is based on reasonable estimates, information and assumptions and that such Financial Officer has no reason to believe that such Budget Basis Projected Production is incorrect or misleading in any material respect.

As used herein:

"BASIS HEDGE" means each Natural Gas Hedge that hedges only basis differential risk. A Basis Hedge is referred to herein as a "LONG BASIS HEDGE" if a CHK Company would benefit from an increase in natural gas basis differentials thereunder and as a "SHORT BASIS HEDGE" if a CHK Company would benefit from a decrease in natural gas basis differentials thereunder. For such purposes, the term "NATURAL GAS BASIS DIFFERENTIALS" will be determined by the Calculation Agent in accordance with recognized industry practices.

"PRICE HEDGE" means each Natural Gas Hedge (other than a Basis Hedge). A Price Hedge is referred to herein as a "LONG PRICE HEDGE" if a CHK Company would benefit from an increase in natural gas prices thereunder and as a "SHORT PRICE HEDGE" if a CHK Company would benefit from a decrease in natural gas prices thereunder.

"NATURAL GAS HEDGE" means (a) any agreement (including each confirmation entered into under a master agreement) providing for options, swaps, floors, caps, collars, forward sales or forward purchases involving natural gas or natural gas prices, volumes or basis differentials, or indexes based on any of the foregoing, (b) any natural gas option, futures or forward contract traded on an exchange, and (c) any other derivative agreement or other similar agreement or arrangement covering or referencing natural gas or natural gas prices, volumes or basis differentials.



"NET BASIS POSITION" means, for each month as at any date of determination, an amount (which may be less than zero) equal to:

- (x) the aggregate notional quantity or volume of natural gas for that month under all outstanding Short Basis Hedges; MINUS
- (y) the aggregate notional quantity or volume of natural gas for that month under all outstanding Long Basis Hedges.

"NET CONTRACT BASIS POSITION" means, for each month as at any date of determination, an amount (which may be less than zero) equal to:

- (x) the aggregate notional quantity or volume of natural gas for that month under all outstanding Short Basis Hedges under this Agreement; MINUS
- (y) the aggregate notional quantity or volume of natural gas for that month under all outstanding Long Basis Hedges under this Agreement.

"NET VOLUME" means, for each month as at any date of determination, an amount (which may be less than zero) equal to:

- (x) the aggregate notional quantity or volume of natural gas for that month under all outstanding Short Price Hedges; MINUS
- (y) the aggregate notional quantity or volume of natural gas for that month under all outstanding Long Price Hedges.

"NET CONTRACT VOLUME" means, for each month as at any date of determination, an amount (which may be less than zero) equal to:

- (x) the aggregate notional quantity or volume of natural gas for that month under all outstanding Short Price Hedges under this Agreement; MINUS
- (y) the aggregate notional quantity or volume of natural gas for that month under all outstanding Long Price Hedges under this Agreement.

"SPECIFIED PRODUCTION" means, for each month as at any date of determination:

- (x) if such month is or is prior to the 36th month after the month in which such determination is being made, 100% of Budget Basis Projected Production projected to be produced during such month, and
- (y) if such month is later than the 36th month after the month in which such determination is being made, 100% of Adjusted SPE Projected Production projected to be produced during such month.

For such purposes:

"ADJUSTED SPE PROJECTED PRODUCTION" means, for any month, the sum of:

- (A) SPE Basis Projected Production for such month attributable to reserves that are, at the time of determination, classified as Producing Reserves; PLUS
- (B) 25% of SPE Basis Projected Production for such month attributable to Proved Reserves that are not, at the time of determination, classified as Producing Reserves.

"BUDGET BASIS PROJECTED PRODUCTION" means, at any time of determination, the projected production of natural gas (measured by volume unit or BTU equivalent, not sales price) from properties and interests owned by any CHK Company which are located in or offshore of the United States and Canada, as such production is projected in the most recent reports delivered by Party B pursuant to this Agreement for purposes of management planning and budgeting, determined after deducting projected production from any properties or interests sold or under contract for sale that had been included in such report and after adding projected production from any properties or interests acquired or under contract to be acquired by any CHK Company that had not been reflected in such report, all as reported by Party B to Party A hereunder.

"SPE BASIS PROJECTED PRODUCTION" means, at any time of determination, the projected production of natural gas (measured by volume unit or BTU equivalent, not sales price) from properties and interests owned by any CHK Company which are located in or offshore of the United States and Canada attributable to the portion of the reserves categorized as Proved, as such production is projected in the most recent Reserve Reports delivered pursuant to this Agreement, after deducting projected production from any properties or interests sold or under contract for sale that had been included in such report and after adding projected production from any properties or interests acquired or under contract to be acquired by any CHK Company that had not been reflected in such report, all as reported by Party B to Party A hereunder.

(h) CERTAIN CONDITIONS PRECEDENT. No Specified Natural Gas Transaction may be entered into, and the obligations of Party A under clause (d) of this Part 6 shall not become effective, until the date on which Party A shall have received each of the following, each satisfactory to it in form and substance:

- (1) EXECUTED COUNTERPARTS. From each party hereto a counterpart of this Agreement (including the Schedule to this Agreement and the Credit Support Annex) signed on behalf of such party.
- (2) PART 3 DOCUMENTS. Each document referred to in Part 3 that is required to be delivered upon execution of this Agreement.
- (3) OPINION OF COUNSEL TO PARTY B. A favorable written opinion (addressed to Party A and dated the Effective Date) of Commercial Law Group, P.C., counsel for Party B and the Credit Support Providers, substantially in the form of Exhibit A to this Agreement, and covering such other matters relating to Party B, the Credit Support Providers, this Agreement, the other Secured Trading Line Documents or the transactions contemplated hereby and thereby as Party A may reasonably request (and Party B and each Credit Support Provider hereby instruct such counsel to deliver such opinion to Party A).
- (4) CORPORATE AND PARTNERSHIP DOCUMENTS. Such documents and certificates as Party A may reasonably request relating to the organization, existence and good standing of Party B, each Credit Support Provider and of Party B's general partner, the authorization of the transactions contemplated hereby and any other legal matters relating to Party B and the Credit Support Providers and Party B's general partner, this Agreement, the other Secured Trading Line Documents or the transactions contemplated hereby and thereby, all in form and substance satisfactory to Party A.

- (5) OFFICER'S CERTIFICATE. A certificate, dated the Effective Date and signed by a Financial Officer of Party B or the President or a Vice President of Party B's general partner, acting for and on behalf of Party B, confirming that each representation of Party B set forth herein is true and correct on such date as if made on and as of such date and that no Event of Default or Potential Event of Default has occurred and is then continuing.
- (6) GUARANTY. The Guaranty, duly executed and delivered by the Company, each Subsidiary of the Company (other than Party B and members of the CEMI Group) and Party A.
- (7) UCC, TAX LIEN, JUDGMENT AND LITIGATION SEARCHES. Reports satisfactory to Party A listing the results of Uniform Commercial Code filing, tax lien, judgment and litigation searches prepared by one or more firms satisfactory to Party A with respect to Party B and each of the mortgagors in each jurisdiction in which it maintains its principal place of business or in which any of the Mortgaged Properties are located.
- (8) MORTGAGES. One or more Mortgages encumbering Eligible Properties of Party B and one or more of the other CHK Companies (the "INITIAL RESERVE COLLATERAL"), each duly executed and delivered by Party B or another initial Credit Support Provider and in recordable form in each of the jurisdictions where Mortgaged Properties covered by such Mortgage are located and having attached thereto property descriptions that are in form and substance satisfactory to Party A.
- (9) FILINGS, REGISTRATIONS AND RECORDINGS. Each document (including any Uniform Commercial Code financing statement) required by the Credit Support Documents or under law or reasonably requested by Party A to be filed, registered or recorded in order to create in favor of Party A a perfected Lien on the collateral described therein, prior and superior in right to any other Person (other than with respect to liens expressly permitted hereunder), and each such document shall be in proper form for filing, registration or recordation. In addition, Party B shall have taken such other action as Party A shall have requested in order to perfect the security interests created under the Mortgages.
- (10) TITLE ASSURANCE. Such information regarding the title of each mortgagor to the Mortgaged Properties and the priority of the Lien of the Mortgage as Party A may request (including, if requested by Party A, title opinions of counsel satisfactory to Party A with respect to Mortgaged Properties representing not more than 50% of the Forward Value of the Initial Reserve Collateral stating that such mortgagor has good and defensible title to such Mortgaged Properties, free and clear of all Liens other than Liens permitted by the Mortgages and subject only to such title defects as shall be acceptable to Party A).
- (11) OPINIONS OF LOCAL COUNSEL. A favorable written opinion (addressed to Party A and dated the Effective Date), in form and substance and rendered by counsel satisfactory to Party A, of counsel for Party B and the Credit Support Providers licensed to practice law in each State in which the Initial Reserve Collateral is located as to, among other things, the execution, delivery, recordation and enforceability of each initial Mortgage in such State (and Party B and each Credit Support Provider hereby instruct such counsel to deliver such opinion to Party A).
- (12) INSURANCE. Certificates of insurance evidencing the existence of all insurance required to be maintained by Party B pursuant to the terms of this Part 6, in form and substance satisfactory to Party A. In addition, Party B shall have delivered a certificate, dated the Effective Date, of a Financial Officer of Party B setting forth the insurance obtained by it in accordance with the requirements of this Part 6 and stating that such insurance is in full force and effect and that all premiums then due and payable thereon have been paid.
- (13) ENVIRONMENTAL DUE DILIGENCE. Results of such environmental due diligence regarding the properties to be covered by the Mortgages referred to in clause (8) above as may be reasonably requested by Party A, the results of which due diligence shall be satisfactory to Party A.



- (14) RESERVE REPORTS. Copies of the most recent reserve reports of Lee Keeling and Associates, Ryder Scott Company, Netherland Sewell and Associates and the Company's employee engineers (the "INITIAL RESERVE REPORTS"), each dated such dates, and otherwise in form and substance, satisfactory to Party A, and certified by a Financial Officer of Party B to be a true and correct copy thereof.
- (15) INITIAL RESERVE COLLATERAL. Evidence that, on the Effective Date, the Forward Value of the Initial Reserve Collateral as of the Calculation Date in 2005, as projected in good faith by the Calculation Agent, is not less than U.S.\$900,000,000.
- (16) SOLVENCY. A Solvency Certificate of Party B and each other initial Credit Support Provider dated as of the Effective Date.
- (17) FEES. The initial Facility Fee and such other fees and expenses as Party B shall have agreed to pay to Party A in connection herewith, including the reasonable fees and expenses of Milbank, Tweed, Hadley & McCloy LLP, special counsel to Party A, in connection with the negotiation, preparation, execution and delivery of this Agreement and the other Secured Trading Line Documents.
- (18) CREDIT AGREEMENT DOCUMENTS. Copies of the Credit Agreement and each other "Loan Document" referred to therein (to the extent, in the case of security documents, reasonably requested by Party A), in form and substance satisfactory to Party A and certified as true, correct and complete by a Financial Officer of Party B.
- (19) OTHER DOCUMENTS. Such other documents as Party A may reasonably request.

(i) RESERVE REPORTS.

- (1) RESERVE REPORTING. Party B hereby agrees to deliver to Party A the following reserve reports and other information:
  - (w) ANNUAL REPORTS. Promptly following (but in any event not later than 90 days after) December 31 in each year (commencing with December 31, 2004), copies of:
    - (A) One or more reserve reports as of December 31 from Lee Keeling and Associates, Ryder Scott Company, Netherland Sewell and Associates and/or any other recognized independent reservoir engineering firms reasonably acceptable to Party A (each, an "INDEPENDENT RESERVOIR ENGINEERING REPORT"). Such Independent Reservoir Engineering Reports shall evaluate not less than (i) 70% of all reserve volumes of Party B and the other CHK Companies and (ii) 80% of all Reserve Collateral reserve volumes attributable to the properties and interests of Party B and the other mortgagors under the Mortgages.
    - (B) A reserve report as of December 31 certified by an appropriately authorized officer of Party B (and subject to the review of internal reservoir engineers for Party A) (a "SUPPLEMENTAL RESERVE REPORT"). Each Supplemental Reserve Report shall cover those properties and reserves of Party B and the other CHK Companies not evaluated in the Independent Reservoir Engineering Reports delivered pursuant to clause (A) above.

- (x) SEMI-ANNUAL UPDATES. Promptly following (but in any event no later than 60 days after) June 30 in each year (commencing with June 30, 2004, a reserve report as of such June 30 certified by an appropriately authorized officer of Party B (and subject to the review of internal reservoir engineers for Party A) (an "UPDATED RESERVOIR ENGINEERING REPORT") for all of the properties and reserves of Party B and the other CHK Companies.
- (y) ACCOMPANYING INFORMATION. Party B shall deliver a report to Party A, at the time it delivers the reports under clauses (w) and (x) above, reflecting the occurrence of the following events since the date of the most recent Reserve Reports: (I) all properties or interests sold, transferred, terminated, abandoned or under contract for sale, transfer or termination that had been included in such report, together (in the case of completed or pending sales or transfers) with the property and sale price therefor; (II) all property purchases and pending property purchases (unless such disclosure will violate a confidentiality agreement) identifying the property and the purchase price therefor, and (III) all changes in the categories of Proved Developed Producing Reserves, Proved Developed Nonproducing Reserves and Proved Undeveloped Reserves attributable to each Mortgaged Property interest of Party B and the other CHK Companies.
- (z) ADDITIONAL INFORMATION. In addition, Party B shall from time to time deliver to Party A all other information, reports and data which Party A has requested in connection with the Reserve Reports.

As used herein, "RESERVE REPORT" means, collectively, the Independent Reservoir Engineering Reports, the Supplemental Reserve Reports and the Updated Reservoir Engineering Reports.

- (2) SCOPE OF RESERVE REPORTS. Each Reserve Report (not including the Initial Reserve Reports) shall be addressed to (among any other Persons) Party A, shall be accompanied by a certificate of a Financial Officer of Party B to the effect that such Reserve Report is a true and correct copy thereof, shall contain information comparable to the information contained in the reports delivered on the Effective Date under clause (h)(14) above and otherwise be in form and scope satisfactory to Party A in its sole discretion, shall take into account any "over-produced" status under gas balancing arrangements, shall clearly delineate each property evaluated and shall distinguish those properties that constitute Reserve Collateral from those properties that do not constitute Reserve Collateral. Without limiting the foregoing, each Reserve Report shall contain:
  - (x) for each covered property interest owned by Party B and the other CHK Companies, (A) Proved Reserves, (2) Proved Developed Producing Reserves, (3) Proved Developed Non-Producing Reserves and (4) Proved Undeveloped Reserves (each, a "CATEGORY OF RESERVES"), in each case, to the extent properly allocable to such property interest;
  - (y) for each covered property interest owned by Party B and the other CHK Companies for each year during the remaining commercial operation period for such property, (1) the projected volume of production attributable to each category of reserves, (2) projected gross cash operating revenues to be received from production attributable to each category of reserves and (3) projected net operating income to be earned from production attributable to each category of reserves, in each case, to the extent properly allocable to such property interest; and
  - (z) without limiting clauses (x) and (y) above, sufficient information to enable Party B to meet the reporting requirements concerning oil and gas reserves contained in Regulations S-K and S-X and to ascertain projected future production attributable to the portion of the reserves of the Mortgaged Properties categorized as Producing.

In determining such projected gross cash operating revenues and projected net operating income, each Reserve Report shall

use price assumptions set forth in Regulations S-K and S-X, PROVIDED that, upon request of Party A, Party B shall cause projected gross cash operating revenues and projected net operating income to be determined using price assumptions specified by Party A.

(j) COLLATERAL RAMP-UP; ADDITIONAL POST-CLOSING TITLE WORK; ADDITIONAL CALCULATION DATE RESERVE COLLATERAL.

(1) COLLATERAL RAMP-UP. Party B shall, at its own cost and expense, promptly (and in any event by no later than 90 days) after the Effective Date:

- (x) execute and deliver one or more Mortgages encumbering Eligible Properties having Proved Developed Producing Reserves attributed thereto such that the Forward Value of the Reserve Collateral (including the Initial Reserve Collateral and the collateral pledged under this clause (j)(1)), as projected in good faith by the Calculation Agent, is not less than the Minimum Reserve Collateral Ratio MULTIPLIED BY Maximum Total Capacity;
- (y) in connection with such Mortgages; take the related actions required under clause (o) below; and
- (z) to the extent not delivered to Party A on the Effective Date pursuant to clause (h)(10) above, deliver to Party A such information regarding the title of each mortgagor to the Mortgaged Properties and the priority of the Lien of the Mortgage as Party A may request (including, if requested by Party A, title opinions of counsel satisfactory to Party A stating that such mortgagor has good and defensible title to such Mortgaged Properties, free and clear of all Liens other than Liens permitted by the Mortgages and subject only to such title defects as shall be acceptable to Party A).

(2) ESTIMATE OF CALCULATION DATE NATURAL GAS PFE. By no later than the date (a "PRE-CALCULATION DATE") that is 60 days prior to each Calculation Date falling after the Effective Date, the Calculation Agent shall give written notice (a "PRE-CALCULATION DATE COLLATERAL NOTICE") to Party A and Party B setting forth:

- (w) the Calculation Agent's good faith projection of Natural Gas PFE as of such Calculation Date and the Forward Reserve Collateral Value as of such Calculation Date;
- (x) the ratio (the "ESTIMATED RESERVE COLLATERAL RATIO") of such Forward Reserve Collateral Value to such projected Natural Gas PFE;
- (y) if such Estimated Reserve Collateral Ratio is less than the Minimum Reserve Collateral Ratio, the Forward Value of additional Proved Developed Producing Reserves of Eligible Properties that will need to be pledged to Party A so that the Estimated Reserve Collateral Ratio (determined taking into account such additional collateral) is equal to the Minimum Reserve Collateral Ratio (a "DEFICIENCY AMOUNT"); and
- (z) the Forward Value of additional Proved Developed Producing Reserves of Eligible Properties (if any) that, if pledged to Party A, would result in Available Capacity being equal to Maximum Total Capacity (an "OPTIONAL AMOUNT"), it being understood that no properties are required to be pledged to Party A pursuant to this clause (z).

If the Pre-Calculation Date Collateral Notice with respect to any Calculation Date specifies a Deficiency Amount, then Party B shall, at its own cost and expense, promptly (and in any event by no later than three Local Business Days prior to such Calculation Date) execute and deliver one or more Mortgages encumbering Eligible Properties having Proved Developed Producing Reserves attributed thereto having an aggregate Forward Value equal to such Deficiency Amount and take the related actions required under clause (o) below.

In addition, if the Pre-Calculation Date Collateral Notice with respect to any Calculation Date specifies an Optional Amount, then Party B may (if in its sole discretion it elects to do so), at its own cost and expense, on or prior to the date three Local Business Days prior to such Calculation Date execute and deliver one or more Mortgages encumbering Eligible Properties having Proved Developed Producing Reserves attributed thereto having an aggregate Forward Value equal to such Optional Amount and take the related actions required



under clause (o) below.

For purposes of this clause (2), determinations of the Forward Reserve Collateral Value and Forward Value will be made on each Pre-Calculation Date, but will be made as if such determinations were in fact being made on the immediately following Calculation Date. Accordingly, references in the definitions of "Forward Reserve Collateral Value" and "Forward Value" to a "date of determination" will mean such Calculation Date rather than such Pre-Calculation Date.

- (3) RECALCULATION OF CALCULATION DATE NATURAL GAS PFE. On each Calculation Date, the Calculation Agent shall give written notice (a "CALCULATION DATE COLLATERAL NOTICE") to Party A and Party B setting forth:
- (w) the Natural Gas PFE as of such Calculation Date and the Forward Reserve Collateral Value (determined taking into account the additional collateral (if any) pledged under clause (2) above) as of such Calculation Date;
  - (x) the ratio (the "ACTUAL RESERVE COLLATERAL RATIO") of such Forward Reserve Collateral Value to such Natural Gas PFE;
  - (y) if such Actual Reserve Collateral Ratio is less than the Minimum Reserve Collateral Ratio:
    - (I) the Forward Value of additional Proved Developed Producing Reserves of Eligible Properties that will need to be pledged to Party A so that the Actual Reserve Collateral Ratio (determined taking into account such additional collateral) is equal to the Minimum Reserve Collateral Ratio (also, a "DEFICIENCY AMOUNT"); and
    - (II) such Deficiency Amount DIVIDED BY the Minimum Reserve Collateral Ratio (the "CASH DEFICIENCY AMOUNT"); and
  - (z) the Forward Value of additional Proved Developed Producing Reserves of Eligible Properties (if any) that, if pledged to Party A, would result in Available Capacity being equal to Maximum Total Capacity (also, an "OPTIONAL AMOUNT"), it being understood that no properties are required to be pledged to Party A pursuant to this clause (z).

If the Calculation Date Collateral Notice with respect to any Calculation Date specifies a Deficiency Amount, then Party B shall, at its own cost and expense:

- (A) promptly (and in any event within one Local Business Day after such Calculation Date) deliver to Party A Cash or Letters of Credit pursuant to the Credit Support Annex having an aggregate Value equal to the Cash Deficiency Amount (such Cash and Letters of Credit, "TEMPORARY RESERVE COLLATERAL"); and
- (B) within 60 days after such Calculation Date, execute and deliver one or more Mortgages encumbering Eligible Properties having Proved Developed Producing Reserves attributed thereto having an aggregate Forward Value equal to such Deficiency Amount and take the related actions required under clause (o) below (whereupon Party A shall return such Temporary Reserve Collateral to Party B in accordance with the terms set forth in the Credit Support Annex).

In addition, if the Calculation Date Collateral Notice with respect to any Calculation Date specifies an Optional Amount, then Party B may (if in its sole discretion it elects to do so), at its own cost and expense, on or prior to the date that is 60 days after such Calculation Date, execute and deliver one or more Mortgages encumbering Eligible Properties having Proved Developed Producing Reserves attributed thereto having an aggregate Forward Value equal to such Optional Amount and take the related actions required under clause (o) below.

(k) ADDITIONAL INTRA-YEAR COLLATERAL. If on any date (other than a Calculation Date) (x) the Reserve Collateral Ratio is less than the Minimum Reserve Collateral Ratio and (y) the Intra-Year Deficiency Amount exceeds U.S.\$10,000,000, then, upon request from Party A to Party B, Party B shall, at its own cost and expense, promptly (and in any event within one Local Business Day after the date of such request) deliver to Party A Cash or Letters of Credit pursuant to the Credit Support Annex having an aggregate Value equal to such Intra-Year Deficiency Amount. The Cash and Letters of Credit delivered to Party A pursuant to this clause (k) are referred to as the "INTRA-YEAR COLLATERAL".

As used herein:

"INTRA-YEAR DETERMINATION DATE" means each date on which the conditions set forth in clauses (x) and (y) above in this clause (k) are satisfied.

"INTRA-YEAR DEFICIENCY AMOUNT" means, as of any date of determination, the positive difference (if any) of:

- (1) (A) if the Natural Gas Mark-to-Market Amount as of such date is a positive number, the Natural Gas Mark-to-Market Amount or (B) otherwise, the Intra-Year Natural Gas PFE as of such date; MINUS
- (2) the Current Reserve Collateral Value as of such date DIVIDED BY the Minimum Reserve Collateral Ratio.

(1) SUBSTITUTION OF COLLATERAL. Party B shall be entitled (at its own cost and expense) at any time and from time to time to substitute all or any part of the Reserve Collateral for other Reserve Collateral of equal Forward Value, PROVIDED that:

- (1) no Event of Default or Potential Event of Default shall have occurred and then be continuing or shall result therefrom;
- (2) after giving effect thereto, the Reserve Collateral Ratio is not less than the Minimum Reserve Collateral Ratio;
- (3) the long-term ratings of the Company are not lower than "Ba3" by Moody's or "BB-" by Standard & Poor's and are not on watch for possible downgrade by either such rating agency;
- (4) the aggregate Forward Value of Reserve Collateral substituted in any Transaction Year shall not exceed 15% of Available Capacity;
- (5) Reserve Collateral shall not be substituted pursuant to this clause (1) more than three times in any Transaction Year; and
- (6) for any new Reserve Collateral to be pledged by Party B, Party B shall take the related actions required under clause (o) below.

(m) COLLATERAL CALL.

- (1) If requested by Party B on any Local Business Day, Party A shall return some or all of the Intra-Year Collateral to Party B in accordance with the terms set forth herein and in the Credit Support Annex, PROVIDED that:
  - (x) such day is not an Intra-Year Determination Date;
  - (y) the aggregate Value of Intra-Year Collateral returned to Party B on any Local Business Day will (subject to the rounding and minimum transfer amount terms of the Credit Support Annex) equal an amount (the "INTRA-YEAR EXCESS AMOUNT" for such Local Business Day) equal to the positive difference (if any) of:
    - (A) the Current Reserve Collateral Value as of such date DIVIDED BY the Minimum Reserve Collateral Ratio; MINUS
    - (B) (I) if the Natural Gas Mark-to-Market Amount as of such date is a positive number, the Natural Gas Mark-to-Market Amount or (II) otherwise, the Intra-Year Natural Gas PFE as of such date; and
  - (z) no Event of Default or Potential Event of Default shall have occurred and then be continuing or shall result therefrom.
- (2) If requested by Party B within three Local Business Days following any Calculation Date, Party A shall release one or more Mortgaged Properties from the Lien of the Mortgages in accordance with the terms set forth herein and therein, PROVIDED in each case that:
  - (x) after giving effect thereto, the Reserve Collateral Ratio is not less than the Minimum Reserve Collateral Ratio; and
  - (y) no Event of Default or Potential Event of Default shall have occurred and then be continuing or shall result therefrom.

(n) CHK COMPANY MORTGAGES. Party B will be entitled to deliver Mortgages executed and delivered by one or more of the other CHK Companies (rather than by Party B) under clauses (j)(1), (j)(2), (j)(3)(B) and (1) above, PROVIDED that:

- (1) each such CHK Company is Solvent on and as of the date on which it executes and delivers such Mortgage, and Party B and such CHK Company each deliver a Solvency Certificate to Party A with respect to such CHK Company at the time such Mortgage is delivered;
- (2) such CHK Company is not then an Unrestricted Subsidiary;
- (3) if such CHK Company is not then a Credit Support Provider, such CHK Company executes and delivers to Party A an Assumption and Accession Agreement (whereupon it shall become a Credit Support Provider of Party B hereunder); and
- (4) Party B shall take, and shall cause such CHK Company to take, the related actions required under clause (o) below.

(o) OTHER REQUIRED ACTIONS. In connection with each delivery of a Mortgage or pledge of additional Reserve Collateral, Party B shall, and shall cause each relevant CHK Company to:

- (1) execute and deliver documents with respect to Party B or such CHK Company, such Mortgage and the relevant Mortgaged Properties (in each case as applicable) that are consistent with the documents delivered pursuant to clauses (2), (3), (4), (5), (7), (8), (9), (10), (11), (13), (17) and (19) of clause (h) of this Part 6 on the Effective Date;
- (2) if such CHK Company is not then a Credit Support Provider, deliver an Assumption and Accession Agreement duly executed and delivered by such CHK Company; and
- (3) take such other action (including executing and delivering such Uniform Commercial Code financing statements) as shall be necessary to create and perfect valid and enforceable first priority Liens on the property to be pledged by Party B or such CHK Company under such Mortgage or with respect to such

additional Reserve Collateral.

(p) ADDITIONAL COVENANTS. Party B covenants and agrees, for the benefit of Party A, to:

- (1) deliver to Party A all of the statements, certificates and other information delivered to any lender or agent under Sections 6.1, 6.2, 6.7, 6.8(c) and 6.8(d) of the Credit Agreement;
- (2) perform, comply with and be bound by each of its covenants, agreements and obligations contained in Sections 6 and 7 of the Credit Agreement (other than those subsections referred to in clause (1) above); and
- (3) notify Party A of each amendment, modification and supplement to, and waiver of any provision under, the Credit Agreement and the other "Loan Documents" referred to therein.

Without limiting the generality of the foregoing, the provisions of the Credit Agreement referred to in clause (2) above, together with related definitions and ancillary provisions and schedules and exhibits, are hereby incorporated herein by reference, as if set forth herein in full, MUTATIS MUTANDIS; PROVIDED that, as incorporated herein (unless the context otherwise requires):

- (i) each reference therein to "this Agreement", "the Revolving Loans", "the Letters of Credit" or "the Revolving Commitments" or the like shall be deemed to be a reference to this Agreement and the Transactions hereunder, as the case may be;
- (ii) each reference therein to any "Agent" or any "Lender" or the like shall be deemed to be a reference to Party A hereunder;
- (iii) each reference therein to the "Loan Documents" or the like shall be deemed to be a reference to the Secured Trading Line Documents; and
- (iv) each reference therein to the "Collateral" or the like shall be deemed to be a reference to the Collateral as defined herein.

(q) SUBSIDIARY GUARANTORS. Party B shall at all time cause each Subsidiary of the Company that is not an Unrestricted Subsidiary under the CHK Indentures to be a Subsidiary Guarantor under the Guaranty (and, accordingly, a Credit Support Provider of Party B hereunder). Without limiting the foregoing, if any Subsidiary is created or acquired after the Effective Date by any CHK Company (other than any such Subsidiary that is then designated an Unrestricted Subsidiary under the CHK Indentures, but which, for the purposes of this clause (q), shall include any existing Subsidiary that ceases to be an Unrestricted Subsidiary under the CHK Indentures), promptly cause such Subsidiary to become a Subsidiary Guarantor under the Guaranty (and, accordingly, a Credit Support Provider of Party B hereunder), and to take such actions and execute and deliver to Party A such documents with respect to such Subsidiary that are consistent with the actions taken and documents delivered with respect to Party B pursuant to clauses (2), (3), (4), (5), (7), (16), (17) and (19) of clause (h) of this Part 6 on the Effective Date.

Notwithstanding anything to the contrary contained herein or in any other Secured Trading Line Document, if, after the Effective Date, Party B shall designate a Subsidiary Guarantor or any newly created or acquired Subsidiary as an Unrestricted Subsidiary under the CHK Indentures, and so long as such designation is permitted hereunder (including under the provisions of the Credit Agreement incorporated herein by reference) and a Financial Officer of Party B has certified in writing thereto to Party A, Party A shall release such designated Subsidiary from its guarantee obligations under the Guaranty. Notwithstanding any such release, no Subsidiary Guarantor shall be released from any of its obligations under any Mortgage as to which it is a mortgagor, nor shall any related Mortgaged Properties be released from the Lien thereof, unless such release is permitted under clause (l) or (m) of this Part 6 and, if otherwise required pursuant to the terms hereof, any related replacement or substitution of Reserve Collateral occurs simultaneously therewith.

(r) FURTHER ASSURANCES. Party B shall from time to time execute and deliver, or cause to be executed and delivered by other CHK Companies, such additional mortgages, deeds of trust, chattel mortgages, security agreements, financing statements, reports (including Reserve Reports), instruments, legal opinions, certificates or documents, all in form and substance satisfactory to Party A, and take all such actions as may be requested hereunder (including in order to comply with clause (q) of this Part 6) or as Party A may reasonably request, in each case for the purposes of implementing or further effectuating the provisions of this Agreement and the other Secured Trading Line Documents (including clause (q) of this Part 6), or of more fully perfecting or renewing the rights of Party A with respect to the Collateral (or with respect to any additions thereto or replacements or proceeds thereof or with respect to any other property or assets hereafter acquired by Party B or any Subsidiary Guarantor which may be deemed to be part of the Collateral) pursuant hereto or thereto. Upon the exercise by Party A of any power, right, privilege or remedy pursuant to this Agreement or the other Secured Trading Line Documents that requires any consent, approval, recording qualification or authorization of any governmental authority, the Company and Party B shall execute and deliver, or will cause the execution and delivery of, all applications, certifications, instruments and other documents and papers that Party A may be required to obtain from the Company, Party B or any of the Subsidiary Guarantors for such governmental consent, approval, recording, qualification or authorization.

(s) ADDITIONAL EVENTS OF DEFAULT. In addition to the Events of Default set forth in Section 5(a) of this Agreement, the following shall constitute additional Events of Default as to which Party B shall be the sole Defaulting Party:

- (1) RESERVE COLLATERAL RATIO. Failure by Party B to maintain the Reserve Collateral Ratio in excess of the Minimum Reserve Collateral Ratio if such failure is not remedied within one Local Business Day after receipt of notice from Party A;
- (2) ADDITIONAL COLLATERAL. Failure by Party B to deliver the additional Collateral as and when required under clauses (j) and (k) of this Part 6 if such failure is not remedied within five Local Business Days;
- (3) VOLUME LIMITATIONS. Party B breaches the Volume Limitations and such breach is not remedied (whether by unwinding or liquidating one or more Natural Gas Hedges or otherwise) within 10 Local Business Days;
- (4) REPORTING. Failure by Party B to comply with all the requirements of clause (i) of this Part 6 if such failure is not remedied within five Local Business Days (PROVIDED that no other Event of Default or Potential Event of Default is in effect after such remediation);
- (5) ADDITIONAL AGREEMENTS. Failure by Party B to comply with any of the other covenants set forth in clause in this Part 6; and
- (6) CHANGE IN CONTROL. (i) Any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the U.S. Securities Exchange Act of 1934 (the "EXCHANGE ACT"), shall become, or obtain rights (whether by means of warrants, options or otherwise) to become, the "beneficial owner" (as defined in Rules 13(d)-3 and 13(d)-5 under the Exchange Act), directly or indirectly, of more than 35% of the outstanding common stock of the Company; (ii) the board of directors of the Company shall cease to consist of a majority of Continuing Directors; (iii) the Company shall cease to own and control, of record and beneficially, directly or indirectly, 100% of each class of outstanding Capital Stock of Party B and each other Credit Support Provider free and clear of all Liens; or (iv) a Specified Change of Control shall occur.

As used in this clause (6), "CONTINUING DIRECTORS" and "SPECIFIED CHANGE OF CONTROL" have the meanings given to them in the Credit Agreement.

(t) CERTAIN LETTER OF CREDIT PROVISIONS.

- (1) COMMON PROVISIONS. Each Letter of Credit shall be subject to the following provisions:
- (A) Each Letter of Credit provided by Party B shall be an irrevocable, transferable, standby letter of credit from an Eligible Financial Institution in form and substance satisfactory to Party A in its sole discretion.
  - (B) Each Letter of Credit shall provide that Party A may draw upon such Letter of Credit in an amount (up to the undrawn portion of the stated or face amount of such Letter of Credit) that is equal to all amounts that are due and owing from Party B hereunder but have not been paid to Party A within the time allowed for such payments under this Agreement (after giving effect to any applicable notice requirement or grace period). A Letter of Credit shall provide that a drawing be made upon such Letter of Credit by submission to the issuer thereof of one or more certificates specifying the amounts due and owing to Party A in accordance with the specific requirements of such Letter of Credit.
  - (C) If any issuer of a Letter of Credit (including UBOC) ceases to be an Eligible Financial Institution, then Party B shall, by no later than the date 10 Local Business Days thereafter, replace such Letter of Credit with Cash or another Letter of Credit whose issuer is an Eligible Financial Institution (or a combination thereof) in accordance with and subject to the terms set forth in this Agreement and the Credit Support Annex. Each Letter of Credit that is required to be substituted in accordance with this clause (C) but that is not so substituted within such 10 Local Business Day period is herein referred to as an "INELIGIBLE LETTER OF CREDIT".
- (2) UBOC PROVISIONS. If Union Bank of California ("UBOC") is at any time deemed to be an Eligible Financial Institution pursuant clause (3) of the definition of "Eligible Financial Institution" in this Agreement, then the following provisions shall apply to all Letters of Credit issued by UBOC that are then outstanding at such time (such Letters of Credit, in such circumstances, the "UBOC LETTERS OF CREDIT"):
- (A) the aggregate undrawn face amount of the UBOC Letters of Credit at such time shall not exceed the UBOC Sublimit at such time;
  - (B) no UBOC Letter of Credit shall have an expiry date later than 120 days after its date of issuance; and
  - (C) on or prior to the expiry date of each UBOC Letter of Credit, Party B shall substitute such UBOC Letter of Credit for Cash or one or more non-UBOC Letters of Credit (or a combination thereof) in accordance with and subject to the terms set forth in this Agreement and the Credit Support Annex (it being understood that if such UBOC Letter of Credit constitutes Temporary Reserve Collateral, then Party B may (or shall) replace such UBOC Letter of Credit with Mortgages in the manner and to the extent provided in clause (j)(3) of this Part 6).

As used herein, "UBOC SUBLIMIT" means, at any date of determination, Maximum Total Capacity (or, if such date of determination is prior to the 90th day after the Effective Date, U.S.\$200,000,000 PLUS Syndicated Capacity as of such date) MULTIPLIED BY 10%.



(3) PROVISIONS FOR NON-UBOC LETTERS OF CREDIT. The following provisions shall apply to all Letters of Credit other than UBOC Letters of Credit:

(A) Each such Letter of Credit shall have an expiry date that is thirty days following the first Calculation Date following the date on which such Letter of Credit is issued (or, if such Letter of Credit is issued on or following the final Calculation Date, the date that is thirty days following the latest Termination Date of the Termination Dates of all Transactions then outstanding under this Agreement).

(B) No such Letter of Credit may be increased by Party B without the prior consent of Party A (which Party A may withhold in its sole discretion) unless the issuer of such Letter of Credit is an Eligible Financial Institution at the time of such increase.

(u) CERTAIN DEFINITIONS. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". The term "date hereof" refers to the date of this Agreement first above written. Unless the context requires otherwise (1) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, restatements, supplements or modifications set forth therein or herein), (2) references to any law, constitution, statute, treaty, regulation, rule or ordinance, including any section or other part thereof (each, for purposes of this paragraph, a "LAW"), shall refer to that law as amended from time to time and shall include any successor law, (3) any reference herein to any Person shall be construed to include such Person's successors and permitted assigns, (4) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof and (5) all references herein to Sections, Parts, Annexes, Schedules and Exhibits shall be construed to refer to Sections and Parts of, and Annexes, Schedules and Exhibits to, this Agreement.

As used herein, the following terms have the meanings given to them below:

"ASSUMPTION AND ACCESSION AGREEMENT" means an assumption and accession agreement between a Subsidiary of the Company and Party A in substantially the form of Exhibit A to the Guaranty.

"AVAILABLE CAPACITY" means, as of any date of determination, the lesser of:

- (a) the Forward Reserve Collateral Value DIVIDED BY the Minimum Reserve Collateral Ratio; and
- (b) Maximum Total Capacity (or, if such date of determination is prior to the 90th day after the Effective Date, U.S.\$200,000,000 PLUS Syndicated Capacity as of such date).

"CALCULATION DATE" means (a) the Effective Date; and (b) each anniversary of the Effective Date falling prior to the Scheduled Maturity Date (or, if any such anniversary is not a Local Business Day, the first following day that is a Local Business Day).

"CASH" means the lawful currency of the United States of America.

"CEMI GROUP" means Chesapeake Energy Marketing, Inc., Mayfield Processing, L.L.C., MidCon Compression, L.P. and each other Subsidiary which is designated as an Unrestricted Subsidiary under the CHK Indentures in compliance with the terms of this Agreement and the CHK Indentures.

"CHK COMPANY" means the Company and each of its Subsidiaries (including Party B and each other Credit Support Provider).

"CHK INDENTURES" means the Indentures referred to in the Credit Agreement.

"COLLATERAL" means, collectively, the Reserve Collateral, the

Intra-Year Collateral and the Temporary Reserve Collateral and all other collateral pledged by Party B and the Credit Support Providers to Party A under the Secured Trading Line Documents.

"COMPANY" means Chesapeake Energy Corporation.

"CREDIT AGREEMENT" means the Fourth Amended and Restated Credit Agreement, dated as of May 7, 2004, among (INTER ALIA) the Company, Party B, as Borrower, Union Bank of California, N.A., as Administrative Agent and Collateral Agent, the co-syndication agents and co-documentation agents referred to therein and the several lenders from time to time parties thereto, as such Credit Agreement is in effect on the date hereof and without giving effect to any amendments, modifications or supplements thereto, or waiver or termination thereof, after the date hereof, PROVIDED that if Party A (in its sole discretion) consents to any such amendment, modification, supplement or waiver expressly for purposes this Agreement, then the term "Credit Agreement" shall refer to the Credit Agreement as so amended, modified, supplemented or waived.

"CREDIT SUPPORT ANNEX" means the Credit Support Annex hereto between Party A and Party B in substantially the form of Annex B hereto.

"CREDIT SUPPORT DOCUMENT" means, collectively:

- (a) the Credit Support Annex;
- (b) the Guaranty;
- (c) the Mortgages (together with any related financing statements); and
- (d) the Letters of Credit delivered to Party A pursuant to the terms of this Agreement and the Credit Support Annex.

"CREDIT SUPPORT PROVIDER" means, collectively:

- (a) the Company; and
- (b) each CHK Company (other than Party B) that is a mortgagor under a Mortgage or a Subsidiary Guarantor under the Guaranty.

"CURRENT RESERVE COLLATERAL VALUE" means, for any date of determination, (a) the then-current Value of the Reserve Collateral, PLUS (b) the then-current Value of the Temporary Reserve Collateral MULTIPLIED BY the Minimum Collateral Reserve Ratio PLUS (c) unless otherwise specified herein, the then-current Value of the Intra-Year Collateral MULTIPLIED BY the Minimum Collateral Reserve Ratio, all as reasonably determined by the Calculation Agent.

"EFFECTIVE DATE" means the date of this Agreement.

"ELIGIBLE FINANCIAL INSTITUTION" means, at any time:

- (1) a financial institution whose long-term unsecured debt obligations then have a credit rating of "Aa3" or better by Moody's and "AA-" or better by Standard & Poor's;
- (2) a financial institution not referred to in clause (1) above whose long-term unsecured debt obligations then have a credit rating of at least "A1" by Moody's and at least "A+" by Standard & Poor's, but only if such financial institution is otherwise acceptable to Party A in its sole discretion; and
- (3) if UBOC does not qualify as an Eligible Financial Institution on any date under clause (1) or (2) above, then UBOC shall nevertheless be deemed to be an Eligible Financial Institution on such date if its long-term unsecured debt obligations then have a credit rating of at least "A2" by Moody's and at least "A-" by Standard & Poor's.

"ELIGIBLE PROPERTIES" means property interests of Party B and the other CHK Companies to which Proved Developed Producing Reserves are attributable and which have oil and natural gas production, diversity and other characteristics acceptable to Party A in its sole discretion.

"FACILITY TERMINATION DATE" means the earlier of:

- (a) the Scheduled Maturity Date; and
- (b) the first day following the Voluntary Trading Period Termination Date (if any) on which no Specified Natural Gas Transaction is outstanding.

"FINANCIAL OFFICER" means, as to Party B or any of the Credit Support Providers, the chief financial officer, treasurer or other officer thereof acceptable to Party A.

"FORWARD RESERVE COLLATERAL VALUE" means:

- (a) for any date of determination that occurs prior to the final Calculation Date, the sum of:
  - (1) the Forward Value of the Reserve Collateral PLUS
  - (2) the aggregate Value of all Temporary Reserve Collateral MULTIPLIED BY the Minimum Collateral Reserve Ratio; and
- (b) for any date of determination that occurs on or after the final Calculation Date, the Current Reserve Collateral Value (determined without regard to any Intra-Year Collateral),

in each case as reasonably determined by the Calculation Agent.

"FORWARD VALUE" means, for any Eligible Property:

- (a) for any date of determination that occurs prior to the final Calculation Date, the projected Value of such Eligible Property as of the next occurring Calculation Date; and
- (b) for any date of determination that occurs on or after the final Calculation Date, the Value of such Eligible Property as of such date of determination,

all as reasonably determined by the Calculation Agent. For the avoidance of doubt:

- (1) if a Forward Value calculation is being made under clause (j)(2) of this Part 6 on or after a Pre-Calculation Date, then (x) the "date of determination" for such calculation will be deemed to be the Calculation Date immediately following such Pre-Calculation Date, and (y) the reference in clause (a) above to the "next occurring Calculation Date" means the second Calculation Date following such Pre-Calculation Date;
- (2) if a Forward Value calculation is being made on a Calculation Date, then (x) the "date of determination" for such calculation will be such Calculation Date, and (y) the reference in clause (a) above to the "next occurring Calculation Date" means the Calculation Date following the Calculation Date on which such calculation is made; and
- (3) for each Forward Value calculation other than those referred to in clauses (1) and (2) above, (x) the "date of determination" for such calculation will be the date on which such calculation is made, and (y) the reference in clause (a) above to the "next occurring Calculation Date" means the Calculation Date following the date on which such calculation is made.

"GUARANTY" means the Guaranty Agreement dated as of the Effective Date by the Company and each Subsidiary Guarantor in favor of Party A in substantially the form attached as Exhibit C hereto.

"INTRA-YEAR NATURAL GAS PFE" means, as of any date of determination, the highest Natural Gas PFE that occurs between such date of determination and the next occurring Calculation Date (or, if such date of determination occurs after the final Calculation Date, between such date of determination and the Facility Termination Date), as determined by the Calculation Agent taking into account all existing (and, if relevant, proposed) Specified Natural Gas Transactions.

"LETTER OF CREDIT" means a letter of credit in substantially

the form attached as Exhibit D (or otherwise in form and substance satisfactory to Party A), issued by an Eligible Financial Institution for the account of Party B or one of its Affiliates and for the benefit of Party A hereunder and meeting the requirements set forth herein and in the Credit Support Annex.

"LETTER OF CREDIT DEFAULT" means, with respect to any Letter of Credit, the related issuing bank (a) becomes subject to any event analogous to an event specified in Section 5(a)(vii) of this Agreement, (b) fails to comply with or perform its obligations under such Letter of Credit if such failure shall continue after the lapse of any applicable grace period, (c) shall disaffirm, disclaim, repudiate or reject, in whole or in part, or challenge the validity of such Letter of Credit or (d) suffers a material adverse change in its financial condition or prospects (the existence of any such change being determined by the beneficiary of the Letter of Credit acting in its sole discretion).

"LIEN" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement and any capital lease having substantially the same economic effect as any of the foregoing).

"MAXIMUM TOTAL CAPACITY" means U.S.\$600,000,000, PROVIDED that if Syndicated Capacity on the 90th day after the Effective Date is less than U.S.\$400,000,000, then Maximum Total Capacity shall be reduced on that date by the amount of such deficiency.

"MINIMUM RESERVE COLLATERAL RATIO" means 1.50 to 1.00.

"MOODY'S" means Moody's Investors Service, Inc.

"MORTGAGE" shall mean the Mortgage, Deed of Trust, Security Agreement, Assignment of Production, Financing Statement (Personal Properties Including Hydrocarbons) and Fixture Filing, dated as of the date of its execution and delivery and in substantially the form attached as Exhibit B hereto or otherwise in form and substance satisfactory to Party A in its sole discretion. Each Mortgage shall cover all of the relevant mortgagor's right, title and interest in and to the collateral purported to be covered thereby (including all proceeds thereof and all related accounts receivable).

"MORTGAGED PROPERTIES" shall mean the "Mortgaged Properties" as defined in, and subject to the duly recorded Lien of, the Mortgages.

"NATURAL GAS MARK-TO-MARKET AMOUNT" means the aggregate mark-to-market position of all Specified Natural Gas Transactions as determined by the Calculation Agent in a commercially reasonable manner at the close of each Local Business Day. If such position is in favor of Party A, the Natural Gas Mark-to-Market Amount will be stated as a positive number. If such position is in favor of Party B, the Natural Gas Mark-to-Market Amount will be stated as a negative number.

"NATURAL GAS PFE" means, as of the date of determination, the peak potential future natural gas trading credit exposure to Party B by Party A as determined in good faith by the Calculation Agent taking into account all existing (and, if relevant, proposed) Specified Natural Gas Transactions. For the avoidance of doubt, the Calculation Agent's determination of Natural Gas PFE will depend on factors including (a) changes in NYMEX natural gas futures prices, (b) NYMEX natural gas futures implied volatility levels, and (c) delivery volumes remaining at each calendar month until the Facility Termination Date.

"PERSON" means an individual, corporation (including a business trust), partnership, limited liability company, limited liability partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated association or government or any agency or political subdivision thereof.

"PROVED", "PROVED DEVELOPED PRODUCING RESERVES", "PROVED RESERVES", "PROVED DEVELOPED NON-PRODUCING RESERVES", "PROVED UNDEVELOPED RESERVES" and "PRODUCING" have the respective meanings given to them in the Definitions for Oil and Gas Reserves promulgated by the Society of Petroleum Engineers (or any generally recognized successors).

"QUALIFIED MORTGAGED PROPERTY" means a Mortgaged Property (a) which is an Eligible Property; (b) as to which Party B shall have taken all actions and executed and delivered all documents under clauses (2), (3), (4), (5), (7), (8), (9), (10), (11), (13), (17) and (19) of clause (h) of this Part 6 or clause (o) of this Part 6; and (c) which shall be subject to a first priority perfected Lien in favor of Party A.

"REGULATION S-K" and "REGULATION S-X" mean, respectively, Regulation S-K and Regulation S-X promulgated by the SEC, as such Rules are in effect on the date hereof.

"RESERVE COLLATERAL" means the Initial Reserve Collateral and all other Mortgaged Properties pledged by Party B and the Credit Support Providers to Party A pursuant to the terms of this Agreement and the other Secured Trading Line Documents, PROVIDED that Reserve Collateral shall not include on any date any property that is not then a Qualified Mortgaged Property.

"RESERVE COLLATERAL RATIO" means:

- (a) for any date of determination that is a Calculation Date, the Forward Reserve Collateral Value DIVIDED BY the Natural Gas PFE; and
- (b) for any other date of determination, (1) the Current Reserve Collateral Value for such date DIVIDED BY (2) (x) if the Natural Gas Mark-to-Market Amount is a positive number as of such date, the Natural Gas Mark-to-Market Amount for such date or (y) otherwise, the Intra-Year Natural Gas PFE.

"SCHEDULED MATURITY DATE" means May 31, 2009, PROVIDED that the Scheduled Maturity Date may be extended at any time and from time to time to May 31 in any subsequent year if Party A and Party B so agree (it being understood that no party shall be obligated to agree to any such extension of the Scheduled Maturity Date, and may withhold its consent to any such extension in its sole discretion).

"SEC" means the U.S. Securities and Exchange Commission (or any governmental agency substituted therefor).

"SECURED TRADING LINE DOCUMENTS" means this Agreement (including the Schedule and Credit Support Annex and all Confirmations of Specified Natural Gas Transactions) and the Credit Support Documents.

"SOLVENCY CERTIFICATE" means a certificate of Party B or one of its Affiliates (as applicable), addressed to Party A, certifying that, as of the date of such certificate, Party B or such Affiliate (as applicable) is Solvent.

"SOLVENT" means that, as of any date of determination as to any Person, (a) the amount of the "present fair saleable value" of the assets of such Person will, as of such date, exceed the amount of all "liabilities of such Person, contingent or otherwise", as of such date, as such quoted terms are determined in accordance with applicable federal and state laws governing determinations of the insolvency of debtors, (b) the present fair saleable value of the assets of such Person will, as of such date, be greater than the amount that will be required to pay the liability of such Person on its debts as such debts become absolute and matured, (c) such Person will not have, as of such date, an unreasonably small amount of capital with which to conduct its business, and (d) such Person will be able to pay its debts as they mature. For purposes of this definition, (1) "debt" means liability on a "claim", and (2) "claim" means any (x) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (y) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured or unmatured, disputed, undisputed, secured or unsecured.

"SPECIFIED NATURAL GAS TRANSACTION" means any Transaction between Party A and Party B that satisfies (in the good faith judgment of the Calculation Agent) each of the following conditions:

- (a) such Transaction is a cash-settled commodity transaction in which the sole commodity covered is natural gas;
- (b) the effective date of such Transaction falls during the Trading Period; and
- (c) no part of the term of such Transaction falls after the Scheduled Maturity Date.

"STANDARD & POOR'S" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"SUBSIDIARY GUARANTOR" means each Subsidiary of the Company (other than Party B) that is a "Subsidiary Guarantor" under and as defined in the Guaranty.

"SYNDICATED CAPACITY" means, as of any date, the portion (if any) of Maximum Total Capacity that Party A has syndicated to third parties, all as determined by Party A in its sole discretion and reported by Party A to Party B from time to time.

"TRADING PERIOD" means the period from and including the Effective Date to but excluding the earlier of (a) the Scheduled Maturity Date and (b) the Voluntary Trading Period Termination Date.

"TRANSACTION YEAR" means each period from and including a Calculation Date (including the Effective Date) through but excluding the next succeeding Calculation Date, PROVIDED that the final Transaction Year shall end on and include the Facility Termination Date.

"UNRESTRICTED SUBSIDIARY" means an "Unrestricted Subsidiary" as defined in the CHK Indentures.

"VALUE" means, as of any date of determination:

- (a) with respect to Cash, the amount thereof;
- (b) with respect to a Letter of Credit, the amount then available to be unconditionally drawn by Party A under the terms of such Letter of Credit, PROVIDED that if:
  - (1) such Letter of Credit is not a UBOC Letter of Credit and the stated expiry date of such Letter of Credit is less than 30 days after such date of determination;
  - (2) such Letter of Credit is then an Ineligible Letter of Credit; or
  - (3) a Letter of Credit Default occurs with respect to such Letter of Credit,then the Value of such Letter of Credit as of such date shall be equal to U.S.\$0;
- (c) with respect to any Mortgaged Properties, the value of Proved Developed Producing Reserves attributable thereto (determined taking into account all remaining production volumes as of such date of determination), all as reasonably determined by the Calculation Agent, and
- (d) with respect to any other property, U.S.\$0.



In making its determination under clause (c) above, the Calculation Agent will determine the expected nominal future cash flows of such reserves (based on the then-most recent Reserve Reports and utilizing commodity prices based on the Calculation Agent's then-current standard internal commodity "price decks" used by it for evaluating and making credit decisions for Party B and other similar commodity exploration and production companies with which Party A has existing or prospective credit exposure, PROVIDED that the Calculation Agent shall be entitled to use its own estimates of, among other things, natural gas liquids prices and production volumes), net of expenses estimated by the Calculation Agent (including the Calculation Agent's estimates of operating expenses, capital costs and any environmental, remediation and other costs and expenses related to such reserves), and discount such net nominal future cash flows back to the date of determination using a discount rate of 9% per annum.

[signature page follows]

By: Chesapeake Operating, Inc.,  
its general partner

By: /s/ GREGORY COLLETT

-----  
Name: Gregory Collett  
Title: Vice President and Counsel

By: /s/ MARTHA A BURGER

-----  
Name: Martha A. Burger  
Title: Treasurer and  
Senior Vice President -  
Human Resources

By: /s/ CARLO CARLTON

-----  
Name: Carlo Carlton  
Title: Vice President and Counsel



## ISDA

International Swaps and Derivatives Association, Inc.

## CREDIT SUPPORT ANNEX

to the Schedule to the

## ISDA MASTER AGREEMENT

dated as of May 28, 2004

between

DEUTSCHE BANK AG,  
("Party A")

and

CHESAPEAKE EXPLORATION LIMITED PARTNERSHIP  
("Party B")

This Credit Support Annex supplements, forms part of, and is subject to, the above-referenced Agreement, is part of its Schedule and is a Credit Support Document under this Agreement with respect to each party.

Accordingly, the parties agree as follows:

## PARAGRAPH 1. Interpretation

- (a) DEFINITIONS AND INCONSISTENCY. Capitalized terms not otherwise defined herein or elsewhere in this Agreement have the meanings specified pursuant to Paragraph 12, and all references in this Annex to Paragraphs are to Paragraphs of this Annex. In the event of any inconsistency between this Annex and the other provisions of this Schedule, this Annex will prevail, and in the event of any inconsistency between Paragraph 13 and the other provisions of this Annex, Paragraph 13 will prevail.
- (b) SECURED PARTY AND PLEDGOR. All references in this Annex to the "Secured Party" will be to either party when acting in that capacity and all corresponding references to the "Pledgor" will be to the other party when acting in that capacity; PROVIDED, HOWEVER, that if Other Posted Support is held by a party to this Annex, all references herein to that party as the Secured Party with respect to that Other Posted Support will be to that party as the beneficiary thereof and will not subject that support or that party as the beneficiary thereof to provisions of law generally relating to security interests and secured parties.

## PARAGRAPH 2. Security Interest

Each party, as the Pledgor, hereby pledges to the other party, as the Secured Party, as security for its Obligations, and grants to the Secured Party a first priority continuing security interest in, lien on and right of Set-off against all Posted Collateral Transferred to or received by the Secured Party hereunder. Upon the Transfer by the Secured Party to the Pledgor of Posted Collateral, the security interest and lien granted hereunder on that Posted Collateral will be released immediately and, to the extent possible, without any further action by either party.

## PARAGRAPH 3. CREDIT SUPPORT OBLIGATIONS

- (a) DELIVERY AMOUNT. Subject to Paragraphs 4 and 5, upon a demand made by the Secured Party on or promptly following a Valuation Date, if the Delivery Amount for that Valuation Date equals or exceeds the Pledgor's Minimum Transfer Amount, then the Pledgor will Transfer to the Secured Party Eligible Credit Support having a Value as of the date of Transfer at least equal to the applicable Delivery Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the "Delivery Amount" applicable to the Pledgor for any Valuation Date will equal the amount by which:
- (i) the Credit Support Amount exceeds
- (ii) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party.
- (b) RETURN AMOUNT. Subject to Paragraphs 4 and 5, upon a demand made by the

Pledgor on or promptly following a Valuation Date, if the Return Amount for that Valuation date equals or exceeds the Secured Party's Minimum Transfer Amount, then the Secured Party will Transfer to the Pledgor Posted Credit Support specified by the Pledgor in that demand having a Value as of the date of Transfer as close as practicable to the applicable Return Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the "RETURN AMOUNT" applicable to the Secured Party for any Valuation Date will equal the amount by which:

- (i) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party exceeds
- (ii) the Credit Support Amount.

"CREDIT SUPPORT AMOUNT" means, unless otherwise specified in Paragraph 13, for any Valuation Date (i) the Secured Party's Exposure for that Valuation Date plus (ii) the aggregate of all Independent Amounts applicable to the Pledgor, if any, minus (iii) all Independent Amounts applicable to the Secured Party, if any, minus (iv) the Pledgor's Threshold; PROVIDED, HOWEVER, that the Credit Support Amount will be deemed to be zero whenever the calculation of Credit Support Amount yields a number less than zero.

PARAGRAPH 4. CONDITIONS PRECEDENT, TRANSFER TIMING, CALCULATIONS AND SUBSTITUTIONS

- (a) CONDITIONS PRECEDENT. Each Transfer obligation of the Pledgor under Paragraphs 3 and 5 and of the Secured Party under Paragraphs 3, 4(d)(ii), 5 and 6(d) is subject to the conditions precedent that:

- (i) no Event of Default, Potential Event of Default or Specified Condition has occurred and is continuing with respect to the other party; and
- (ii) no Early Termination Date for which any unsatisfied payment obligations exist has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the other party.

- (b) TRANSFER TIMING. Subject to Paragraphs 4(a) and 5 and unless otherwise specified, if a demand for the Transfer of Eligible Credit Support or Posted Credit Support is made by the Notification Time, then the relevant Transfer will be made not later than the close of business on the next Local Business Day; if a demand is made after the Notification Time, then the relevant Transfer will be made not later than the close of business on the second Local Business Day thereafter.

- (c) CALCULATIONS. All calculations of Value and Exposure for purposes of Paragraphs 3 and 6(d) will be made by the Valuation Agent as of the Valuation Time. The Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) of its calculations not later than the Notification Time on the Local Business Day following the applicable Valuation Date (or in the case of Paragraph 6(d), following the date of calculation).

- (d) SUBSTITUTIONS.

(i) Unless otherwise specified in Paragraph 13, upon notice to the Secured Party specifying the items of Posted Credit Support to be exchanged, the Pledgor may, on any Local Business Day, Transfer to the Secured Party substitute Eligible Credit Support (the "Substitute Credit Support"); and

(ii) subject to Paragraph 4(a), the Secured Party will Transfer to the Pledgor the items of Posted Credit Support specified by the Pledgor in its notice not later than the Local Business Day following the date on which the Secured Party receives the Substitute Credit Support, unless otherwise specified in Paragraph 13 (the "Substitution Date"); provided that the Secured Party will only be obligated to Transfer Posted Credit Support with a Value as of the date of Transfer of that Posted Credit Support equal to the Value as of that date of the Substitute Credit Support.

PARAGRAPH 5. DISPUTE RESOLUTION

If a party (a "Disputing Party") disputes (I) the Valuation Agent's calculation of a Delivery Amount or a Return Amount or (II) the Value of any Transfer of Eligible Credit Support or Posted Credit Support, then (1) the Disputing Party will notify the other party and the Valuation Agent (if the Valuation Agent is not the other party) not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in the case of (I) above or (Y) the date of Transfer in the case of (II) above, (2) subject to Paragraph 4(a), the appropriate party will Transfer the undisputed amount to the other party not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in the case of (I) above or (Y) the date of Transfer in the case of (II) above, (3) the parties will consult with each other in an attempt to resolve the dispute and (4) if they fail to resolve the dispute by the Resolution Time, then:

(i) In the case of a dispute involving a Delivery Amount or Return Amount, unless otherwise specified in Paragraph 13, the Valuation Agent will recalculate the Exposure and the Value as of the Recalculation Date by:

(A) utilizing any calculations of Exposure for the Transaction (or Swap Transactions) that the parties have agreed are not in dispute;

(B) calculating the Exposure for the Transactions (or Swap Transactions) in dispute by seeking four actual quotations at mid-market from Reference Market-makers for purposes of calculating Market Quotation, and taking the arithmetic average of those obtained; provided that if four quotations are not available for a particular Transaction (or Swap Transaction), then fewer than four quotations may be used for that Transaction (or Swap Transaction), and if no quotations are available for a particular Transaction (or Swap Transaction), then the Valuation Agent's original calculations will be used for that Transaction (or Swap Transaction); and

(C) utilizing the procedures specified in Paragraph 13 for calculating the Value, if disputed, of Posted Credit Support.

(ii) In the case of a dispute involving the Value of any Transfer of Eligible Credit Support or Posted Credit Support, the Valuation Agent will recalculate the Value as of the date of Transfer pursuant to Paragraph 13.

Following a recalculation pursuant to this Paragraph, the Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) not later than the Notification Time on the Local Business Day following the Resolution Time. The appropriate party will, upon demand following that notice by the Valuation Agent or a resolution pursuant to (3) above and subject to Paragraphs 4(a) and 4(b), make the appropriate Transfer.

PARAGRAPH 6. HOLDING AND USING POSTED COLLATERAL

(a) CARE OF POSTED COLLATERAL. Without limiting the Secured Party's rights under Paragraph 6(c), the Secured Party will exercise reasonable care to assure the safe custody of all Posted Collateral to the extent required by applicable law, and in any event the Secured Party will be deemed to have exercised reasonable care if it exercises at least the same degree of care as it would exercise with respect to its own property. Except as specified in the preceding sentence, the Secured Party will have no duty with respect to Posted Collateral, including, without limitation, any duty to collect any Distributions, or enforce or preserve any rights pertaining thereto.

(b) ELIGIBILITY TO HOLD POSTED COLLATERAL; CUSTODIANS.

(i) GENERAL. Subject to the satisfaction of any conditions specified in Paragraph 13 for holding Posted Collateral, the Secured Party will be entitled to hold Posted Collateral or to appoint an agent (a "Custodian") to hold Posted Collateral for the Secured Party. Upon notice by the Secured Party to the Pledgor of the appointment of a Custodian, the Pledgor's obligations to make any Transfer will be discharged by making the Transfer to that Custodian. The holding of Posted Collateral by a Custodian will be deemed to be the holding of that Posted Collateral by the Secured Party for which the Custodian is acting.

(ii) FAILURE TO SATISFY CONDITIONS. If the Secured Party or its Custodian fails to satisfy any conditions for holding Posted Collateral, then upon a demand made by the Pledgor, the Secured Party will, not later than five Local Business Days after the demand, Transfer or cause its Custodian to Transfer all Posted Collateral held by it to a Custodian that satisfies those conditions or to the Secured Party if it satisfies those conditions.

(iii) LIABILITY. The Secured Party will be liable for the acts or omissions of its Custodian to the same extent that the Secured Party would be liable hereunder for its own acts or omissions.

(c) USE OF POSTED COLLATERAL. Unless otherwise specified in Paragraph 13 and without limiting the rights and obligations of the parties under Paragraphs 3, 4(d)(ii), 5, 6(d) and 8, if the Secured Party is not a Defaulting Party or an Affected Party with respect to a Specified Condition and no Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then the Secured Party will, notwithstanding Section 9-207 of the New York Uniform Commercial Code, have the right to:

(i) sell, pledge, rehypothecate, assign, invest, use, commingle or otherwise dispose of, or otherwise use in its business any Posted Collateral it holds, free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor; and

(ii) register any Posted Collateral in the name of the Secured Party, its Custodian or a nominee for either.

For purposes of the obligation to Transfer Eligible Credit Support or Posted Credit Support pursuant to Paragraphs 3 and 5 and any rights or remedies authorized under this Agreement, the Secured Party will be deemed to continue to hold all Posted Collateral and to receive Distributions made thereon, regardless of whether the Secured Party has exercised any rights with respect to any Posted Collateral pursuant to (i) or (ii) above.

(d) DISTRIBUTIONS AND INTEREST AMOUNT.

(i) DISTRIBUTIONS. Subject to Paragraph 4(a), if the Secured Party receives or is deemed to receive Distributions on a Local Business Day, it will Transfer to the Pledgor not later than the following Local Business Day any Distributions it receives or is deemed to receive to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose).

(ii) INTEREST AMOUNT. Unless otherwise specified in Paragraph 13 and subject to Paragraph 4(a), in lieu of any interest, dividends or other amounts paid or deemed to have been paid with respect to Posted Collateral in the form of Cash (all of which may be retained by the Secured Party), the Secured Party will Transfer to the Pledgor at the times specified in Paragraph 13 the Interest Amount to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose). The Interest Amount or portion thereof not Transferred pursuant to this Paragraph will constitute Posted Collateral in the form of Cash and will be subject to the security interest granted under Paragraph 2.

#### PARAGRAPH 7. EVENTS OF DEFAULT

For purposes of Section 5(a)(iii)(1) of this Agreement, an Event of Default will exist with respect to a party if:

(i) that party fails (or fails to cause its Custodian) to make, when due, any Transfer of Eligible Collateral, Posted Collateral or the Interest Amount, as applicable, required to be made by it and that failure continues for two Local Business Days after notice of that failure is given to that party;

(ii) that party fails to comply with any restriction or prohibition specified in this Annex with respect to any of the rights specified in Paragraph 6(c) and that failure continues for five Local Business Days after notice of that failure is given to that party; or

(iii) that party fails to comply with or perform any agreement or obligation other than those specified in Paragraphs 7(i) and 7(ii) and that failure continues for 30 days after notice of that failure is given to that party.

PARAGRAPH 8. CERTAIN RIGHTS AND REMEDIES

(a) SECURED PARTY'S RIGHTS AND REMEDIES. If at any time (1) an Event of Default or Specified Condition with respect to the Pledgor has occurred and is continuing or (2) an Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Pledgor, then, unless the Pledgor has paid in full all of its Obligations that are then due, the Secured Party may exercise one or more of the following rights and remedies:

(i) all rights and remedies available to a secured party under applicable law with respect to Posted Collateral held by the Secured Party;

(ii) any other rights and remedies available to the Secured Party under the terms of Other Posted Support, if any;

(iii) the right to Set-off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral); and

(iv) the right to liquidate any Posted Collateral held by the Secured Party through one or more public or private sales or other dispositions with such notice, if any, as may be required under applicable law, free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor (with the Secured Party having the right to purchase any or all of the Posted Collateral to be sold) and to apply the proceeds (or the Cash equivalent thereof) from the liquidation of the Posted Collateral to any amounts payable by the Pledgor with respect to any obligations in that order as the Secured Party may elect.

Each party acknowledges and agrees that Posted Collateral in the form of securities may decline speedily in value and is of a type customarily sold on a recognized market, and, accordingly, the Pledgor is not entitled to prior notice of any sale of that Posted Collateral by the Secured Party, except any notice that is required under the applicable law and cannot be waived.

(b) PLEDGOR'S RIGHTS AND REMEDIES. If at any time an Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then (except in the case of an Early Termination Date relating to less than all Transactions (or Swap Transactions) where the Secured Party has paid in full all of its obligations that are then under Section 6(e) of this Agreement):

(i) the Pledgor may exercise all rights and remedies available to a pledgor under applicable law with respect to Posted Collateral held by the Secured Party;

(ii) the Pledgor may exercise any other rights and remedies available to the Pledgor under the terms of Other Posted Support, if any;

(iii) the Secured Party will be obligated immediately to Transfer all Posted Collateral and the Interest Amount to the Pledgor; and

(iv) to the extent that Posted Collateral or the Interest Amount is not so Transferred pursuant to (iii) above, the Pledgor may:

(A) Set-off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral); and

(B) to the extent that the Pledgor does not Set-off under (iv)(A) above, withhold payment of any remaining amounts payable by the Pledgor with respect to any Obligations, up to the Value of any remaining Posted Collateral held by the Secured Party, until that Posted Collateral is Transferred to the Pledgor.

(c) DEFICIENCIES AND EXCESS PROCEEDS. The Secured Party will Transfer to the Pledgor any proceeds and Posted Credit Support remaining after liquidation, Set-off and/or application under Paragraphs 8(a) and 8(b) after satisfaction in full of all amounts payable by the Pledgor with respect to any Obligations; the Pledgor in all events will remain liable for any amounts remaining unpaid after any liquidation, Set-off and/or application under Paragraphs 8(a) and 8(b).

(d) FINAL RETURNS. When no amounts are or thereafter may become payable by the Pledgor with respect to any Obligations (except for any potential liability under Section 2(d) of this Agreement), the Secured Party will Transfer to the Pledgor all Posted Credit Support and the Interest Amount, if any.



PARAGRAPH 9. REPRESENTATIONS

Each party represents to the other party (which representations will be deemed to be repeated as of each date on which it, as the Pledgor, Transfers Eligible Collateral) that:

(i) it has the power to grant a security interest in and lien on any Eligible Collateral it Transfers as the Pledgor and has taken all necessary actions to authorize the granting of that security interest and lien;

(ii) it is the sole owner of or otherwise has the right to Transfer all Eligible Collateral it Transfers to the Secured Party hereunder, free and clear of any security interest, lien, encumbrance or other restrictions other than the security interest and lien granted under Paragraph 2;

(iii) upon the Transfer of any Eligible Collateral to the Secured Party under the terms of this Annex, the Secured Party will have a valid and perfected first priority security interest therein (assuming that any central clearing corporation or any third-party financial intermediary or other entity not within the control of the Pledgor involved in the Transfer of that Eligible Collateral gives the notices and takes the action required of it under applicable law for perfection of that interest); and

(iv) the performance by it of its obligations under this Annex will not result in the creation of any security interest, lien or other encumbrances on any Posted Collateral other than the security interest and lien granted under Paragraph 2.

PARAGRAPH 10. EXPENSES

(a) GENERAL. Except as otherwise provided in Paragraphs 10(b) and 10(c), each party will pay its own costs and expenses in connection with performing its obligations under this Annex and neither party will be liable for any costs and expenses incurred by the other party in connection herewith.

(b) POSTED CREDIT SUPPORT. The Pledgor will promptly pay when due all taxes, assessments or charges of any nature that are imposed with respect to Posted Credit Support held by the Secured Party upon becoming aware of the same, regardless of whether any portion of that Posted Credit Support is subsequently disposed of under Paragraph 6(c), except for those taxes, assessments and charges that result from the exercise of the Secured Party's rights under Paragraph 6(c).

(c) LIQUIDATION/APPLICATION OF POSTED CREDIT SUPPORT. All reasonable costs and expenses incurred by or on behalf of the Secured Party or the Pledgor in connection with the liquidation and/or application of any Posted Credit Support under Paragraph 8 will be payable, on demand and pursuant to the Expenses Section of this Agreement, by the Defaulting Party or, if there is no Defaulting Party, equally by the parties.

PARAGRAPH 11. MISCELLANEOUS

(a) DEFAULT INTEREST. A Secured Party that fails to make, when due, any Transfer of Posted Collateral or the Interest Amount will be obligated to pay the Pledgor (to the extent permitted under applicable law) an amount equal to interest at the Default Rate multiplied by the Value of the items of property that were required to be Transferred, from (and including) the date that Posted Collateral or Interest Amount was required to be Transferred to (but excluding) the date of Transfer of that Posted Collateral or Interest Amount. This Interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(b) FURTHER ASSURANCES. Promptly following a demand made by a party, the other party will execute, deliver, file and record any financing statement, specific assignment or other document and take any other action that may be necessary or desirable and reasonably requested by that party to create, preserve, perfect or validate any security interest or lien granted under Paragraph 2, to enable that party to exercise or enforce its rights under this Annex with respect to Posted Credit Support or an Interest Amount or to effect or document a release of a security interest on Posted Collateral or an Interest Amount.

(c) FURTHER PROTECTION. The Pledgor will promptly give notice to the Secured Party of, and defend against, any suit, action, proceeding or lien that involves Posted Credit Support Transferred by the Pledgor or that could adversely affect the security interest and lien granted by it under Paragraph 2, unless that suit, action, proceeding or lien results from the exercise of the Secured Party's rights under Paragraph 6(c).

- (d) GOOD FAITH AND COMMERCIALY REASONABLE MANNER. Performance of all obligations under this Annex, including, but not limited to, all calculations, valuations and determinations made by either party, will be made in good faith and in a commercially reasonable manner.
- (e) DEMANDS AND NOTICES. All demands and notices made by a party under this Annex will be made as specified in the Notices Section of this Agreement, except as otherwise provided in Paragraph 13.
- (f) SPECIFICATIONS OF CERTAIN MATTERS. Anything referred to in this Annex as being specified in Paragraph 13 also may be specified in one or more Confirmations or other documents and this Annex will be construed accordingly.

PARAGRAPH 12. DEFINITIONS

As used in this Annex: -

"CASH" means the lawful currency of the United States of America.

"CREDIT SUPPORT AMOUNT" has the meaning specified in Paragraph 3.

"CUSTODIAN" has the meaning specified in Paragraphs 6(b)(i) and 13.

"DELIVERY AMOUNT" has the meaning specified in Paragraph 3(a).

"DISPUTING PARTY" has the meaning specified in Paragraph 5.

"DISTRIBUTIONS" means with respect to Posted Collateral other than Cash, all principal, interest and other payments and distributions of cash or other property with respect thereto, regardless of whether the Secured Party has disposed of that Posted Collateral under Paragraph 6(c). Distributions will not include any item of property acquired by the Secured Party upon any disposition or liquidation of Posted Collateral or, with respect to any Posted Collateral in the form of Cash, any distributions on that collateral, unless otherwise specified herein.

"ELIGIBLE COLLATERAL" means, with respect to a party, the items, if any, specified as such for that party in Paragraph 13.

"ELIGIBLE CREDIT SUPPORT" means Eligible Collateral and Other Eligible Support.

"EXPOSURE" means for any Valuation Date or other date for which Exposure is calculated and subject to Paragraph 5 in the case of a dispute, the amount, if any, that would be payable to a party that is the Secured Party by the other party (expressed as a positive number) or by a party that is the Secured Party to the other party (expressed as a negative number) pursuant to Section 6(e)(ii)(2)(A) of this Agreement as if all Transactions (or Swap Transactions) were being terminated as of the relevant Valuation Time: provided that Market Quotation will be determined by the Valuation Agent using its estimates at mid-market of the amounts that would be paid for Replacement Transactions (as that term is defined in the definition of "Market Quotation").

"INDEPENDENT AMOUNT" means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

"INTEREST AMOUNT" means, with respect to an Interest Period, the aggregate sum of the amounts of interest calculated for each day in that Interest Period on the principal amount of Posted Collateral in the form of Cash held by the Secured Party on that day, determined by the Secured Party for each such day as follows:

- (x) the amount of that Cash on that day; multiplied by
- (y) the Interest Rate in effect for that day; divided by
- (z) 365.

"INTEREST PERIOD" means the period from (and including) the last Local Business Day on which an Interest Amount was Transferred (or, if no Interest Amount has yet been Transferred, the Local Business Day on which Posted Collateral in the form of Cash was Transferred to or received by the Secured Party) to (but excluding) the Local Business Day on which the current Interest Amount is to be Transferred.

"INTEREST RATE" means the rate specified in Paragraph 13.

"LOCAL BUSINESS DAY" unless otherwise specified in Paragraph 13, has the meaning specified in the Definitions Section of this Agreement, except that references to a payment in clause (c) thereof will be deemed to include a Transfer under this Annex.

"MINIMUM TRANSFER AMOUNT" means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

"NOTIFICATION TIME" has the meaning specified in Paragraph 13.

"OBLIGATIONS" means, with respect to a party, all present and future obligations of that party under this Agreement and any additional obligations specified for that party in Paragraph 13.

"OTHER ELIGIBLE SUPPORT" means, with respect to a party, the items, if any, specified as such for that party in Paragraph 13.

"OTHER POSTED SUPPORT" means all Other Eligible Support Transferred to the Secured Party that remains in effect for the benefit of that Secured Party.

"PLEDGOR" means either party, when that party (i) receives a demand for or is required to Transfer Eligible Credit Support under Paragraph 3(a) or (ii) has Transferred Eligible Credit Support under Paragraph 3(a).

"POSTED COLLATERAL" means all Eligible Collateral, other property, Distributions, and all proceeds thereof that have been Transferred to or received by the Secured Party under this Annex and not Transferred to the Pledgor pursuant to Paragraph 3(b), 4(d)(ii) or 6(d)(i) or released by the Secured Party under Paragraph 8. Any Interest Amount or portion thereof not Transferred pursuant to Paragraph 6(d)(ii) will constitute Posted Collateral in the form of Cash.

"POSTED CREDIT SUPPORT" means Posted Collateral and Other Posted Support.

"RECALCULATION DATE" means the Valuation Date that gives rise to the dispute under Paragraph 5; PROVIDED, however, that if a subsequent Valuation Date occurs under Paragraph 3 prior to the resolution of the dispute, then the "Recalculation Date" means the most recent Valuation Date under Paragraph 3.

"RESOLUTION TIME" has the meaning specified in Paragraph 13.

"RETURN AMOUNT" has the meaning specified in Paragraph 3(b).

"SECURED PARTY" means either party, when that party (i) makes a demand for or is entitled to receive Eligible Credit Support under Paragraph 3(a) or (ii) holds or is deemed to hold Posted Credit Support.

"SPECIFIED CONDITION" means, with respect to a party, any event specified as such for that party in Paragraph 13.

"SUBSTITUTE CREDIT SUPPORT" has the meaning specified in Paragraph 4(d)(i).

"SUBSTITUTION DATE" has the meaning specified in Paragraph 4(d)(ii).

"THRESHOLD" means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

"TRANSFER" means, with respect to any Eligible Credit Support, Posted Credit Support or Interest Amount and in accordance with the instructions of the Secured Party, Pledgor or Custodian, as applicable:

(i) in the case of Cash, payment or delivery by wire transfer into one or more bank accounts specified by the recipient;

(ii) in the case of certificated securities that cannot be paid or delivered by book-entry, payment or delivery in appropriate physical form to the recipient or its account accompanied by any duly executed instruments of transfer, assignments in blank, transfer tax stamps and any other documents necessary to constitute a legally valid transfer to the recipient;

(iii) in the case of securities that can be paid or delivered by book-entry, the giving of written instructions to the relevant depository institution or other entity specified by the recipient, together with a written copy thereof to the recipient, sufficient if complied with to result in a legally effective transfer of the relevant interest to the recipient; and

(iv) in the case of Other Eligible Support or Other Posted Support, as specified in Paragraph 13.

"VALUATION AGENT" has the meaning specified in Paragraph 13.

"VALUATION DATE" means each date specified in or otherwise determined pursuant to Paragraph 13.

"VALUATION PERCENTAGE" means, for any item of Eligible Collateral, the percentage specified in Paragraph 13.

"VALUATION TIME" has the meaning specified in Paragraph 13.

"VALUE" means for any Valuation Date or other date for which Value is calculated and subject to Paragraph 5 in the case of a dispute, with respect to:

- (i) Eligible Collateral or Posted Collateral that is:
  - (A) Cash, the amount thereof; and
  - (B) a security, the bid price obtained by the Valuation Agent multiplied by the applicable Valuation Percentage, if any;
- (ii) Posted Collateral that consists of items that are not specified as Eligible Collateral, zero; and
- (iii) Other Eligible Support and Other Posted Support, as specified in Paragraph 13.

PARAGRAPH 13. ELECTIONS AND VARIABLES

As used in this Paragraph 13, "PART 6" means Part 6 of the Schedule to this Agreement.

(a) SECURITY INTEREST FOR "OBLIGATIONS". The term "OBLIGATIONS" as used in this Annex includes the following additional obligations:

- (i) with respect to Party A, not applicable; and
- (ii) with respect to Party B, "Obligations" means any and all present and future obligations of Party B under or in connection with this Agreement and the other Secured Trading Line Documents.

(b) CREDIT SUPPORT OBLIGATIONS.

(i) This Annex is amended to delete the definition of (and all references to) "Credit Support Amount" therein. This Annex is further amended by restating Paragraph 3 thereof to read in its entirety as follows:

"PARAGRAPH 3. CREDIT SUPPORT OBLIGATIONS

(a) DELIVERY AMOUNT.

(1) WITH RESPECT TO TEMPORARY RESERVE COLLATERAL.

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Subject to Paragraphs 4 and 5, upon a demand made by Party A on or promptly following a Calculation Date, if the Cash Deficiency Amount for such Calculation Date specified in the related Calculation Date Collateral Notice delivered pursuant to clause (j)(3) of Part 6 equals or exceeds Party B's Minimum Transfer Amount, then Party B will Transfer to Party A Eligible Collateral or Other Eligible Support (collectively, "ELIGIBLE CREDIT SUPPORT") having a Value as of the date of Transfer at least equal to such Cash Deficiency Amount (for such purposes, a "DELIVERY AMOUNT"), rounded pursuant to Paragraph 13.

(2) WITH RESPECT TO INTRA-YEAR COLLATERAL. Subject

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to Paragraphs 4 and 5, upon a demand made by Party A on or promptly following an Intra-Year Deficiency Date, Party B will Transfer to Party A Eligible Credit Support having a Value as of the date of Transfer at least equal to the Intra-Year Deficiency Amount specified in the notice relating to such Intra-Year Deficiency Date delivered to Party B pursuant to clause (k) of Part 6 (for such purposes, a "DELIVERY AMOUNT"), rounded pursuant to Paragraph 13.

(b) RETURN AMOUNT.

(1) WITH RESPECT TO TEMPORARY RESERVE COLLATERAL.

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Subject to Paragraphs 4 and 5, upon a demand made by Party B on or promptly following a Local Business Day on which Eligible Properties pledged to Party A pursuant to clause (j)(3)(B) of Part 6 become Qualified Mortgaged Properties (each, a "MORTGAGE QUALIFICATION DATE"), if the Forward Value of such Qualified Mortgaged Properties DIVIDED BY the Minimum Reserve Collateral Ratio (for such purposes, a "RETURN AMOUNT") equals or exceeds Party A's Minimum Transfer Amount, then Party A will Transfer to Party B Posted Credit Support specified by Party B in that demand that is Temporary Reserve Collateral having a Value as of the date of Transfer as close as practicable to such Return Amount (rounded pursuant to Paragraph 13).

(2) WITH RESPECT TO INTRA-YEAR COLLATERAL. Subject

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to Paragraphs 4 and 5, upon a demand made by Party B on or promptly following a Local Business Day, if the Intra-Year Excess Amount (for such purposes, a "RETURN AMOUNT") equals or exceeds Party A's Minimum Transfer Amount, then Party A will Transfer to Party B Posted Credit Support specified by Party B in that demand that is Intra-Year Collateral having a Value as of the date of Transfer as close as practicable to such Return Amount (rounded pursuant to Paragraph 13)."

(ii) ELIGIBLE COLLATERAL. The following items will qualify as "ELIGIBLE COLLATERAL":

Cash

(iii) OTHER ELIGIBLE SUPPORT. The following items will qualify as "OTHER ELIGIBLE SUPPORT":

Letters of Credit issued in favor of Party A on the terms set forth in Part 6 and this Annex.

(iv) THRESHOLDS.

(A) "INDEPENDENT AMOUNT" means: Inapplicable

(B) "THRESHOLD" means: Inapplicable

(C) "MINIMUM TRANSFER AMOUNT" means:

(1) with respect to Party A, U.S.\$250,000; PROVIDED that the Minimum Transfer Amount for Party A shall be zero upon the occurrence and during the continuance of an Event of Default, Potential Event of Default, Termination Event, Additional Termination Event or Specified Condition with respect to such party; and

(2) with respect to Party B, U.S.\$250,000; PROVIDED that the Minimum Transfer Amount for Party B shall be zero upon the occurrence and during the continuance of an Event of Default, Potential Event of Default, Termination Event, Additional Termination Event or Specified Condition with respect to such party.

(D) ROUNDING. The Delivery Amounts and Return Amounts will be rounded up and down respectively to the nearest integral multiple of U.S.\$10,000.

(c) VALUATION AND TIMING.

- (i) "VALUATION AGENT" means the Calculation Agent.
- (ii) "VALUATION DATE" means:
  - (1) for purposes of Paragraph 3(a) (Delivery Amounts):
    - (x) for Temporary Reserve Collateral, each Calculation Date; and
    - (y) for Intra-Year Collateral, each Intra-Year Determination Date; and
  - (2) for purposes of Paragraph 3(b) (Return Amounts):
    - (x) for Temporary Reserve Collateral, each Mortgage Qualification Date; and
    - (y) for Intra-Year Collateral, each Local Business Day.
- (iii) "VALUE" has the meaning given to it in the Agreement.
- (iv) "VALUATION TIME" means the close of business on the Local Business Day before the Valuation Date or date of calculation, as applicable, PROVIDED that the calculations of Value and Delivery Amount or Return Amount (as the case may be) will be made as of approximately the same time on the same date.
- (v) "NOTIFICATION TIME" means 1:00 p.m., New York time, on a Local Business Day.
- (vi) TRANSFER TIMING. Notwithstanding anything to the contrary in this Annex (including Paragraph 3(b) or Paragraph 4(b)), the Secured Party shall not be obligated to Transfer to the Pledgor Posted Credit Support except on the dates and in the amounts required pursuant to the terms of Part 6.
- (vii) CALCULATIONS. Paragraph 4(c) of this Annex is restated to read in its entirety as follows:
 

"All calculations of Delivery Amounts and Return Amounts for purposes of Intra-Year Collateral and Paragraph 6(d) will be made by the Valuation Agent as of the Valuation Time. The Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) of its calculations not later than the Notification Time on the Local Business Day following the applicable Valuation Date (or in the case of Paragraph 6(d), following the date of calculation).

(d) CONDITIONS PRECEDENT AND SECURED PARTY'S RIGHTS AND REMEDIES. Each Termination Event specified below with respect to a party will be a "SPECIFIED CONDITION" for that party (the specified party being the Affected Party if a Termination Event or Additional Termination Event occurs with respect to that party):

	PARTY A	PARTY B
Illegality	[X]	[X]
Force Majeure Event	[X]	[X]
Tax Event	[ ]	[ ]
Tax Event Upon Merger	[ ]	[ ]
Credit Event Upon Merger	[X]	[X]

(e) SUBSTITUTION.

- (i) "SUBSTITUTION DATE" has the meaning specified in Paragraph 4(d)(ii).
- (ii) ADDITIONAL SUBSTITUTION CONDITIONS. In addition to any other conditions regarding substitutions of Posted Credit Support for other Eligible Credit Support set forth in this Annex, substitutions of collateral are subject to the terms and conditions set forth in Part 6.

(f) DISPUTE RESOLUTION.

- (i) "RESOLUTION TIME" means 1:00 p.m., New York time, on the Local Business Day following the date on which the notice is given that gives rise to a dispute under Paragraph 5.
- (ii) VALUE. For the purpose of Paragraph 5(ii), the Value of Posted Credit Support will be calculated in accordance with the requirements of Part 6.
- (iii) ALTERNATIVE. The provisions of Paragraph 5 will apply, except to the following extent:
  - (A) pending the resolution of a dispute, Transfer of the undisputed Value of Eligible Credit Support or Posted Credit Support involved in the relevant demand will be due as provided in Paragraph 5 if the demand is given by the Notification Time, but will be due on the second Local Business Day after the demand if the demand is given after the Notification Time; and
  - (B) the Disputing Party need not comply with the provisions of Paragraph 5(II)(2) if the amount to be Transferred does not exceed the Disputing Party's Minimum Transfer Amount.
- (iv) AMENDMENT. Paragraphs 5(i) and (ii) of this Annex are amended to read in their entirety as follows:
  - "(i) In the case of a dispute involving a Delivery Amount or Return Amount that is dependent in whole or in part upon a determination of the Natural Gas Mark-to-Market Amount for any Valuation Date, unless otherwise specified in Paragraph 13, the Valuation Agent will recalculate the Natural Gas Mark-to-Market Amount and the Value as of the Recalculation Date by:
    - (A) utilizing any calculations of Natural Gas Mark-to-Market Amount for the Transactions that the parties have agreed are not in dispute; and
    - (B) calculating that part of the Natural Gas Mark-to-Market Amount attributable to the Transactions in dispute by seeking four actual quotations at mid-market from third parties for purposes of calculating the relevant Close-out Amount, and taking the arithmetic average of those obtained; PROVIDED that if four quotations are not available for a particular Transaction, then fewer than four quotations may be used for that Transaction, and if no quotations are available for a particular Transaction, then the Valuation Agent's original calculations will be used for the Transaction.
  - (ii) In the case of a dispute involving the Value of any Transfer of Eligible Credit Support or Posted Credit Support, the Valuation Agent will recalculate the Value as of the date of Transfer pursuant to Part 6."

(g) HOLDING AND USING POSTED COLLATERAL.

- (i) ELIGIBILITY TO HOLD POSTED COLLATERAL; CUSTODIANS. Party A and its Custodian will be entitled to hold Posted Collateral pursuant to Paragraph 6(b); PROVIDED that the following conditions applicable to it are satisfied:
  - (A) Party A is not a Defaulting Party.
  - (B) Posted Collateral may be held only in the following jurisdictions: New York.

Initially, the Custodian for Party A is Deutsche Bank AG, New York Branch.

- (ii) USE OF POSTED COLLATERAL. The provisions of Paragraph 6(c) will apply to Party A, but only with respect to Posted Collateral that is Cash.

(h) DISTRIBUTIONS AND INTEREST AMOUNT.

- (i) INTEREST RATE. The "INTEREST RATE" will be, with respect to Eligible Collateral in the form of Cash, for any day, the rate opposite the caption "Federal Funds (Effective)" for such day as published for such day in Federal Reserve Publication H.15(519) or any successor publication as published by the Board of Governors of the Federal Reserve System. No Interest Rate will apply to any other Eligible Collateral.
- (ii) TRANSFER OF INTEREST AMOUNT. The Transfer of the Interest Amount will be made on the first Local Business Day of each calendar month and on any Local Business Day that Posted Collateral in the form of Cash is Transferred to the Pledgor pursuant to Paragraph 3(b).
- (iii) ALTERNATIVE TO INTEREST AMOUNT. The provisions of Paragraph 6(d)(ii) will apply.

(i) OTHER ELIGIBLE SUPPORT AND OTHER POSTED SUPPORT.

- (i) "VALUE" with respect to Other Eligible Support and Other Posted Support shall be the "Value" thereof determined in accordance with the definition of such term in Part 6.
- (ii) "TRANSFER" means, with respect to Letters of Credit:
  - (1) for purposes of Paragraph 3(a) (Delivery Amounts), delivery of a Letter of Credit by Party B to Party A at the address specified in this Annex or delivery of an executed amendment to such Letter of Credit, in form and substance satisfactory to Party A, by Party B to Party A at the address specified in this Annex; and
  - (2) for purposes of Paragraph 3(b) (Return Amounts), return of a Letter of Credit by Party A to Party B, at the address specified in this Annex, or delivery of an executed amendment to such Letter of Credit, at the address specified in this Annex.

(j) DEMANDS AND NOTICES. All demands, specifications and notices under this Annex will be made pursuant to the Notices Section of this Agreement, unless otherwise specified here:

Party A: Deutsche Bank AG  
60 Wall Street  
New York, NY 10005  
Attention: Collateral Management and Valuations

Party B: Chesapeake Exploration Limited Partnership  
6100 N. Western Avenue  
Oklahoma City, OK 73118  
Attention: Cash Manager

(k) ADDRESSES FOR TRANSFERS OF CASH:

Party A: Deutsche Bank AG, New York Branch  
New York, NY  
ABA: 026003780  
Account No.: To be advised  
Reference: To be advised

Party B: Bank of Oklahoma, N.A.  
Oklahoma City, OK  
ABA: 103900036  
Account No.: 814109493



(1) OTHER PROVISIONS.

- (i) LIMIT ON SECURED PARTY'S LIABILITY. The Secured Party will not be liable for any losses or damages that the Pledgor may suffer as a result of any failure by the Secured Party to perform, or any delay by it in performing, any of its obligations under this Annex if the failure or delay results from circumstances beyond the reasonable control of the Secured Party or its Custodian, such as interruption or loss of computer or communication services, labor disturbance, natural disaster or local or national emergency.
- (ii) FURTHER ASSURANCES. If the Pledgor fails (a) to execute and deliver to the Secured Party such financing statements, assignments, or other documents or (b) to do such other things relating to the Posted Collateral as the Secured Party may reasonably request in order to protect and maintain its security interest in the Posted Collateral and to protect, preserve, and realize upon the Posted Collateral, then the Secured Party is hereby authorized by the Pledgor (but not required) to complete and execute such financing statements, assignments, and other documents as the Secured Party deems appropriate for such purposes. The Pledgor hereby appoints the Secured Party, during the term of this Agreement, as the Pledgor's agent and attorney-in-fact to complete and execute such financing statements, assignments and other documents and to perform all other acts which the Secured Party may deem appropriate to protect and maintain its security interest in the Posted Collateral and to protect, preserve, and realize upon the Posted Collateral. The power-of-attorney granted herein to the Secured Party is coupled with an interest and is irrevocable during the term of this Agreement.
- (iii) AGREEMENT AS TO SINGLE SECURED PARTY AND PLEDGOR. Party A and Party B agree that, notwithstanding anything to the contrary in the recital to this Annex, Paragraph 1(b) or Paragraph 2 or the definitions in Paragraph 12, (a) the term "SECURED PARTY" as used in this Annex means only Party A, (b) the term "PLEDGOR" as used in this Annex means only Party B, (c) only Party B makes the pledge and grant in Paragraph 2, the acknowledgment in the final sentence of Paragraph 8(a) and the representations in Paragraph 9, (d) only Party B will be required to make Transfers of Eligible Credit Support hereunder (it being understood that Party A will be required to make Transfers of Posted Credit Support at the times and to the extent required hereunder) and (e) Paragraph 7 shall apply to Party B only and shall not apply to Party A.
- (iv) MODIFICATIONS TO THIS ANNEX. The following amendments are made to this Annex:
- (A) References throughout this Annex to "Swap Transactions" are deleted.
- (B) The definition of "Exposure" in Paragraph 12 of this Annex is hereby deleted.
- (C) SET-OFF. For purposes of Paragraphs 2 and 8 of this Annex, the reference to "Set-off" shall mean that the party shall have the right to set-off any amount payable by the Pledgor to the Secured Party with respect to any Obligation (whether matured or unmatured, whether or not contingent and irrespective of the currency, place of payment or booking office of the sum or obligation), PROVIDED that no Posted Credit Support may be set off against Obligations owing to Party A under the Credit Agreement.
- (v) ADDITIONAL EXPENSES. Notwithstanding Paragraph 10, the costs and expenses (including but not limited to the reasonable costs, expenses and external attorney's fees of Party A) of establishing, renewing, substituting, canceling, increasing and reducing the amount of one or more Letters of Credit shall be borne by Party B.
- (vi) LETTER OF CREDIT PROVISIONS. Each posting of a Letter of Credit by Party B hereunder shall be subject to the terms and conditions set forth in Part 6, including clause (t) thereof.

[signature page follows]

DEUTSCHE BANK AG

By: /s/ GREGORY COLLETT  
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Name: Gregory Collett  
Title: Vice President and  
Counsel

By: /s/ CARLO CARLTON  
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Name: Carlo Carlton  
Title: Vice President and  
Counsel

CHESAPEAKE EXPLORATION LIMITED  
PARTNERSHIP

By: Chesapeake Operating, Inc.,  
its general partner

By: /s/ MARTHA A. BURGER  
-----

Name: Martha A. Burger  
Title: Treasurer