

Additional Disclosure Statement for Complex Structures

The following is a discussion of certain material risks, terms and characteristics of some complex or exotic Commodity Transactions that are illustrative only and are intended to assist you in understanding key features of certain prospective Commodity Transactions. The discussion should not be viewed as a comprehensive description of any particular Commodity Transaction that may be under discussion between you and us. Because nomenclature is neither standardized nor sufficiently descriptive to capture all important transaction features and variations, a particular Commodity Transaction may have additional or different risks, terms and characteristics than described below, even if it is referred to by one of the following category names:

Revenue Call

A “revenue call” is an instrument that, for a paid premium, provides the buyer with upside-only opportunity above a pre-determined strike, (the “revenue call strike”), based on the cumulative total of a series of daily heat rate call options (the “underlying”) over a specified period of time. If at the end of a defined period, the cumulative total for the underlying exceeds the revenue call strike, the seller will pay the buyer the excess. Alternatively, if by the end of the period, the cumulative total for the underlying is equal to or less than the revenue call strike, the option expires out of the money and neither party will make a payment.

Revenue Put

A “revenue put” is an instrument that, for a paid premium, provides the buyer with upside-only opportunity below a pre-determined strike, (the “revenue put strike”), based on the cumulative total of a series of daily heat rate call options (the “underlying”) over a specified period of time. If at the end of a defined period, the cumulative total for the underlying is less than the revenue put strike, the seller will pay the buyer the excess. Alternatively, if by the end of the period, the cumulative total for the underlying is equal to or greater than the revenue put strike, the option expires out of the money and neither party will make a payment.

Effect of Non Standard Payment Terms for Options, Forwards and Swaps

Payments may be made periodically during the life of a deal with a true-up payment made at the end of the transaction, or at the end of defined periods of time within the term of the transaction. To the extent that the periodic payments are greater than the ultimate settlement amount and a true-up payment is required, the periodic payment payer has credit exposure to the periodic payment receiver.

Compound Option:

An option for which the underlying option is another option whereby the buyer owns the right but not the obligation to enter into a new financial option transaction for a subsequent period. The material risks and characteristics of such product are substantially similar to those identified for commodity options.

Flexi-Chooser Option (e.g., Rainbow):

A swap that contains price optionality with two or more indices with the price being set as a function of identifying either the highest or lowest index. The material risks and characteristics of such product are substantially similar to those identified for commodity swaps.

Prepaid Commodity Swap:

A prepaid commodity swap is an agreement whereby (a) one party (the "Fixed Price Payer") makes a one-time upfront payment of a fixed amount which is agreed upon at execution of the prepaid swap, and (b) the other party (the "Floating Price Payer") makes monthly payments based upon the relevant floating commodity price as specified in the confirmation. The upfront payment reduces the fixed price from the market value at execution of the swap to a lesser amount, depending on the size of the up-front payment, and is the discounted net present value of the difference of the agreed-upon market price less the reduced fixed price. The reduction could take the fixed price to zero or such other amount as may be agreed between the Fixed Price Payer and the Floating Price Payer. From the perspective of the Floating Price Payer, during the term of the swap, each payment made will be based on the difference between contractually specified fixed price (which could be zero) and the relevant floating commodity price specified in the confirmation multiplied by the notional quantity for each applicable calculation period. These net payment obligations of the Floating Price Payer will typically be larger than those seen in standard, market based fixed for floating commodity swaps. If the price of the relevant commodity falls during the term of the swap, the Floating Price Payer will pay less than the upfront payment made by the Fixed Price Payer. Conversely, if the price of the relevant commodity increases over the term of the swap, the Floating Price Payer will pay more than the upfront payment made by the Fixed Price Payer. All other material risks and characteristics of such product are the same as those identified for Commodity swaps, Fixed for Float Swap, described in the "Disclosure Annex for Commodity Derivative Transactions".

Tear Up Swap Linked to Tax Exempt Municipal Bonds

A tear up swap linked to tax exempt municipal bonds is a multi-year fixed for floating swap with two non-standard terms. First, the cash settlement terms for the swap will be consistent with the cash settlement terms of the physically delivered commodity the swap is designed to

hedge. For natural gas, the cash settlement would be the twenty fifth day of the month following physical delivery. Second, the swap's existence is conditional upon the issuance of tax exempt municipal bonds. If the bonds are not issued or if the bonds are redeemed following issuance, this swap will terminate with no further payment due or payable by either the buyer or the seller. The events leading to redemption of the bonds are delineated in separate contracts, including parties other than the buyer and seller, and may be triggered by events out of control of the buyer or seller. All other material risks and characteristics of such product are substantially similar to those identified for commodity transactions described in the "Disclosure Annex for Commodity Derivative Transactions".