

**SECOND AMENDMENT AGREEMENT
TO THE
MASTER POWER PURCHASE AND SALE AGREEMENT
between
MORGAN STANLEY CAPITAL GROUP INC.
and
PANDA GILA RIVER, L.P.**

THIS SECOND AMENDMENT AGREEMENT, dated as of February [?], 2005, (the "Amendment"), between Morgan Stanley Capital Group Inc. ("Party A") and Panda Gila River, L.P. ("Party B"), and collectively with Party A, the "Parties").

W I T N E S S E T H

WHEREAS, the Parties previously have entered into a Master Power Purchase and Sale Agreement dated as of June 12, 2003, and as amended on May 12, 2004 (the "First Amendment Agreement"), which along with all other annexes, exhibits, confirmations, and previous amendments thereto constitute the "Master Agreement"; and

WHEREAS, the Parties wish to amend the terms and conditions of the Master Agreement pursuant to the terms set forth below.

NOW THEREFORE, in consideration of the mutual premises and undertakings which the Parties hereby acknowledge, the Parties agree as follows:

1. The Master Agreement is hereby amended by replacing the Party B Independent Amount definition (*i.e.*, the first full paragraph of sub-Paragraph 10.III.B. of the Collateral Annex of the Master Agreement, as amended by the First Amendment Agreement) with the following language:

"Party B shall have a "***Full Floating Independent Amount***," which means, for any Calculation Date, an amount equal to the sum of: (x) for all Transactions with a Delivery Period beginning and ending on the next Business Day, \$0 and (y) for all other Transactions, the sum of: (i) for each Fixed Price Power Transaction, twelve and a half percent (12.5%) of the Fixed Price Power Notional Amount; (ii) for each Index Power Transaction, the Index Power Independent Amount; (iii) for each Heat Rate Forward Transaction, the Heat Rate Forward Independent Amount; (iv) for each Heat Rate Option Transaction, the Heat Rate Option Independent Amount; (v) for each Index Gas Transaction, the Index Gas Independent Amount (vi) for each Non-Index Gas Transaction, twelve and a half percent (12.5%) of the Non-Index Gas Notional Amount; and (vii) for any other Transaction, such amount as determined by Party A and Party B and documented in a Confirmation thereof.

For each Transaction described in (y) above, upon conclusion of each Business Day the Full Floating Independent Amount for a Transaction shall be reduced by an amount equal to the product of: (A) the Full Floating Independent Amount for that Transaction and (B) the quotient resulting from dividing the notional amount delivered pursuant to that Transaction the preceding Business Day by the notional amount for the remaining Delivery Period of the Transaction. For purposes of the above, the following terms will have the following meanings:

"Fixed Price Power Notional Amount" means, for each Transaction that is a Fixed Price Power Transaction, the absolute value of the product of: (A) the fixed price for such Transaction and (B)

the notional volume covered by such Transaction.

“Fixed Price Power Transaction” means a Transaction that is a purchase or sale of power at a fixed price.

“Heat Rate Forward Independent Amount” means, for each Transaction that is a Heat Rate Forward Transaction, the absolute value of the product of (A) US\$8.5 and (B) the number of megawatt hours covered by such Transaction

“Heat Rate Forward Transaction” means a Transaction that is a purchase or sale of power based on a floating gas price.

“Heat Rate Option Independent Amount” means: (i) for each Transaction that is a Heat Rate Option Transaction purchased by Party A, the absolute value of the product of (A) US\$8.5 and (B) the number of megawatt hours covered by such Transaction, and (ii) for each Transaction that is a Heat Rate Option Transaction sold by Party A, US\$0.

“Heat Rate Option Transaction” means a Transaction that is an option entitling the purchaser of the option to purchase or sell power at a price which is based on a floating gas price.

“Index Gas Independent Amount”: means, for each Transaction which is an Index Gas Transaction, \$0.

“Index Gas Transaction” means a Transaction which is a purchase or sale of gas based on a floating price for gas of the same quality, location, and delivery period as is covered by such Transaction.

“Index Power Independent Amount” means, for each Transaction which is an Index Power Transaction, \$0.

“Index Power Transaction” means a Transaction that is a purchase or sale of power based on a floating price for power of the same quality, location, and delivery period as is covered by such Transaction.

“Non-Index Gas Notional Amount” means, for each Transaction that is a Non-Index Gas Transaction, the absolute value of the product of: (A) the contract price for such Transaction and (B) the notional volume covered by such Transaction.”

“Non-Index Gas Transaction” means a Transaction that is a purchase or sale of gas which is not an Index Gas Transaction.”

2. Each of the Parties hereto represents and warrants to the others as of the date hereof that: (i) it has all necessary corporate power, authority and approvals to execute, deliver and perform its obligations under this Amendment which is a legal, valid and binding obligation enforceable against it in accordance with its terms; (ii) this Amendment does not and will not violate or conflict with its charter or by-laws (or comparable constituent documents), any law, regulation or order of any court or other agency of government applicable to it or any agreement to which it is a party or by which it or any of its property is bound; (iii) this Amendment evidences the agreement reached by the Parties through arms-length negotiations and in the ordinary course of Party B’s business; and (iv) the person signing this Amendment for such party is an officer or director of such party, or any other person who is authorized and duly empowered to do so.

3. Except as modified by this Amendment, all terms and conditions of the Master Agreement shall remain in full force and effect. All capitalized terms used but not defined in this Amendment shall have the meaning specified in the Master Agreement.

4. This Amendment constitutes the entire agreement and understanding of the Parties with respect to the subject matter hereof.

5. This Amendment shall be governed by and construed in accordance with the laws of the State of New York without reference to choice of law doctrines, and may be executed in counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

MORGAN STANLEY CAPITAL GROUP INC.

PANDA GILA RIVER, L.P.

By Panda Gila River I, LLC, its General Partner

By : _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____, 2005

Date: _____, 2005