

**MASTER SETTLEMENT AGREEMENT  
AND RESTRUCTURING SUPPORT AGREEMENT**

This **MASTER SETTLEMENT AGREEMENT AND RESTRUCTURING SUPPORT AGREEMENT** (the “Agreement”) is entered into as of January 24, 2005, by and among (i) TECO-PANDA GENERATING COMPANY, L.P., (“TPGC”) by its General Partner, TPS GP, Inc.; (ii) TECO ENERGY SOURCE, INC. (“TES”); (iii) TECO ENERGY, INC., (“TECO”) for itself and its affiliates; (iv) UNION POWER I, LLC; (v) UNION POWER II, LLC; (vi) PANDA GILA RIVER I, LLC; (vii) PANDA GILA RIVER II, LLC; (viii) TRANS-UNION INTERSTATE I, LLC; (ix) TRANS-UNION INTERSTATE II, LLC; (x) UNION POWER PARTNERS, L.P., (“UPP”) by its General Partner, Union Power I, LLC; (xi) PANDA GILA RIVER, L.P., (“PGR”) by its General Partner, Panda Gila River I, LLC; (xii) TRANS-UNION INTERSTATE PIPELINE, L.P., (“Trans-Union”) by its General Partner, Trans-Union Interstate I, LLC; (xiii) UPP FINANCE CO., LLC, (“Finance Co.”) by its managing member, UPP; (xiv) CITIBANK, N.A., as administrative agent for the Banks (the “Administrative Agent”); and (xv) the financial institutions party hereto.

**RECITALS**

**WHEREAS**, UPP, as borrower, Citibank, N.A., as Administrative Agent (the “UPP Administrative Agent”), Societe Generale, as LC Bank, and each of the financial institutions party thereto (the “UPP Banks”) are parties to that certain Union Power Project Credit Agreement dated May 31, 2001 (as amended, restated, supplemented and otherwise modified from time to time prior to the date hereof, the “Union Power Credit Agreement”), pursuant to which the UPP Banks made loans to UPP from time to time, which loans and other Obligations are secured by first priority liens on, among other things, all or substantially all of the assets of UPP;

**WHEREAS**, (i) PGR, as borrower, Citibank, N.A., as Administrative Agent (the “PGR Administrative Agent” and together with the UPP Administrative Agent, the “Administrative Agent”), Societe Generale, as LC Bank, and each of the financial institutions party thereto (the “PGR Banks” and together with the UPP Banks, the “Banks”)<sup>1</sup> are parties to that certain Gila River Project Credit Agreement dated May 31, 2001 (as amended, restated, supplemented and otherwise modified from time to time prior to the date hereof, the “Gila River Credit Agreement”, and together with the Union Power Credit Agreement, the “Original Credit Agreements”); and (ii) PGR, as borrower, Citibank, N.A., as Administrative Agent, Societe Generale, as LC Bank, and each of the financial institutions party thereto are parties to that certain Gila River Project Senior Project Letter of Credit Agreement, dated as of May 27, 2004 (as amended, restated, supplemented and otherwise modified from time to time prior to the date hereof, the “Gila River Project Senior L/C Credit Agreement”, and together with the Original Credit Agreements, the “Credit Agreements”), pursuant to which the PGR Banks made loans to

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<sup>1</sup> Whenever reference is made herein to the “Banks,” such reference shall include, without limitation, the Banks signatory hereto.

PGR from time to time, which loans and other Obligations are secured by first priority liens on, among other things, all or substantially all of the assets of PGR;

**WHEREAS**, TECO, UPP, and Citibank, N.A., as Administrative Agent under the Union Power Credit Agreement, are parties to that certain Amended and Restated Construction Contract Undertaking, dated as of May 14, 2002 (as amended, restated, supplemented and otherwise modified from time to time prior to the date hereof, the “Union Power Undertaking”);

**WHEREAS**, TECO, PGR, and Citibank, N.A., as Administrative Agent under the Gila River Credit Agreement, are parties to that certain Amended and Restated Construction Contract Undertaking, dated as of May 14, 2002 (as amended, restated, supplemented and otherwise modified from time to time prior to the date hereof, the “Gila River Undertaking”, and together with the Union Power Undertaking, the “Undertakings”);

**WHEREAS**, (i) UPP is the lessee of the Union Power Station; (ii) Trans-Union is the owner of a certain pipeline transporting natural gas to the Union Power Station (the “Pipeline” and together with the Union Power Station, the “Union Project”); (iii) Finance Co. is the entity formed by UPP to facilitate the Act 9 Bond financing at the Union Project; and (iv) PGR is the owner of the Gila River Power Project (the “Gila River Project” and together with the Union Project and Pipeline, the “Projects”);

**WHEREAS**, UPP, PGR, Trans-Union and Finance Co. (each a “Project Company,” and collectively, the “Project Companies”) are all indirect subsidiaries of TPGC, which in turn is an indirect subsidiary of TECO;

**WHEREAS**, the partnership interests, or, as applicable, the membership interests, in the Project Companies (collectively, the “Partnership Interests”) are also pledged as Collateral for the Obligations;

**WHEREAS**, certain Events of Default exist and are continuing under each of the Credit Agreements which, in turn, gives the Administrative Agent the right to foreclose on the Collateral as provided under the Credit Agreements;

**WHEREAS**, TECO is willing to cause the transfer of any and all title to and ownership of the Partnership Interests in the Project Companies to the Banks (or one or more entities designated by the Administrative Agent acting at the direction of the Required Banks);

**WHEREAS**, the Banks (or one or more entities designated by the Administrative Agent acting at the direction of the Required Banks) are willing to accept title to and ownership of the Partnership Interests in the Project Companies, subject to the terms and conditions of this Agreement and the documents and agreements attached as exhibits hereto;

**WHEREAS**, the parties hereto shall effectuate the Transaction (as defined in Section 1.1.1 below) out-of-court on the terms and conditions set forth herein, if all of the Banks execute and deliver this Agreement to the Administrative Agent on or before the Outer Date as defined below in Section 1.1.2 (the foregoing condition of unanimous Bank approval, the “Out-of-Court Unanimous Bank Requirement”), and if the Out-of-Court Unanimous Bank

Requirement is not satisfied by the Outer Date, but Banks holding (x) more than one-half in number of the aggregate Obligations under the Original Credit Agreements and (y) at least two-thirds (2/3rds) of the aggregate principal amount of all such Obligations under the Original Credit Agreements, execute and deliver this Agreement to the Administrative Agent by the Outer Date, the parties hereto shall effectuate the Transaction through the confirmation of a plan of reorganization substantially in the form attached hereto as Exhibit A (the “Plan”) in the bankruptcy cases of the Project Companies (the “Bankruptcy Cases”) under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”) to be commenced as soon as practicable after the Outer Date with the bankruptcy court for the District of Arizona (the “Bankruptcy Court”);

**WHEREAS**, in preparation for and as conditions precedent to the consummation of the Transaction and the Banks’ willingness to accept title to and ownership of the Partnership Interests in the Project Companies, TECO, the Project Companies, Administrative Agent and Banks, as applicable, have previously negotiated, executed and entered into the Operating Asset Contribution Agreement and Energy Management Contribution and Option Agreement, each in the form attached hereto as Exhibits B and C, respectively; and

## **AGREEMENT**

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

### **1. Transfer Of Partnership Interests In The Project Companies**

#### **1.1 The Transaction.**

**1.1.1 Generally.** Each of (i) TECO and its affiliates, (ii) the Project Companies, and (iii) the Administrative Agent, acting on behalf of the Required Banks,<sup>2</sup> will cause to occur and cooperate in the consummation of a transaction pursuant to which TECO and its affiliates, and the Project Companies, on the one hand, and the Banks (or one or more entities designated by the Administrative Agent acting at the direction of the Required Banks), on the other hand, will transfer title to and ownership of the Partnership Interests to the Banks or to one or more entities designated by the Administrative Agent acting at the direction of the Required Banks, including, without limitation, one or more newly formed limited liability companies owned by some or all of the Banks (each a “LenderCo”). If the Transaction is effectuated through the Plan, then upon the Closing Date (i) the Partnership Interests shall be cancelled and new Partnership Interests shall be issued to LenderCo in accordance with the terms of the Plan, and (ii) TECO and its applicable affiliates will enter into that certain Representation and Indemnity Agreement in the form attached hereto as Exhibit D (the “Representation and Indemnity Agreement”) pursuant to which TECO and its applicable affiliates shall make certain

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<sup>2</sup> Unless otherwise defined herein, capitalized terms used in this Agreement shall have the meanings set forth in, as may be applicable, (i) Exhibit A of the Union Power Credit Agreement; (ii) Exhibit A of the Gila River Credit Agreement; (iii) Article I of the Union Power Undertaking; and (iv) Article I of the Gila River Undertaking. References herein to the “Required Banks” or the “Majority Banks” are references to such terms as defined in the Original Credit Agreements.

representations and warranties, and provide certain indemnities, to or for the benefit of LenderCo in connection with the Transaction. As used herein, the term “Closing Date” shall mean the Closing Date under, and as such term is defined in, the Equity Transfer Agreement attached hereto as Exhibit E, if applicable, or such other date on which title to and ownership of the Project Companies are transferred to the Banks or to one or more entities designated by the Administrative Agent acting at the direction of the Required Banks, including, without limitation, LenderCo (any such transfer, the “Transaction”). If the Transaction is effectuated through the Plan, the Closing Date shall occur on the Effective Date (as defined in the Plan).

**1.1.2 Form of Transaction.** If all of the Banks execute and deliver this Agreement on or before January 24, 2005, as such date may be extended from time to time to a date not later than June 30, 2005, by the Administrative Agent (the “Outer Date”), the parties shall effectuate this Transaction out-of-court on the terms and conditions set forth herein and through, among other things, the execution and delivery of the Definitive Agreements (as defined below in Section 1.4.7(a)). However, if the Out-of-Court Unanimous Bank Requirement is not satisfied, or is determined by the Administrative Agent in good faith to be unlikely to be satisfied by the Outer Date, but the Administrative Agent and Banks holding (x) more than one-half in number of the aggregate Obligations under the Original Credit Agreements and (y) at least two-thirds (2/3rds) of the aggregate principal amount of all such Obligations under the Original Credit Agreements execute and deliver this Agreement to the Administrative Agent by the Outer Date (the “Bankruptcy Bank Consent Requirement”), then the parties shall effectuate the Transaction through the commencement of the Project Companies’ Bankruptcy Cases, and the filing, confirmation and consummation of the Plan. Alternatively, if the Administrative Agent acting at the direction of the Required Banks so requests, then the Project Companies and TECO and its affiliates agree to cooperate and use commercially reasonable efforts to prepare, execute and deliver the appropriate documentation to effect and consummate the consensual transfer of the Partnership Interests to the Banks through alternative procedures.

**1.1.3 Special Provisions Regarding Implementation of the Transaction Through the Plan.**

(a) If the Out-of-Court Unanimous Bank Consent Requirement has not been satisfied, or is determined by the Administrative Agent in good faith to be unlikely to be satisfied, by the Outer Date, but the Bankruptcy Bank Consent Requirement has been satisfied by the Outer Date, then on or before the seventh (7<sup>th</sup>) Business Day after the Outer Date as mutually agreed among the Administrative Agent and the Project Companies, or if such notice is given prior to the Outer Date, on or before the fifth Business Day after delivery of a written notice (the “Bankruptcy Notice”) to the Project Companies by the Administrative Agent (which may be delivered at any time after January 24, 2005 if the Outer Date has been extended beyond such date by Administrative Agent in its sole discretion at any time it determines in good faith that the Out-of-Court Unanimous Bank Requirement will not likely be satisfied by the Outer Date), then, notwithstanding anything to the contrary contained in any of the Operative Documents, which contrary provisions are hereby waived by the undersigned Required Banks for the limited purpose of consummating this Agreement, the Project Companies shall, and TECO and its applicable affiliates shall cause the Project Companies to, (i) commence their respective Bankruptcy Cases, (ii) use commercially reasonable efforts to file, solicit acceptance of, confirm

and implement the Plan and the other Reorganization Documents (as defined below in Section 1.1.3(d)) and obtain approval of the Disclosure Statement (as defined below in Section 1.1.3(b)) and any other solicitation materials acceptable to the Administrative Agent (acting at the direction of the Required Banks), in each instance as expeditiously as possible and in accordance with the terms of this Agreement.

(b) Each Bank acknowledges that (i) it received on or about January 11, 2005, the disclosure statement in the form attached hereto as Exhibit F, including all of the exhibits, supplements and schedules attached thereto (as amended, supplemented or otherwise modified from time to time with the written consent of the Administrative Agent, collectively, the “Disclosure Statement”), (ii) it received on or about September 13, 2004, a copy of a document entitled “Transaction Description and Business Plan” (together with all exhibits, supplements and schedules attached thereto, the “Business Plan”), which Business Plan contains information similar to that contained in the Disclosure Statement, and (iii) it had a full and fair opportunity to review, and has carefully reviewed, the Business Plan, the Disclosure Statement and the Plan prior to its execution and delivery of this Agreement.

(c) Subject to Section 1.1.3(f), each of the parties hereto, by its signature below, hereby agrees and covenants that it shall (i) following receipt of the Disclosure Statement and other solicitation materials approved by the Bankruptcy Court (provided that such materials do not contain information that is materially different in substance than that set forth in Exhibit F as amended, supplemented or otherwise modified prior to satisfaction of the Bankruptcy Bank Consent Requirement), exercise in favor of the Plan all votes to which it is entitled with respect to each “claim” or “equity interest,” each as defined in Section 101 of the Bankruptcy Code (a “Claim” and an “Interest”, respectively), as to which it is the legal or beneficial owner, including, without limitation, in the case of each Bank, the respective Obligations held by such Bank, and shall not withdraw, revoke or change its vote, so long as this Section 1.1.3 has not been terminated pursuant to Section 5, and (ii) take such further action and execute and deliver such further agreements, instruments and documents (including any ballots) as Administrative Agent may reasonably request to evidence or effectuate such vote.

(d) Each of the parties hereto agrees that it will not object to, nor otherwise commence any proceeding to oppose, delay or impede the commencement of the Bankruptcy Cases or the approval or consummation of the Transaction, and will not take any action, directly or indirectly, that is materially inconsistent with, nor that would unreasonably delay the approval or consummation of, the Transaction in accordance with the terms of this Agreement, the Plan, and the other Definitive Agreements (as defined in Section 1.4.7(a) below). Accordingly, each of the parties hereto agrees that, provided the same is not inconsistent with this Agreement or the Plan, it shall (i) take all reasonable steps to support the Plan and defend the adequacy of the Disclosure Statement and all other post-petition disclosure and solicitation procedures and materials in connection with the Plan that may be required by the Bankruptcy Court; (ii) not, directly or indirectly, consent to, provide any support to, participate in the formulation of, or vote for any plan of reorganization or liquidation of any or all of the Project Companies, other than the Plan; (iii) not, directly or indirectly, object to confirmation of the Plan or otherwise commence any action or proceeding to alter, amend, modify, oppose or add any other provision to the Plan or any other documents or agreements relating thereto, including,

without limitation, the documents attached as exhibits or schedules to this Agreement, the Plan or the Disclosure Statement, that are consistent with the Plan and are in form and substance satisfactory to the Administrative Agent acting at the direction of the Required Banks (collectively, the “Reorganization Documents”); provided that nothing herein shall obligate any Bank to enter into the Master Release Agreement (as defined in Section 1.4.2 below); (iv) not, directly or indirectly, object to the approval by the Bankruptcy Court of the Disclosure Statement or any other solicitation materials or procedures relating to the Plan and in form and substance satisfactory to the Administrative Agent acting at the direction of the Required Banks, (v) not, directly or indirectly, commence or support any action or proceeding to shorten or terminate the period during which only the Project Companies have the exclusive right to propose and/or to seek confirmation of a plan of reorganization for the Project Companies; (vi) not, directly or indirectly, seek, solicit, support, encourage, vote for, consent to, instruct, or engage in negotiations with any person or entity concerning, any plan, sale, proposal, restructuring, workout, offer of winding up, liquidation, reorganization, merger, consolidation, or dissolution of any Project Company other than the Transaction or the Plan; or (vii) not, directly or indirectly, commence or support any action filed by any party in interest to appoint a trustee, conservator, receiver or examiner for any Project Company, or to dismiss any Bankruptcy Case or to convert any Bankruptcy Case to a case under Chapter 7 of the Bankruptcy Code, or otherwise to commence an involuntary bankruptcy case against any Project Company.

(e) If the Transaction is effectuated through the Plan, then on the Effective Date of the Plan, TECO and its applicable affiliates shall execute and deliver to the Administrative Agent the Representation and Indemnity Agreement in the form attached hereto as Exhibit D.

(f) Nothing herein or in the Plan shall obligate any party hereto to support amendments, modifications or alterations to the Plan that are adverse to such party’s interests.

(g) This Agreement is not and shall not be deemed to be a solicitation of votes to accept or reject the Plan. The solicitation for votes to accept or reject the Plan shall not occur until parties entitled to vote on the Plan receive the Disclosure Statement and other solicitation materials, including ballots, as approved by the Bankruptcy Court.

**1.2 Conduct of Business.** Between the date of this Agreement and the Closing Date, the Project Companies shall use their commercially reasonable best efforts to conduct their businesses in a reasonable and prudent manner consistent with past practice, preserve their existing business relationships, as may be reasonable and prudent, including relationships with their customers, suppliers and others with whom they have a business relationship, preserve and protect their properties and conduct their businesses in compliance with all applicable laws and regulations and the Operative Documents; provided, however, that neither the filing nor prosecution of the Bankruptcy Cases, including implementation of the Plan, shall constitute a violation of this Section 1.2. The Project Companies will, consistent with past practice, continue to cooperate with the consultants and advisors for the Administrative Agent with respect to the implementation and use of monthly budgets and thirteen-week cash flows, and will, consistent with past practice, continue to consult with and inform such consultants and advisors for the

Administrative Agent on an ongoing basis respecting all significant developments and advise them in advance regarding all significant management and business decisions. Subject to the fiduciary duties of the officers and directors of TECO and its affiliates, TECO and its affiliates, as shareholders of the Project Companies, shall not exercise any rights so as materially to interfere with the business operations of the Project Companies or the performance of the provisions of this paragraph.

### **1.3 Transition Services and O&M Agreements.**

**1.3.1 Transition Services Agreement.** TECO Wholesale Generation, Inc., formerly known as TECO Power Services Corporation (“TPS”), Gila River Transition Energy Management AssetCo LLC (“AssetCo”), TES, TPS Arkansas Operations Company (“TPS Arkansas”) and/or TPS Arizona Operations Company (“TPS Arizona”) have provided to the Project Companies certain operations management, energy management and other shared services, such as asset management, accounting, legal and regulatory services. TPS Arkansas and TPS Arizona have provided such services and been compensated for them under and pursuant to the O&M Agreements. Other services shall, effective as of January 1, 2005, be provided pursuant to the terms of the Transition Services Agreement in substantially the form attached hereto as Exhibit L. All such services will terminate not later than sixty (60) days after the Closing Date unless otherwise agreed by the parties. TECO on behalf of TPS, TES, TPS, AssetCo, Arkansas, and TPS Arizona acknowledges and agrees that they have been fully paid and compensated for all amounts due and owing with respect to services rendered through and including December 31, 2004. The applicable TECO affiliates and Project Companies that are parties to such arrangements shall continue to perform and pay for transition services in accordance with the terms of the O&M Agreements and the Transition Services Agreement; provided that if the Transaction is effectuated through the Plan, the Bankruptcy Court shall have entered an order approving any such arrangements to the extent required by applicable law. Promptly after commencement of the Bankruptcy Cases, the Project Companies party thereto shall seek to assume such contracts; TECO, its applicable affiliates party thereto, the Administrative Agent and the Banks signatory hereto agree to consent to such assumption.

**1.3.2 O&M Agreements.** Provided that the parties thereto fully perform and get paid accordingly, the O&M Agreements shall be deemed rejected as of the Effective Date of the Plan.

**1.4 Conditions Precedent.** The Transaction shall be effective only upon the satisfaction or waiver of the conditions precedent in the definitive documentation as mutually agreed upon by the parties, including, without limitation, each of the following:

**1.4.1** the Project Companies and their applicable affiliates have executed and delivered the release agreement attached hereto as Exhibit G (the “Project Companies Release of Banks Agreement”) forever waiving and releasing certain claims against the Banks, all as described more fully therein and incorporated herein by reference;

**1.4.2** TECO and its applicable affiliates and the Project Companies have executed and delivered that certain release agreement attached hereto as Exhibit H (the “Master Release Agreement”) to the Administrative Agent by the Outer Date;

**1.4.3** the limited liability company agreement governing the terms and conditions of LenderCo, and any other necessary or appropriate agreements and documents required with respect to LenderCo as determined by the Administrative Agent, have become effective in accordance with their terms;

**1.4.4** amended and restated Credit Agreements have become effective in accordance with their terms (the “New Credit Agreements”);

**1.4.5** any necessary regulatory approvals by the Federal Regulatory Energy Commission to consummation of the Transaction shall have been obtained;

**1.4.6** by the Outer Date, either the Bankruptcy Bank Consent Requirement or Out-of-Court Unanimous Bank Consent Requirement shall have been satisfied, and all other parties hereto shall have executed and delivered this Agreement to the Administrative Agent;

**1.4.7** and if the Transaction is not effectuated through the Plan,

(a) TECO and its applicable affiliates, the Project Companies, and the Banks (or one or more entities designated by the Administrative Agent acting at the direction of the Required Banks) have executed and delivered all definitive transfer agreements and related agreements and documents, which agreements and documents shall be consistent with this Agreement and the Plan (collectively, the “Definitive Agreements”), which includes the Equity Transfer Agreement attached hereto as Exhibit E;

(b) TECO and its applicable affiliates have executed and delivered the release and indemnity agreement attached hereto as Exhibit I (the “TECO Release of Project Companies Agreement”) forever waiving and releasing certain claims against, and providing certain indemnities to, the Project Companies (and providing certain limited releases of claims against the Banks), all as described more fully therein and incorporated herein by reference; and

(c) the Project Companies shall have entered into an Amended and Restated Long Term Service Agreement with General Electric International, Inc. that is approved by the Administrative Agent in accordance with the provisions of paragraph 6.14.5 hereof.

**1.4.8** and if the Transaction is effectuated through the Plan,

(a) the Bankruptcy Court shall have entered an order approving the Project Companies’ execution, delivery and performance under the Project Companies Release of Banks Agreement;

(b) the Bankruptcy Court shall have entered an order confirming the Plan;

(c) the Effective Date (as defined in the Plan) shall have occurred; and

(d) TECO and its applicable affiliates shall have executed and delivered to the Administrative Agent the Representation and Indemnity Agreement in the form attached hereto as Exhibit D.

**1.5 Covenants.** TECO and its applicable affiliates shall execute and deliver the TECO Release of Project Companies Agreement to the Project Companies and the Administrative Agent at or prior to the Closing Date; provided that if the Transaction is effectuated through the Plan, then TECO need not execute and deliver the TECO Release of Project Companies Agreement as provided in this section unless the Bankruptcy Court shall have entered an order approving the TECO Release of Project Companies Agreement and Master Release Agreement. The Project Companies and their applicable affiliates shall execute and deliver the Project Companies Release of Banks Agreement to the Administrative Agent at or prior to the Closing Date. The Administrative Agent shall recommend to the Banks that they execute the Master Release Agreement.

**1.6 Invitation to Participate.** If the Banks initiate an Auction Process (as defined below in this paragraph) within three (3) years from the date of this Agreement for the sale of all or any substantial part of the Partnership Interests, including any Partnership Interests issued pursuant to the Plan, or all or any substantial part of the assets of the Project Companies (considered as a whole), the Banks will invite TECO (or its designated acquisition vehicle) to participate in such Auction Process. The obligation of the Banks is solely to provide an initial invitation to participate in such process, and the terms hereof shall in no way be deemed to impose or create (by contract, at law or in equity) any obligation or duty of the Banks to consider, negotiate as to or accept any proposal from TECO (or its designated acquisition vehicle), in such Auction Process or otherwise. The term "Auction Process" shall mean any formal process for the solicitation and evaluation of offers to purchase all or any substantial part of the Partnership Interests or all or any substantial part of the assets of the Project Companies (considered as a whole), which is effected through the provision of an offering memorandum distributed to at least three (3) parties other than TECO and conducted by a third party advisor, such as an investment bank.

**1.7 Acknowledgements.** The Project Companies acknowledge and agree that the aggregate principal balance of the outstanding Obligations under the Original Credit Agreements as of the date hereof was not less than \$1,463,155,034, of which \$685,371,540 was outstanding under the Union Power Credit Agreement and \$777,783,494 was outstanding under the Gila River Credit Agreement. The foregoing amounts do not include all of the interest, fees, costs, and expenses to which Administrative Agent and Banks are entitled, and which constitute additional Obligations, under the Original Credit Agreements or other Operative Documents or contingent Obligations represented by outstanding letters of credit. All of the foregoing Obligations are outstanding and the Project Companies acknowledge and agree that (i) the Project Companies, Union Power I, LLC, Union Power II, LLC, Panda Gila River I, LLC, Panda Gila River II, LLC, Trans-Union Interstate I, LLC, and Trans-Union Interstate II, LLC have no right of offset, defense, or counterclaim with respect to any of the Obligations, and (ii) all such Obligations are "Allowed Claims" (as such term is defined in the Plan).

## **1.8 Key Employees.**

**1.8.1** TECO and its affiliates have made and shall continue to make commercially reasonable efforts to retain the service of each employee of TECO and its affiliates who works for or whose primary duties involve performance of services for a Project Company or a Project (the “Project Employees”) for the period commencing with the date of this Agreement and ending on the Closing Date. The Project Employees listed on Exhibit J-1 will continue to be retained by TECO, to which the undersigned Banks and LenderCo consent, and shall be referred to as “TECO Retained Employees.” TECO and its affiliates have authorized LenderCo and its affiliates (and pending LenderCo’s formation, the Administrative Agent on behalf of LenderCo) to enter into discussions with the Project Employees listed on Exhibit J-2 regarding employment with LenderCo or its affiliates effective as of the Closing Date. Neither TECO nor any of its affiliates shall engage in any activity intended to discourage any Project Employee (other than TECO Retained Employees) from accepting an offer of employment from LenderCo or its affiliates and shall make commercially reasonable efforts to provide that the Project Employees (other than the TECO Retained Employees) will not be offered employment by TECO or its affiliates without the written consent of LenderCo prior to the Closing Date; provided, however, that TECO and its affiliates shall be permitted to take any action they reasonably believe they are legally required to take in order to comply with applicable employment laws.

**1.8.2** LenderCo and its affiliates (and pending LenderCo’s formation, the Administrative Agent on behalf of LenderCo) may make an offer of employment effective as of the Closing Date to any Project Employee other than a TECO Retained Employee. Each Project Employee listed on Exhibit J-2 who accepts an offer of employment from LenderCo or any of its affiliates on or before the Closing Date shall be a “Project Retained Employee.” Provided that such employees do not object, at the Closing Date, TECO and its affiliates shall cause the employer of the Project Retained Employees to (i) release any Project Retained Employees from any applicable non-competition or confidentiality agreements with TECO or its affiliates related to the Projects, and (ii) transfer or cause to be transferred to the Project Companies copies of the employment records for all Project Retained Employees to the extent such transfer would not be violative of applicable law. Nothing contained herein shall restrict LenderCo and its affiliates or the Project Companies in the future in the exercise of their independent business judgment as to the terms and conditions under which the employment of the Project Retained Employees shall continue, the duration of such employment, the basis on which such employment is terminated or the benefits provided to Project Retained Employees.

**1.8.3** TECO and its affiliates shall take such actions as are necessary to cause all TECO Retained Employees to be employed by TECO or an affiliate of TECO other than the Project Companies prior to the Closing Date. On the Closing Date, the Project Companies shall have no further responsibility for the TECO Retained Employees or, except as provided in Section 1.8.5 of this Agreement, any other Project Employee who does not become a Project Retained Employee.

**1.8.4** Subject to any existing contractual rights of employees and subject to the last sentence of this Section 1.8.4, TECO and its affiliates agree that unless otherwise agreed to

in writing by LenderCo and its affiliates, they will not solicit for employment or hire any of the Project Retained Employees (other than the TECO Retained Employees) on or prior to July 28, 2006. Subject to the last sentence of this Section 1.8.4, LenderCo and its affiliates agree that unless otherwise agreed to in writing by TECO, they will not solicit for employment or hire any of the TECO Retained Employees on or prior to July 28, 2006. The parties further agree that nothing contained in this Section 1.8.4 shall prohibit a party from making general solicitations for employment or from hiring a Project Retained Employee or TECO Retained Employee who responds to such general solicitation.

**1.8.5** Notwithstanding anything to the contrary in this Section 1.8, the Project Companies shall be responsible for (i) fifty percent (50%) of any severance payments payable with respect to any Project Employee listed on Exhibit J-3, and (ii) any retention payments payable to a Project Employee, in each case to the extent such payments are payable pursuant to the applicable severance and retention agreements with the relevant Project Employee regardless of whether such Project Employee is a TECO Retained Employee or Project Retained Employee.

## **2. Release And Indemnities**

### **2.1 Release of Claims.**

**2.1.1 Project Companies' and Banks' Acknowledgement.** The Project Companies and the Banks acknowledge and agree that they have no right, title, or interest in those certain claims of TECO against (i) American Casualty Company of Reading, PA (with respect to Psychrometric Systems, Inc. as principal) under Bond No. 929 222 425 naming PGR as an "Additional Obligee" or (ii) American Casualty Company of Reading, PA (with respect to Psychrometric Systems, Inc. as principal) under Bond No. 929 222 424 naming UPP as an "Additional Obligee", such claims having been assigned to TECO by UPP and PGR under separate Reimbursement and Assignment Agreements, each dated as of January 16, 2002.

**2.1.2 TECO Acknowledgement.** TECO acknowledges and agrees that, regardless of whether the Master Release Agreement becomes effective, TECO is and remains liable pursuant to the Undertakings and/or this Agreement for any and all Excluded Claims (as such term is defined in the Master Release Agreement) and agrees to timely and fully pay and perform such Excluded Claims (as such term is defined in the Master Release Agreement) in accordance with the Undertakings and/or O&M Agreements (as such term is defined in the Master Release Agreement), including, without limitation, to timely and fully pay (x) any and all air emission fines and penalties, and (y) any and all future costs and expenses of defense, each of (x) and (y) specifically relating to the lack of adequate air permits prior to May 27, 2004, and those air permit violations dated as of August 18, 2004 set forth in the Notices of Violation ("NOVs") issued by Maricopa County, Arizona and attached hereto as Exhibit K, as such NOVs may be replaced, amended, supplemented or otherwise modified from time to time by other NOVs related to the same, similar or related permit condition violations, or to other violations of environmental laws at the Projects that are Excluded Claims (as such term is defined in the Master Release Agreement) occurring prior to the Closing Date that are covered by the Undertakings and/or O&M Agreements. TECO agrees to indemnify and hold harmless each Project Company, each transferee of the assets of or Partnership Interests in a Project Company,

the Administrative Agent, the Banks and their respective officers, directors, members, controlling persons, employees, agents and servants (collectively, the “Indemnitees”) from and against, and reimburse the Indemnitees for, any and all penalties, claims, damages, losses, liabilities and obligations, of any kind or nature whatsoever that may be imposed upon, incurred by, or asserted or awarded against any Indemnitee that relate to, arise out of, or are in connection with (i) any privileges tax or so-called “speculative builder tax” imposed on or attempted to be imposed on the transfer pursuant to this Agreement or the Equity Transfer Agreement, if applicable, of the Gila River Partnership Interests or the Gila River Project, and any and all reasonable costs and expenses of counsel incurred by an Indemnitee with respect to any of the foregoing or (ii) any shareholder class action lawsuit filed against TECO that specifically relates to TECO's public disclosures with regard to its investments in the Projects, including, but not limited to, the lawsuits listed on Schedule 8.2(a) to the Equity Transfer Agreement (regardless of whether the Equity Transfer Agreement becomes effective). TECO further acknowledges and agrees that this Section 2.1.2 is effective upon execution of this Agreement, is not dependant in whole or in part on the execution or effectiveness of the Master Release Agreement, and shall not serve as a limitation upon claims that may be asserted against it under the Undertakings or, as applicable, the other Operative Documents if the Master Release Agreement does not become effective.

**2.1.3 No Obligation.** The execution and delivery of this Agreement shall not in any way obligate the Administrative Agent or any Bank signatory hereto to enter into the Master Release Agreement.

## **2.2 Reservation of Rights.**

**2.2.1** Until the effectiveness of the Master Release Agreement and receipt by the Administrative Agent of the Release Fee (as defined in the Master Release Agreement), acceptance by the Administrative Agent, the Banks, and Project Companies of the terms of this Agreement:

(a) is done with a complete reservation of all rights the Administrative Agent, the LC Bank, the Banks, and Project Companies have against TECO pursuant to the Undertakings and, as applicable, the other Operative Documents and shall not constitute a release, waiver or settlement of any claim, right, demand, cause of action, defense, right of recoupment or setoff that any of them have or may have against TECO; and

(b) does not constitute a waiver of, or agreement not to enforce, any default that has occurred, or any right arising therefrom, under the Undertakings, the Credit Agreements or any other Operative Document (it being expressly understood and agreed that upon the effectiveness of the Master Release Agreement and receipt by the Administrative Agent of the Release Fee such reservation of rights shall be null and void and of no further force and effect).

**2.2.2** Until the effectiveness of the TECO Release of Project Companies Agreement and/or Master Release Agreement, as applicable, but subject to Section 2.1.2 of this Agreement, acceptance by TECO of the terms of this Agreement is done with a complete

reservation of all rights that TECO has against the Administrative Agent, the LC Bank, the Banks, and Project Companies pursuant to the Undertakings and, as applicable, the other Operative Documents, and shall not constitute a release, waiver or settlement of any claim, right, demand, cause of action, defense, right of recoupment or setoff that TECO may have against any of such parties (it being expressly understood and agreed that upon the effectiveness of the TECO Release of Project Companies Agreement or Master Release Agreement, as applicable, such reservation of rights shall be null and void and of no further force and effect). For the avoidance of doubt, TECO and its applicable affiliates shall only be obligated to pay the Release Fee on the Effective Date as described and defined in the Master Release Agreement.

### **3. Representations And Warranties**

**3.1 All Parties.** Each of the parties, jointly and severally, in the case of TECO, the Project Companies and their affiliates, and severally, but not jointly, in the case of the Banks signatory hereto and the Administrative Agent, hereby represents and warrants to each of the other parties that the following statements are true and correct as of the date hereof:

**3.1.1 Power and Authority.** It has all requisite power and authority to enter into this Agreement and to carry out the transactions contemplated by, and perform its respective obligations under, this Agreement.

**3.1.2 Authorization.** The execution and delivery of this Agreement and the performance of its obligations hereunder have been duly authorized by all necessary action on its part.

**3.1.3 No Conflicts.** The execution, delivery, and performance by it of this Agreement do not and shall not (i) violate any provision of law, rule, or regulation applicable to it or its certificate of incorporation or by-laws (or other organizational documents) or (ii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material contractual obligation to which it is a party or under its certificate of incorporation or by-laws (or other organizational documents).

**3.1.4 Binding Obligation.** This Agreement is the legally valid and binding obligation of it, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization moratorium, or other similar laws relating to or relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

**3.1.5 Proceedings.** No litigation or proceeding before any court, arbitrator, or administrative or governmental body is pending against it that would adversely affect its ability to enter into this Agreement or perform its obligations hereunder.

**3.2 Banks.** Each of the Banks signatory hereto (on behalf of itself and any affiliate that beneficially owns any Obligations) represents, warrants and covenants, severally and not jointly, to each of the other Banks signatory hereto and the Administrative Agent (but not, other than in the case of Section 3.2.1 below, to TECO, the Project Companies and/or their respective affiliates) that the following statements are true, correct, and complete as of the date hereof:

**3.2.1 Ownership.** It is the sole legal owner of the aggregate principal amount of the Obligations as separately disclosed in writing to the Administrative Agent, and has the sole power to vote such Obligations.

**3.2.2 Prior Transfers.** Except as separately disclosed in writing to the Administrative Agent, it has made no prior assignment, sale, grant, conveyance, or other transfer of, and has not entered into any other agreement to assign, sell, grant, or otherwise transfer, in whole or in part, any portion of its right, title, or interests in the Obligations or its voting rights with respect thereto under the Credit Agreements, or with respect to the Plan or any of the Definitive Agreements or the Reorganization Documents.

**3.2.3 Laws.** It is (i) a sophisticated investor with respect to the transactions described herein with sufficient knowledge and experience in financial and business matters and is capable of evaluating the merits and risks of owning and investing in securities similar to those owed with respect to the Obligations (including any securities that may be issued in connection with the Transaction), making an informed decision with respect thereto, and evaluating properly the terms and conditions of this Agreement, and it has made its own analysis and decision to enter in this Agreement, (ii) an “accredited investor” within the meaning of Rule 501 of the Securities Act of 1933, as amended, and (iii) acquiring any securities that may be issued in connection with the Transaction for its own account and not with a view to the distribution thereof.

#### **4. Covenant With Respect To Transfers.**

To the extent any Transfer (as defined below) is otherwise permitted under the terms of the Credit Agreements and Credit Documents, each Bank covenants and agrees not to Transfer any of the Obligations held by it, in whole or in part, unless the transferee agrees in writing to be bound by the terms of this Agreement as though it had been an original signatory hereto. In the event any Bank Transfers any of its Obligations in accordance with the terms of the Credit Agreements and Credit Documents, as a condition precedent to such Transfer, each Bank agrees to cause the transferee to execute and deliver to the Administrative Agent a joinder agreement in form and substance acceptable to the Administrative Agent confirming the agreement of such transferee to be bound by the terms of this Agreement as though it had been an original signatory hereto for so long as this Agreement shall remain in effect. Any Transfer of any Obligations in violation of the foregoing shall be deemed ineffective to Transfer any right to accept or reject the Transaction or the Plan, which right shall remain with and be exercised only by the purported transferor. As used herein, the term “Transfer” shall mean to, directly or indirectly, (i) sell, pledge, assign, encumber, grant an option with respect to, transfer or dispose of any participation or interest (voting or otherwise) in or (ii) enter into an agreement, commitment or other arrangement to sell, pledge, assign, encumber, grant an option with respect to, transfer or dispose of any participation or interest (voting or otherwise) in, any portion of its right, title or interest in the Obligations, or the act thereof. Each Bank agrees that any Obligations acquired by such Bank following the date of this Agreement shall be subject to the terms and conditions of this Agreement and shall be subject to the same treatment in the Transaction as the Obligations held by such Bank as of the date hereof.

## **5. Termination**

**5.1** The provisions of Section 1.1.3, shall become ineffective as to the Banks signatory hereto from and after the delivery of a written notice to that effect to the Project Companies (with a copy provided to TECO) by the Administrative Agent acting at the direction of the Majority Banks and half in number of the Banks under the Original Credit Agreements at any time from or after the occurrence of any of the following (provided that no such termination shall relieve any party from liability for its breach or non-performance of its obligations hereunder prior to the date of such termination):

**5.1.1** the Plan is not confirmed by the Bankruptcy Court on or prior to August 31, 2005;

**5.1.2** the entry of an order of the Bankruptcy Court approving a post-petition disclosure statement containing information that is materially different in substance from the Disclosure Statement or relating to a plan of reorganization or liquidation that is materially different in substance than the Plan;

**5.1.3** entry of an order of the Bankruptcy Court denying confirmation of the Plan or confirming any plan of reorganization or liquidation that is materially different in substance than the Plan;

**5.1.4** entry of an order of the Bankruptcy Court converting any Bankruptcy Case to a case under Chapter 7 of the Bankruptcy Code, which order is not stayed, vacated, or reversed within thirty (30) days; or

**5.1.5** entry of an order of the Bankruptcy Court dismissing any Bankruptcy Case, which order is not stayed, vacated, or reversed within thirty (30) days.

**5.2** In the event that Section 1.1.3 becomes ineffective as to the Banks on any date pursuant to Section 5.1.2, 5.1.3, 5.1.4 or 5.1.5, then Section 1.1.3 shall become ineffective on such date as to TECO and its affiliates and the Project Companies. In the event that the Plan is not confirmed by the Bankruptcy Court on or prior to August 31, 2005, then the provisions of Section 1.1.3, shall become ineffective as to TECO and its applicable affiliates and the Project Companies from and after the delivery of a written notice to that effect sent by TECO or the Project Companies to the Administrative Agent with a copy to TECO or the Project Companies, as the case may be; provided, however, that in the event that on or prior to August 31, 2005, the Banks have agreed to the continued effectiveness of Section 1.1.3 (including by not sending the notice of termination permitted by Section 5.1) or have entered into an agreement similar to that provided for in Section 1.1.3 for the purpose of pursuing the confirmation of the Plan or another plan of reorganization that provides for consummation of the Transaction, then Section 1.1.3 shall remain effective as to TECO and its affiliates and the Project Companies until the later of the date on which Section 1.1.3, or the date on which such other agreement, terminates or becomes ineffective as to the Banks. The Administrative Agent shall send notice to TECO and the Project Companies of any such termination or ineffectiveness. Notwithstanding anything to the contrary in this Section 5.2, no termination or ineffectiveness of Section 1.1.3 or such other

agreement shall relieve any party from liability for its breach or non-performance of its obligations hereunder prior to the date of such termination or ineffectiveness.

## **6. Miscellaneous Matters**

**6.1 Timing of the Transaction.** The Equity Transfer Agreement, if applicable, TECO Release of Project Companies Agreement, and Project Companies Release of Banks Agreement shall have been deemed to have been delivered simultaneously and all deliveries of the same are deemed to be in escrow until all deliveries have been completed.

**6.2 Publicity.** The parties hereto acknowledge that TECO intends to make a public announcement of the terms of this Agreement following the execution and delivery of this Agreement. None of the parties hereto shall take any public action or make any public announcement regarding the subject matter hereof without having first obtained the consent of the other parties, except such disclosures as may be required by securities or other laws, or stock exchange listing standards or rules or regulations (in which case a reasonable opportunity to review and comment thereon under the circumstances shall be provided to the Administrative Agent).

**6.3 Integration.** This Agreement sets forth in full the terms of agreement between the parties and supercedes and replaces the terms and provisions of Part A (entitled Non-Binding Letter of Intent) of that certain Non-Binding Letter of Intent and Binding Litigation Settlement dated as of February 5, 2004 and that certain supplemental non-binding letter of intent dated as of July 28, 2004. Nothing herein amends, supercedes or replaces any term or provision of Part B (entitled Binding Litigation Settlement) of that certain Non-Binding Letter of Intent and Binding Litigation Settlement dated as of February 5, 2004.

**6.4 Amendment.** No term of this Agreement may be modified or amended except in a writing signed by the party against whom enforcement of the modification or amendment is sought; provided however that with respect to the Banks signatory hereto, this Agreement may be amended by Banks (the "Amending Banks") holding (x) more than one-half in number of the aggregate Obligations under the Original Credit Agreements and (y) at least two-thirds (2/3rds) of the aggregate principal amount of all such Obligations under the Original Credit Agreements; provided further that any Bank signatory hereto which is not an Amending Bank will no longer be considered a party to this Agreement and will not be bound by the terms of this Agreement.

**6.5 WAIVER OF JURY TRIAL.** EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT.

**6.6 Advice of Counsel.** Each of the parties represents to each other party hereto that it has discussed this Agreement with its counsel.

**6.7 No Strict Construction.** This Agreement has been prepared through the joint efforts of all of the parties. Neither the provisions of this Agreement nor any alleged ambiguity shall be interpreted or resolved against any party on the ground that such party's counsel drafted

this Agreement, or based on any other rule of strict construction. Each of the parties hereto represents and declares that such party has carefully read this Agreement, and that such party knows the contents thereof and signs the same freely and voluntarily. The parties hereby acknowledge that they have been represented by legal counsel of their own choosing in negotiations for and preparation of this Agreement and that each of them has read the same and had their contents fully explained by such counsel and is fully aware of their contents and legal effect.

**6.8 GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK (WITHOUT REFERENCE TO THE CHOICE OF LAW PROVISIONS OF NEW YORK LAW).**

**6.9 Jurisdiction.** The parties hereto agree that all disputes between any of them arising out of, connected with or related to or incidental to the relationship established between any of them in connection with this Agreement, and whether arising in contract, tort, equity or otherwise, may be brought in or removed to the state or federal courts located in the State of New York, in and for the County of New York, or of the United States of America for the Southern District of New York, in each case sitting in Manhattan, but the parties hereto acknowledge that any appeals from those courts may have to be heard by a court located outside such locations. The parties hereto waive in all disputes any objection that they may have to the location of jurisdiction of the court designated to consider such dispute in accordance with the first sentence of this Section 6.9. Notwithstanding the foregoing consent to jurisdiction, upon the commencement of the Bankruptcy Cases, each of the parties hereto hereby agrees that the Bankruptcy Court shall have exclusive jurisdiction over all matters arising out of or relating to this Agreement until the Effective Date under and substantial consummation of the Plan.

**6.10 Counterparts.** This Agreement may be executed and delivered in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts shall constitute one and the same instrument, and all signatures need not appear on any one counterpart.

**6.11 Acceptance of Signatures.** The parties agree that this Agreement will be considered signed when the signature of a party is delivered by facsimile or electronic mail transmission. Such facsimile or electronic mail signature shall be treated in all respects as having the same effect as an original signature.

**6.12 Section Headings.** Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purposes.

**6.13 Successors and Assigns; No Third Party Beneficiaries.** This Agreement shall be binding on and shall inure to the benefit of the parties hereto and their respective successors and assigns, except as otherwise provided herein. The terms and provisions of this Agreement are for the purpose of defining the relative rights and obligations of the parties hereto with

respect to the transactions contemplated hereby and no Person shall be a third party beneficiary of any of the terms and provisions of this Agreement. None of the Parties hereto shall assign or transfer any of their rights or obligations hereunder without the written consent of the other parties and then only to a Person who has agreed to be bound by the provisions of this Agreement and each of the other Definitive Agreements and Reorganization Documents to which such original party is party thereto; provided however that any Bank may, without the prior written consent of TECO or any affiliate of TECO, assign its rights and/or obligations hereunder in accordance with the provisions of Section 4.

#### **6.14 Special Provisions as to Banks.**

##### **6.14.1 Banks Approval for Consummation of the Transaction.**

Notwithstanding any other provision of this Agreement to the contrary (except with respect to the Master Release Agreement which must be separately executed and delivered by the Banks to the Administrative Agent), the Administrative Agent is hereby authorized, and no further or additional approval of or consent from the Banks or any other Person shall be required in order for the Administrative Agent, to perform, engage in, enter into, execute and deliver, undertake or otherwise implement any or all of the documents (including, without limitation, if applicable, the Reorganization Documents) necessary or appropriate to consummate the Transaction, including, if applicable, in connection therewith, the filing, confirmation and consummation of the Plan, and any other agreement, contract, certificate, guarantee, pledge or matter relating to or contemplated thereby or by (1) the Equity Transfer Agreement, if applicable, (2) the TECO Release of Project Companies Agreement, (3) the Project Companies Release of Banks Agreement, (4) the Energy Management Contribution and Option Agreement, or (5) the Operating Asset Contribution Agreement. The Administrative Agent, acting with the consent of a majority in number of the Bank Steering Committee, is further authorized to agree on behalf of the Banks to an amendment to the Plan that reduces the annual interest rate with respect to New Term B Notes and New Term B L/C Notes (each as defined in the Plan) from 9% per annum to not less than 4% per annum as needed to satisfy the requirements of the Bankruptcy Code. Each Bank signatory hereto further agrees, regardless of whether the Transaction is consummated pursuant to the Plan or by reason of satisfaction of the Out-of-Court Unanimous Bank Requirement, (i) to enter into amended and restated Credit Agreements substantially in the form of the New Credit Agreements attached as an Exhibit to the Plan, and (ii) to enter into the New Limited Liability Company Agreement for Entegra as defined in and attached as an Exhibit to the Plan.

**6.14.2 Election of LLC Class A Voting Units.** Each Bank signatory hereto hereby irrevocably agrees to elect to receive Class A Units under and as defined in the New Limited Liability Company Agreement for Entegra that is an Exhibit to the Plan unless next to its signature below it notifies the Administrative Agent that it will elect to receive Class B Units. This election and agreement shall be effective and apply whether the Transaction is consummated pursuant to the Plan or by reason of satisfaction of the Out-of-Court Unanimous Bank Requirement. This Agreement shall not become effective unless Banks holding at least seventy percent (70%) of the Construction Loans and Hedge Breaking Fees agree hereby to elect to receive Class A Units.

**6.14.3 Participation in New Revolving Loan Facility and New L/C Facility.** Each Bank signatory hereto irrevocably elects to become a Participating Bank (as defined in the Plan) by becoming a lender under and participant in both the New Revolving Loan Facility and New L/C Facility (both as defined in the Plan) in an amount not less than its respective Old Proportionate Share of the Prepetition Project L/C Facility (as defined in the Plan).

**6.14.4 Direction to Act 9 Trustee.** Each Bank signatory hereto irrevocably instructs the Administrative Agent to execute and deliver a direction to the Act 9 Trustee not to enforce any defaults or events of default arising under the Act 9 Bond Documents in connection with the Transaction or Plan or to seize or liquidate any collateral therefor.

**6.14.5 Amended and Restated LTSA with General Electric.** Each Bank signatory hereto irrevocably authorizes the Administrative Agent to approve any amended and restated Long Term Service Agreement with General Electric International, Inc. (or its affiliates, collectively, “GEI”) on terms acceptable to the Administrative Agent, in consultation with the Steering Committee, which agreement may include the subordination of the Banks’ Liens in inventory sold by GEI to the Project Companies.

**6.14.6 Defective Load Commutating Inverter.** Solely with respect to that certain defective load commutating inverter (GE Part No. 370A3290PIM1043-3) received by UPP in connection with the construction of the Union Project, each Bank signatory hereto irrevocably authorizes the Administrative Agent to enter into any documents necessary or appropriate to exchange such defective load commutating inverter with another substantially equivalent functioning GE load commutating inverter and release the Banks’ Liens on such defective load commutating inverter and insurance proceeds related solely thereto.

**6.15 Specific Performance.** Each party hereto recognizes and acknowledges that a breach by it of any covenants or agreements contained in this Agreement will cause other parties to sustain damages for which such parties would not have an adequate remedy at law for money damages, and therefore each party hereto agrees that in the event of any such breach, such other parties shall be entitled to the remedy of specific performance of such covenants and agreements and injunctive and other equitable relief in addition to any other remedy to which such parties may be entitled, at law or in equity.

**6.16 Remedies Cumulative.** All rights, powers, and remedies provided under this Agreement or otherwise available in respect hereof at law or in equity shall be cumulative and not alternative, and the exercise of any right, power, or remedy thereof by any party shall not preclude the simultaneous or later exercise of any other such right, power, or remedy by such party.

**6.17 No Waiver.** The failure of any party hereto to exercise any right, power, or remedy provided under this Agreement or otherwise available in respect hereof at law or in equity, or to insist upon compliance by any other party hereto with its obligations hereunder, and any custom or practice of the parties at variance with the terms hereof, shall not constitute a

waiver by such party of its right to exercise any such or other right, power, or remedy or to demand such compliance.

**6.18 No Solicitation.** This Agreement is not intended to be, and each signatory to this Agreement acknowledges that this Agreement is not, a solicitation to the acceptance or rejection of a plan of reorganization under the Bankruptcy Code for any of the Project Companies. Acceptance of the Plan under the Bankruptcy Code will not be solicited from any holder of Obligations until it has received the disclosures required under or otherwise in compliance with applicable law.

**6.19 Severability.** If any portion of this Agreement shall be held to be invalid, unenforceable, void or voidable, or violative of applicable law, the remaining portions of this Agreement so far as they may practicably be performed shall remain in full force and effect and binding on the parties hereto, provided that, this provision shall not operate to waive any condition precedent to any event set forth herein, in the Definitive Agreements, or in the Reorganization Documents.

**6.20 Effectiveness of Agreement.** This Agreement shall become effective upon the execution and delivery on or prior to the Outer Date of counterparts thereof by TECO, TPGC, TES, the Project Companies, the Administrative Agent and Banks holding (x) more than one-half in number of the aggregate Obligations under the Original Credit Agreements and (y) at least two-thirds (2/3rd) of the aggregate principal amount of all such Obligations under the Original Credit Agreements.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, each of the parties have caused this Agreement to be executed and delivered by its duly authorized officer as of the date first above written.

TECO-Panda Generating Company, L.P.  
by its General Partner  
TPS GP, Inc.

TECO ENERGY, INC., for itself and its affiliates

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

TECO ENERGY SOURCE, INC.

By: \_\_\_\_\_  
Name:  
Title:

UNION POWER I, LLC

UNION POWER II, LLC

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

PANDA GILA RIVER I, LLC

PANDA GILA RIVER II, LLC

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page - Master Settlement Agreement and Restructuring Support Agreement]

TRANS-UNION INTERSTATE I, LLC

TRANS-UNION INTERSTATE II, LLC

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

UNION POWER PARTNERS, L.P.  
by its General Partner  
Union Power I, LLC

PANDA GILA RIVER, L.P.  
by its General Partner  
Panda Gila River I, LLC

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

TRANS-UNION INTERSTATE PIPELINE,  
L.P., by its General Partner, Trans-Union  
Interstate I, LLC

UPP FINANCE CO., LLC,  
by its managing member,  
UNION POWER PARTNERS, L.P.

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page - Master Settlement Agreement and Restructuring Support Agreement]

[Signatures of Banks follow on the next page]

CITIBANK, N.A.  
as Administrative Agent and as a Bank

By: \_\_\_\_\_  
Title: \_\_\_\_\_

**[INSERT UPDATED SIGNATURE BLOCKS OF BANKS]**

**[END OF SIGNATURE PAGES]**

[Signature Page - Master Settlement Agreement and Restructuring Support Agreement]