

AGREEMENT OF
TRANSMISSION FACILITIES OWNERS TO ORGANIZE
THE
MIDWEST INDEPENDENT TRANSMISSION SYSTEM
OPERATOR, INC., A DELAWARE NON-STOCK CORPORATION

“AS FILED” VERSION

(Please Note: This Version reflects the May 11, 2007 revisions to Appendix C-3 and C-4, which were filed with the Commission by ITC Holdings Corp., ITC Midwest LLC, and Interstate Power and Light Company (“IPL”) pursuant to §§203 and 205 of the FPA seeking authorization for the sale by IPL and purchase by ITC Midwest, LLC of IPL’s transmission facilities in Docket Nos. EC07-89-000 and ER07-887-000, which are pending Commission action.)

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Article One

THIS AGREEMENT, including all appendices attached hereto (hereinafter "Agreement"), is entered into by the undersigned owners of electric transmission facilities for the purpose of organizing the Midwest Independent Transmission System Operator, Inc., a Delaware non-stock corporation (hereinafter "Midwest ISO").

ARTICLE ONE

DEFINITIONS

I. In General.

Unless the context otherwise specifies or requires, the following terms used in this Agreement, or in any appendix to this Agreement, shall have the respective meanings set forth below. Additional terms are defined for convenience of reference in other provisions of this Agreement. When used in this Agreement, or in any appendix to this Agreement, such additional terms shall have the respective meanings set forth in such other provisions of this Agreement.

A. Agency Agreement. The agreement appended hereto as Appendix G which allows Non-transferred Transmission Facilities to be offered for transmission service under the Transmission Tariff.

B. Effective Date. The effective date as to any signatory to this Agreement is the date this Agreement is signed by the signatory, except as to Governmental Entities, as to whom this Agreement will become effective only upon fulfillment of the conditions specified in Article Seven, Paragraph C of this Agreement.

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C. FERC. The Federal Energy Regulatory Commission, or any successor agency.

D. Funds Trust Agreement. The Funds Trust Agreement among JPMorgan Chase Bank, N.A., Midwest Independent Transmission System Operator, Inc., and the Beneficiaries, as may be amended from time to time, under which agreement a trust is established and maintained for the receipt and distribution of revenues resulting from the provision of transmission services under the Transmission Tariff.

E. Good Utility Practice. Any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act, to the exclusion of all others, but rather to be a range of acceptable practices, methods, or acts generally accepted in the region.

F. He, Him, or His. Includes "she," "her", or "hers", respectively.

G. Member. A person or business entity which is (i) an Eligible Customer, as defined in the Transmission Tariff, or (ii) an Owner, as defined herein, and which pays to the Midwest ISO, the non-refundable membership fees as required herein. Such person or entity shall be a Member during the period covered by the applicable membership fees unless earlier terminated pursuant to this Agreement.

H. Non-owner Member. A Member which is not an Owner.

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I. Non-transferred Transmission Facilities. The booked transmission facilities not identified in Appendix H to this Agreement which are the subject of the Agency Agreement.

J. Owner. A utility or other entity which owns, operates, or controls facilities for the transmission of electricity in interstate commerce (as determined by the Midwest ISO by applying the seven-factor (7-factor) test of the FERC set forth in FERC Order No. 888, 61 Fed. Reg. 21,540, 21,620 (1996), or any successor test adopted by the FERC) and which is a signatory to this Agreement. A public utility holding company system shall be treated as a single Owner for purposes of this Agreement. Each Owner shall pay the applicable membership fees and become a Member. Any termination of a utility's or entity's status as an Owner shall be determined pursuant to this Agreement.

K. Transfer Date. The date established pursuant to Article Two, Section X, Paragraph B of this Agreement.

L. Transmission Tariff. The transmission tariff on file with the FERC under which the Midwest ISO will offer transmission service, or any successor tariff.

M. Transmission System. The transmission facilities of the Owners which are committed to the operation of the Midwest ISO by this Agreement. These facilities shall include (i) all networked transmission facilities above 100 kilovolts (hereinafter "kV"); and (ii) all networked transformers where the two (2) highest voltages qualify under the voltage criteria of item (i) above. The facilities may also include other facilities

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that the Midwest ISO directs the Owner(s) to assign to it subject to the procedures set forth in Appendix B to this Agreement. The facilities comprising the Transmission System are identified in Appendix H to this Agreement. Appendix H shall be amended from time to time to reflect the addition of facilities to, or removal of facilities from, the Transmission System.

N. User. A Transmission Customer under the Transmission Tariff or an entity that is a party to a transaction under the Transmission Tariff.

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ARTICLE TWO

ORGANIZATION AND GOVERNANCE OF THE MIDWEST ISO

I. Character Of The Organization.

A. Organization of Non-stock, Not-for-profit Corporation.

1. This Agreement sets forth the terms and conditions pursuant to which the Midwest ISO shall be governed and, to the extent provided herein, pursuant to which it shall be operated.

2. The Midwest ISO is to be organized as a non-stock, not-for-profit corporation, pursuant to Title 8, Chapter 1 of the laws of the State of Delaware. The Midwest ISO is not to be organized for profit and shall be operated exclusively for the promotion of social welfare, in furtherance of the public policy reflected in the Order of the FERC approving this Agreement and FERC Order No. 888. The Midwest ISO intends to file an application with the Department of the Treasury, Internal Revenue Service, for recognition of exemption from federal taxation pursuant to Section 501 of the Internal Revenue Code of 1986, as amended, or a successor provision (hereinafter "Internal Revenue Code").

3. No part of the net earnings, if any, of the Midwest ISO shall inure to the benefit of any Midwest ISO Member, Director, Officer, employee, or any other interested private person. The Midwest ISO is authorized and empowered to pay reasonable compensation for services actually rendered and to make payments or

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distributions in furtherance of the purposes and objectives set forth in this Agreement, the attachments hereto, and the Transmission Tariff. No substantial part of the activities of the Midwest ISO shall be carrying on propaganda or otherwise attempting to influence legislation. The Midwest ISO shall not participate in or intervene in any political campaign on behalf of any candidate for public office.

4. Notwithstanding any other provision of this Agreement, if the Internal Revenue Service determines that the Midwest ISO qualifies as a tax-exempt, not-for-profit corporation, the Midwest ISO shall not conduct or carry on any activities not permitted to be conducted or carried on by an organization exempt from taxation under the Internal Revenue Code, or successor provisions in any subsequent federal tax laws, or such other provision or successor provisions under which the Internal Revenue Service may recognize that the Midwest ISO is exempt from taxation. If the Midwest ISO does not qualify for such tax exemption, the Midwest ISO shall, consistent with its other obligations under this Agreement, minimize its federal and state tax obligations.

B. Declaration. By agreeing to and executing this Agreement, the Owners declare that (i) the Transmission System committed to the operation and control of the Midwest ISO, (ii) the Non-transferred Transmission Facilities, and (iii) all revenues from the provision of transmission service provided by the Midwest ISO shall be managed, administered, received, and collected, in the manner and subject to the terms and conditions set forth in this Agreement, any amendments to this Agreement, and the Funds Trust Agreement.

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C. Appendices. This Agreement shall include all appendices, and, in the event of a conflict between this Agreement and any appendix, the appendix shall prevail as the intent of the signatories. All appendices to this Agreement are incorporated into this Agreement and expressly made a part hereof. In the event of a conflict between this Agreement, including any appendices, and the Transmission Tariff, the Transmission Tariff shall prevail as the intent of the signatories.

D. Purpose of Authorization. The authorization granted by the Owners to the Midwest ISO, subject to the terms of this Agreement, shall be sufficient to commit the operation and control of the Transmission System to the Midwest ISO for the following three purposes: (i) providing non-discriminatory open access transmission service over the Transmission System to transmission customers, including the Owners, who may lawfully request such service pursuant to a single tariff filed with the FERC; (ii) receiving funds associated with transmission services from transmission customers solely as agent for the Owners or their designee(s) and distributing such funds to the Owners or their designee(s) in accordance with this Agreement, Appendix C to this Agreement, and the Funds Trust Agreement; and (iii) being responsible for regional system security, in accordance with the provisions of this Agreement. Such authorization shall be effective on the Transfer Date. With regard to the Non-transferred Transmission Facilities, the Midwest ISO shall have such authority as is provided for in the Agency Agreement attached hereto as Appendix G. During the Transition Period, as defined in Appendix C to this Agreement, the Owners reserve for

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themselves the right to use their own transmission facilities to the extent required to transmit electric power and energy to their customers being served under bundled rates comparable to firm service under the Transmission Tariff.

E. Title to Remain with Owners. Legal and equitable title to the respective properties comprising the Transmission System, including all land and land rights, and to all transmission facilities which they may hereafter build or acquire, in accordance with Appendix B to this Agreement, shall remain with each respective Owner (unless the Owner transfers title to another entity), and is not changed by this Agreement. The respective Owners shall retain all rights incident to such legal and equitable title, including, but not limited to, the right, subject to applicable federal or state regulatory approvals, to build, acquire, sell, dispose of, use as security, convey any part of their property, or use such property for purposes other than providing transmission services (such as the use of such property for telecommunications purposes), provided that the exercise of any such rights shall not impair the reliability of the Transmission System.

F. Bylaws. The Bylaws of the Midwest ISO shall at all times be consistent with this Agreement and any amendments thereto. Appendix F to this Agreement shall be the initial Bylaws of the Midwest ISO.

II. Name, Location, And Start-up Functions.

A. Name. The name of the corporation is the Midwest Independent Transmission System Operator, Inc., in which name it may make and execute contracts

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and all kinds of instruments, acquire and convey real or personal property, sue and be sued, and conduct business, all as provided by applicable law and pursuant to the terms and conditions of this Agreement.

B. Principal Office. The principal office of the Midwest ISO shall be determined by the initial Board of Directors.

C. Place of Business. The Board may establish such branch offices or places of business as it shall determine to be in the best interests of the Midwest ISO consistent with the provisions of Article Three, Section IV, Paragraph F of this Agreement.

D. Start-up. The Owners may select and employ a person or an entity (or persons or entities) to perform such administrative and start-up functions as in the Owners' judgment may be necessary or desirable until the Board is elected. Such person or entity shall serve in such capacity until the election of the initial Board, and, during such service, shall exercise the authority and perform the duties of the Board and the President.

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III. Board Of Directors.

A. In General.

1. Initial Board of Directors. There shall be a Board of Directors of the Midwest ISO (hereinafter sometimes referred to as "Board"), consisting of seven (7) persons plus the President. The initial Board shall be elected by the Members at their initial meeting as specified in Article Two, Section V, Paragraph B of this Agreement from a slate of candidates presented to them by an independent executive search firm chosen by a majority vote of the signatories to this Agreement, with each signatory having one vote. Such firm shall select such candidates consistent with the qualification requirements set forth in Subparagraph 2 of this Paragraph A. The slate shall include at least two (2) candidates with the appropriate type of qualifications for each Board position. Each Member shall be entitled to cast a single vote for each of the seven (7) positions on the Board from among the candidates for each position. The candidates with the most votes shall fill the Director positions for which they were nominated. In the event of a tie among the candidates for a Board position, one (1) of the candidates shall be selected by a drawing. Two (2) Directors shall hold office for one (1) year; two (2) Directors shall hold office for two (2) years; and the final three (3) Directors shall hold office for three (3) years; and, in each foregoing case, until their respective successors are duly elected and qualified, or until their earlier resignation or removal. At the first meeting of the initial Board, the Directors shall determine each of their respective terms hereunder by a drawing.

2. Qualifications. A Director shall not be, and shall not have
been at any time

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within two (2) years prior to or subsequent to election to the Board, a director, officer, or employee of a Member, User, or an affiliate of a Member or User. At all times while serving on the Board, and for two (2) years thereafter, a Director shall have no material business relationship or other affiliation with any Member or User or an affiliate of a Member or User. A Director's participation in a pension plan of a Member or User or an affiliate thereof shall not be deemed to be a material business relationship as long as such pension plan is a defined benefit pension plan that does not involve ownership of the securities of the company sponsoring such plan. Similarly, a Director's ownership of securities in a Member or User or affiliate thereof shall not be deemed to be a material business relationship if such securities are held through a mutual fund, retirement fund, blind trust (as defined in Appendix A, Section II.E.6) or similar arrangement where the Director has no discretion to manage the assets in such an account. Of the seven (7) Directors, four (4) shall have expertise and experience in corporate leadership at the senior management or board of directors level, or in the professional disciplines of finance, accounting, engineering, or utility laws and regulation. Of the other three (3) Directors, one (1) shall have expertise and experience in the operation of electric transmission systems, one (1) shall have expertise and experience in the planning of electric transmission systems, and one (1) shall have expertise and experience in commercial markets and trading and associated risk management.

3. Succeeding Boards of Directors. After the election of the initial Board as provided above, succeeding Directors shall be elected to terms of three (3) years, except for any Director elected to fill a vacancy in the remainder of the

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term. Before the term of a Director expires, a nominating committee consisting of three Board Members whose terms are not expiring appointed by the Board and two members of the Advisory Committee selected by the Advisory Committee shall select an executive search firm to provide at least two (2) candidates to the nominating committee for each open Director position. Members may submit the names of candidates directly to the nominating committee. The Nominating Committee shall then provide at least two (2) candidates to the Board for each open position. The candidates for a specific Director position shall have the same type of qualifications as the Director being replaced, as set forth in Subparagraph 2 of this Paragraph A. At least thirty (30) days prior to the meeting of the Members at which the Directors will be elected, the Board shall distribute to the Members a slate of candidates consisting of one (1) candidate for each Director position to be filled. The Board shall also provide the Members with information on the qualifications and experience of the candidate to fill the Director seat for which each candidate is proposed. A candidate receiving a majority of the votes cast by the Members shall be elected. Should the Members fail to elect a candidate from the slate proposed by the Board, the Board shall prepare a new slate using the procedures set forth above for consideration by the Members at a meeting of the Members to be called no later than seventy-five (75) days after such election. Each Director shall serve until his successor shall have been duly elected and qualified, or until his earlier resignation or removal. Vacancies on the Board caused by a Director leaving office before the expiration

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of his term shall be filled by vote of the Board, which shall choose a candidate having the same type of qualifications as his predecessor from a list prepared by the nominating committee in consultation with an executive search firm chosen by the nominating committee. A Director selected to fill such a vacancy shall serve out the term of his predecessor.

4. Chairman of the Board. The Board shall select from among its members a Chairman of the Board. The Chairman shall serve in such capacity at the pleasure of the Board until the first meeting of the Board following the next succeeding annual meeting of the Members, or until his successor shall have been elected and have qualified. The Chairman of the Board shall, unless otherwise determined by the Board, preside over all meetings of the Board and Members, and shall sign, with the Secretary, certificates of membership, the issuance of which shall have been authorized by the Board. The Chairman shall perform all duties incident to the office of Chairman of the Board and such other duties as from time to time may be assigned to him by the Board.

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5. Vice Chairman. The Board shall select from among its members a Vice Chairman of the Board. The Vice Chairman shall serve in such capacity at the pleasure of the Board until its first meeting following the next succeeding annual meeting of the Members, or until his successor shall have been elected and have qualified. In the absence of the Chairman of the Board, or in the event of his inability or refusal to act, the Vice Chairman shall perform the duties of the Chairman of the Board, and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the Chairman of the Board. The Vice Chairman shall also perform such other duties as from time to time may be assigned to him by the Board.

6. Resignation of Directors. Any Director may resign his office by submitting a signed notice of resignation, delivered or mailed to the principal office of the Midwest ISO. Such notice of resignation shall indicate the effective date of the resignation. If it does not indicate an effective date, the resignation shall take effect upon receipt of the notice at the principal office of the Midwest ISO.

7. Removal of Directors.

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a. Removal by Members. The Members may remove a Director by a vote of a majority of the Members. Removal proceedings may only be initiated by a petition signed by not less than twenty percent (20%) of all Members. The petition shall state the specific grounds for removal. A copy of the petition shall be provided to the FERC and to each appropriate state regulatory authority. A Director sought to be removed shall be given fifteen (15) days to respond in writing to any charges set forth in the petition. The petition shall specify either that the removal vote shall be taken at the next regular meeting of the Members or at a special meeting of the Members at a designated date, place, and time.

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B. Duties and Powers.

1. General. The management of all the property, business, and affairs of the Midwest ISO shall be vested in the Board. The Board may exercise all of the powers of the non-stock corporation and do all lawful acts and things (including the adoption of such rules and regulations for the conduct of its meetings, the exercise of its powers, and the management of the Midwest ISO) as it may deem proper and consistent with applicable law, this Agreement, the Transmission Tariff, the articles of incorporation, and the Bylaws of the Midwest ISO, provided that authority for such actions is not reserved to the Members or Owners. Except as provided in Article Two, Section IX, Paragraphs B and C of this Agreement, the enumeration of specific duties and powers in this Agreement shall not be construed in any way as a limitation on the general powers intended to be conferred on the Board.

2. Bylaws and regulations. The Board shall have the obligation to adopt such bylaws, regulations, policies, and practices as are not inconsistent with this Agreement and the Transmission Tariff that it deems necessary or desirable for the conduct of the business of the Midwest ISO and for the governance of itself, the President, and all agents, employees, and representatives of the Midwest ISO, without undue discrimination.

3. Board oversight. The Board shall have responsibility to oversee the President's performance of the obligations of the Midwest ISO specified in Article Three of

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this Agreement. The performance of such obligations shall be carried out and executed by the President with oversight as appropriate by the Board. The Board shall establish general policies to be followed by the President and employees of the Midwest ISO in the conduct of their duties.

4. Standards of Conduct. The Directors shall comply with the Standards of Conduct set forth in Appendix A to this Agreement.

5. Collections and payments. The Board shall have the obligation to assure that the President accounts for all transactions on the Transmission System and other activities of the Midwest ISO; submits bills for such transactions; pays the expenses of operation of the Midwest ISO; collects monies for transmission service from customers solely as agent for Owners or their designee(s) in accordance with the Transmission Tariff; and distributes monies to the Owners or their designee(s) in accordance with this Agreement, any associated agreements referred to in this Agreement, the Funds Trust Agreement, and the Transmission Tariff.

6. Employ staff. The Board shall have the power to employ staff, auditors, counsel, and other personnel as necessary to carry out the business of the Midwest ISO and may delegate to the President all or part of such authority to employ such staff, auditors, counsel, and other personnel.

7. Board Committees. The Board may appoint such internal committees of the Board (hereinafter "Board Committees") as are necessary and

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appropriate for the conduct of the business of the Midwest ISO, provided that final responsibility for any action recommended by any such committee remains with the Board.

C. Meetings of the Board.

1. Meetings. Regular meetings of the Board shall be held at least quarterly, and other meetings shall be held from time to time on the call of the President, Chairman, or a majority of the Board. A Director may participate in a meeting personally or by electronic means. Written notice of the date, location, and time of each meeting of the Board must be provided by first-class mail or by telefacsimile to each Director no later than seven (7) calendar days prior to the date of the meeting. Participation in a meeting by a Director is a waiver of any objection that the Director may make to any failure to give adequate notice under this provision. Any action required or permitted to be taken at any meeting of the Board, or of any Board Committee, may be taken without a meeting if all Directors or Board Committee members, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or Board Committee. Consistent with this Agreement, the Board shall have all procedural authority provided and options available under Title 8 of the Delaware Corporation Law, section 141.

2. Voting. Five (5) Directors shall constitute a quorum of the Board. Except as provided in Article Two, Section VIII, Paragraph C, Subparagraph 5 of this

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Agreement, the affirmative vote of a majority of the Directors present at a meeting is required to constitute any act or decision rendered by the Board.

3. Accounting. At each quarterly meeting of the Board, or such other time as the Board directs, the Board shall require the President to submit for Board approval a full statement of the conditions of the Midwest ISO, and all business transacted by it, and, when the statement is approved, shall cause a copy of it to be sent to each Member.

4. Minutes and reports. The Board shall cause to be kept by the Secretary, elected by it, a record of all meetings of the Board, Members, and Board Committees. Insofar as non-Members of the Midwest ISO are concerned, these records shall be conclusive for the Board of the facts and activities stated and recorded therein.

D. Compensation of Directors; Reimbursement of Expenses

1. Director compensation. Directors shall receive from the Midwest ISO such compensation, regular or special, as is set pursuant to this provision. The independent executive search firm chosen to select a slate of candidates for election for Director positions shall set Director compensation following such election, subject to approval of the Members. If two-thirds (2/3) or more of the Members vote to reject the search firm's recommended compensation, then the recommended compensation shall be rejected. In establishing the compensation for the initial Board, if there are not yet Members, then a vote of two-thirds (2/3) or more of the signatories to this Agreement shall

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be required to reject the search firm's recommended compensation. If the recommended compensation is rejected, then the search firm shall be requested to submit another recommendation or another search firm may be hired for such purpose.

2. Expenses. Directors, and their successors and assigns, shall have the right to reimbursement by the Midwest ISO for all of their actual expenses reasonably incurred or accrued in the performance of their duties as Directors of the Midwest ISO.

IV. Officers Of The Midwest ISO.

A. Titles. The Officers of the Midwest ISO shall be the President, one or more Vice Presidents (in the discretion of the Board), and a Secretary.

B. Election and Term of Office. The Officers of the Midwest ISO shall be elected from time to time by the Board. Each Officer shall hold office at the pleasure of the Board.

C. Removal of Officers by Directors. Any Officer may be removed by the Board whenever, in the Board's judgment, the best interests of the Midwest ISO will be served thereby.

D. President. The President shall serve on the Board of the Midwest ISO. The President may vote on any matter presented at a Board meeting except when the President's vote would create a tied Board vote. In that circumstance, the President shall be barred from voting. The President also may not vote on the selection of, or continued employment of, the President or on the President's compensation. The President shall be

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included in the determination of a quorum of the Board for any meeting of the Board and in the determination of a majority vote of the Board for any purpose. The duties of the President are as follows:

1. Right of President to manage. The right of the President to exercise functional control over the operation of the Transmission System, insofar as is necessary to carry out the rights, duties, and obligations of the Midwest ISO as set forth in this Agreement, shall be absolute, unconditional, and free from the control and management of the Owners, who shall have only the rights specifically set forth in this Agreement. The President shall have the authority to act for the Midwest ISO before any and all applicable federal or state regulatory authorities to carry out the business of the Midwest ISO.

2. General powers. The President shall possess and exercise any and all such additional powers as are reasonably implied from the powers contained in this Agreement such as may be necessary or convenient in the conduct of any business or enterprise of the Midwest ISO. The President may (i) do and perform everything that (a) he deems necessary, suitable, or proper for the accomplishment of any of the purposes, or the attainment of any one or more of the objectives, enumerated in this Agreement, or (b) that shall at any time appear conducive to, or expedient for, the protection or benefit of the Midwest ISO, and (ii) do and perform all other acts or things that are deemed necessary or incidental to the purposes set forth in this Agreement.

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3. Acquire property. The President shall have power to purchase, or otherwise acquire through leases, such property, except for transmission facilities which shall be governed by Appendix B to this Agreement, as necessary to carry out the obligations of the Midwest ISO as specified in Article Three of this Agreement.

4. Prosecute claims. The President shall have full and exclusive power and authority to demand, sue for, claim, and receive any and all revenues and monies due the Midwest ISO.

5. Borrow. The President shall have the power to borrow money up to the level authorized by the Board for the purposes of the Midwest ISO and to give the obligations of the Midwest ISO to secure such indebtedness.

6. Contracts. The President shall have the authority and power to make all such contracts as he may deem expedient and proper in conducting the business of the Midwest ISO, except as may be limited by the Board.

7. Taxes and assessments. The President shall have the power (i) to pay all taxes or assessments of whatever kind or nature imposed upon or against the Midwest ISO in connection with the Midwest ISO property, or upon or against the Midwest ISO property, or any part of such property; (ii) to do all acts and things as may be required or permitted by any present or future law for the purpose of making the activities of the Midwest ISO exempt from taxation; and, (iii) for any of the above-stated purposes, to do all such other acts and things as may be deemed by him necessary or desirable.

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8. Depository. In accordance with policies set by the Board, and subject to any limitations set forth in this Agreement or the Funds Trust Agreement, the President shall have the power to select a depository, and to deposit any monies or securities held by the Midwest ISO in connection with the performance of its obligations under this Agreement, with any one or more banks, trust companies, or other banking institutions deemed by the President to be responsible, such monies or securities to be subject to withdrawal on notice upon demand or in such manner as the President may determine, with no responsibility upon the President for any loss that may occur by reason of the failure of the person with whom the monies or securities had been deposited properly to account for the monies or securities so deposited.

E. Vice President. The Vice President or, if there be more than one, the Vice President designated by the Board, shall, in the absence or disability of the President, exercise the powers and perform the duties of the President. Each Vice President shall exercise such other powers and perform such other duties as shall be prescribed by the Board consistent with this Agreement. No Vice President shall be eligible to serve on the Board of the Midwest ISO except when performing the duties of the President as above provided.

F. Secretary. The Secretary shall be responsible for the following duties:

1. Keeping the minutes of the applicable meetings in one or more books provided for that purpose;

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2. Seeing that all notices are duly provided in accordance with this Agreement, policies of the Midwest ISO, and any and all other documents which provide for the governance of the Midwest ISO;

3. Maintaining custody of the records of the business of the Midwest ISO and the seal of the Midwest ISO, and affixing such seal to all certificates of membership prior to the issuance thereof and to all documents, the execution of which, on behalf of the Midwest ISO, under its seal, is duly authorized in accordance with the provisions of this Agreement;

4. Keeping a register of the names and post office addresses of all Members and Directors;

5. Signing with the Chairman of the Board certificates of membership, the issuance of which shall have been authorized by the Board;

6. Keeping on file at all times at the principal office of the Midwest ISO a complete copy of this Agreement, and all amendments thereto, together with the corporate Bylaws and any policies concerning the governance of the Midwest ISO, and, at the expense of the Midwest ISO, forwarding or otherwise making available copies of such information to each of the Members and to the public to the extent required by law; and generally performing all duties instant to the office of Secretary and such other duties that, from time to time, may be assigned to the Secretary by the Board.

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G. Standards of Conduct. The Officers, agents, and employees of the Midwest ISO shall comply with the Standards of Conduct set forth in Appendix A to this Agreement.

H. Bonds of Officers. Any Officer, employee, or agent of the Midwest ISO charged with the responsibility for the custody of any of its funds or property may be required to give bond in such sums, and with such sureties, as the Board shall determine. The Board, in its discretion, may also require any other Officer, agent, or employee of the Midwest ISO to give bond in such amount, with such surety, as it shall determine. All premiums of the aforesaid bonds shall be paid by the Midwest ISO.

I. Compensation. Compensation of the Officers, agents, and employees of the Midwest ISO shall be established by the Board or pursuant to the policies approved by the Board.

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V. Members.

A. General Provisions.

1. Application for membership. New Members may join the Midwest ISO upon submittal of an application in a form approved by the President (or the person designated pursuant to Article Two, Section II, Paragraph D of this Agreement), and payment of the fees set forth in Article Six of this Agreement. Action upon any application for membership shall be taken at the first meeting of the Board pursuant to Article Two, Section III, Paragraph C of this Agreement following submission of the application, except as otherwise provided in Article Two, Section II, Paragraph D of this Agreement.

2. Owner status. A new Member may join as an Owner, provided that it (i) owns, operates, or controls facilities used for the transmission of electricity in interstate commerce (as determined by the Midwest ISO by applying the seven-factor (7-factor) test set forth in FERC Order No. 888, 61 Fed. Reg. 21,540, 21,620 (1996), or any successor test adopted by the FERC or the state regulatory authority) that are physically interconnected with the facilities of an existing Owner; (ii) agrees to sign this Agreement, to be bound by all of its terms, and to make any and all payments or contributions required by this Agreement; and (iii) agrees to sign the Funds Trust Agreement, to be bound by all of its terms, and to make any and all payments or contributions required under the Funds Trust Agreement if and/or when the Member receives revenues from transmission service, and prior to the existence of any right of

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the Member to receive revenues from transmission service under the Transmission Tariff executes the Funds Trust Agreement.

Upon fulfillment of these conditions, and upon completion of any physical integration of the new Owner's facilities with the Transmission System in a fashion consistent with the President's direction, the Board shall allow the new Member to become a signatory to this Agreement. In general, an Owner must own,

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operate, or control interstate transmission facilities as detailed above; however, on a case-by-case basis, the Board may waive the requirement that such facilities be physically interconnected if allowing the Member also to become an Owner will result in significant net benefits to the Midwest ISO and its Members.

3. Subject to Agreement. The rights of Members in the Midwest ISO shall be subject to all of the terms and conditions of this Agreement.

4. Manage or control by Members. No Member shall have any rights to manage or control the property, affairs, or business of the Midwest ISO, or any power to control the Directors in these respects.

5. Partition rights. No Member shall have any right to a partition of the property of the Midwest ISO during the continuance of the Midwest ISO; any partition shall be subject to all laws applicable to Delaware non-stock corporations and, in the event the Midwest ISO is exempt from taxation under any law, in accordance with all laws applicable to such exemption.

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B. Members' Meetings; Elections.

1. Meeting times. The Members shall hold their initial meeting at the principal office of the Midwest ISO, or other location designated by the Board, or by the person or entity selected pursuant to Article Two, Section II, Paragraph D of this Agreement, on the date designated by the Board or such person or entity, and shall hold meetings at such location on the third Monday of the same month each year thereafter, or such other day of said month as may be designated by the Board, for the purpose of electing Directors and of exercising and discharging any other powers or duties vested in them by this Agreement. Members shall hold their initial meeting on July 1, 1998, or as soon thereafter as is reasonably practical; provided, however, that the signatories to this Agreement, by majority vote (with each signatory having one vote), may extend this date if there exists significant uncertainty as to whether this Agreement will obtain necessary regulatory and tax approvals in a form satisfactory to the signatories by July 1, 1998.

2. Special meetings. After the Members' initial meeting, the Board or any twenty-five percent (25%) of the Members may call a special meeting of the Members at any time.

3. Notification. The Secretary shall provide notice to appropriate state regulatory authorities, the FERC, the members of the Board Advisory Committee (established pursuant to Section VI of this Article Two), and the public by posting on the Midwest ISO's Internet World-Wide Web Site or equivalent form of electronic posting at

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least seven (7) days prior to the meeting, of the time and place of all meetings of Members, whether regular or special.

4. Notification to Members. Notice mailed or sent by telefacsimile no later than seven (7) days prior to the date of the meeting, directed to the Member at the address as shown on the books of the Midwest ISO, shall be deemed sufficient for the provisions of this paragraph and for all other purposes, unless written notice of change of such address has been previously given to the Midwest ISO. In the case of special meetings, the Secretary shall also give notice to all Members of the general purpose of the meeting and the nature of the business to be considered at such meeting. Such a special meeting shall be limited to the business thus specified in the call, unless at least twenty-five percent (25%) of the Members consent in writing to the consideration of other matters. The Members of record eligible to participate in any meeting shall be determined as of the date notice of the meeting is provided to the Members.

5. Voting. At all meetings of Members, the Chairman, or such other person as may be designated by the Board, shall preside. Each Member shall be entitled to one vote, and Members may vote by proxy. Twenty-five percent (25%) of the Members, or their proxies, shall constitute a quorum for the purpose of any such meeting. The Board shall review from time to time the quorum requirements. Except where it is otherwise provided in this Agreement, a vote of a majority of the Members represented and voting at the meeting shall control.

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C. Limited Liability. All persons dealing with, or having any claim against, any Director, Officer, agent, or employee of the Midwest ISO acting on behalf of the Midwest ISO shall look only to the Midwest ISO for the payment of any debt, claim, damage, judgment, or decree of the Midwest ISO, or of any money or thing that may become due or payable in any way by the Midwest ISO, whether founded on contract or tort, and the Members shall not be personally or individually liable for any such debt, claim, damage, judgment, or decree.

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VI. External Committees.

A. Advisory Committee.

1. At all times there shall exist an Advisory Committee to the Board consisting of a total of twenty-three representatives from the following stakeholder groups chosen as follows: (i) three (3) representatives of Owners, with one (1) seat assigned to an Owner who was a member of the Mid-Continent Area Power Pool ("MAPP") as of March 1, 2000; (ii) three (3) representatives of municipal and cooperative electric utilities and transmission-dependent utilities, with one (1) seat assigned to a Member of this group who was a member of MAPP as of March 1, 2000; (iii) three (3) representatives of independent power producers (hereinafter "IPPs") and exempt wholesale generators (hereinafter "EWGs"), with one (1) seat assigned to a Member of this group who was a member of MAPP as of March 1, 2000, or who is actively involved in the MAPP region (as it existed on March 1, 2000); (iv) three (3) representatives of power marketers and brokers, with one (1) seat assigned to a Member of this group who was a member of MAPP as of March 1, 2000, or who is actively involved in the MAPP region (as it existed on March 1, 2000); (v) three (3) representatives of eligible end-use customers, with one (1) seat assigned to a Member of this group who was a member of MAPP as of March 1, 2000, or who is actively involved in the MAPP region (as it existed on March 1, 2000); (vi) three (3) representatives of state regulatory authorities, with one (1) seat assigned to a Member of this group who was a member of MAPP as of March 1, 2000, or who is actively involved in

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the MAPP region (as it existed on March 1, 2000); (vii) two (2) representatives of public consumer groups, with one (1) seat assigned to a Member of this group who was a member of MAPP as of March 1, 2000, or who is actively involved in the MAPP region (as it existed on March 1, 2000); (viii) two representatives of environmental and other stakeholder groups, with one (1) seat assigned to a Member of this group who was a member of MAPP as of March 1, 2000, or who is actively involved in the MAPP region (as it existed on March 1, 2000); and (ix) one (1) representative of Members who, being legally unable to transfer operational control to the Midwest ISO, have entered into coordination or agency agreements with the Midwest ISO ("Coordination Members"). The Board may revise or expand the stakeholder groups as circumstances and industry structures change. The Board shall be responsible for facilitating meetings of the Advisory Committee, which shall be held at least quarterly. At such quarterly meetings, the President and at least two (2) other members of the Board shall meet with the Advisory Committee. Upon request of the Advisory Committee, Board members and the President shall use their best efforts to attend other Advisory Committee meetings. The Advisory Committee shall be a forum for its members to be apprised of the Midwest ISO's activities and to provide information and advice to the Board on policy matters of concern to the Advisory Committee, or its constituent stakeholder groups, but neither the Advisory Committee nor any of its constituent groups shall exercise control over the Board or the Midwest ISO. Nothing in this Agreement shall prohibit a corporate or other entity from participating in more than one

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stakeholder group provided it meets the approved eligibility criteria. The reports of the Advisory Committee and any minority reports shall be presented by the President to the Board. The Board shall determine how and when it shall consider and respond to such reports. The President shall inform the Advisory Committee of any Board determination(s) with respect to such report.

2. Members of the Advisory Committee shall be selected in the following manner:

a. The Owners' representatives on the Advisory Committee shall be selected in accordance with Article Two, Section VI, Paragraph B of this Agreement.

b. The representatives of municipal and cooperative electric utilities and transmission-dependent utilities, IPPs and EWGs, power marketers and brokers, eligible end-use customers, and Coordination Members on the Advisory Committee shall be chosen by the Members belonging to such groups. Such Member groups shall propose to the Board their own methods of eligibility and voting. Approval by the Board of such procedures shall not be unreasonably withheld.

c. The representatives of state regulatory authorities on the Advisory Committee shall be chosen by the state public service commissions which regulate the retail electric or distribution rates of the Owners who are signatories to this Agreement.

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d. The representatives of public consumer groups and environmental and other stakeholder groups on the Advisory Committee shall be chosen by recognized consumer, environmental, and other stakeholder organizations having an interest in the activities of the Midwest ISO. The Board shall certify the organizations eligible to participate in the selection of such representatives to the Advisory Committee. Such certification shall not unreasonably be withheld. The groups so certified shall propose to the Board their own methods of eligibility and voting. Approval of such procedures shall not unreasonably be withheld.

e. Meetings of the constituent stakeholder groups represented on the Advisory Committee need not be open to the public.

B. Owners' Committee. An Owners' Committee shall exist throughout the period of this Agreement. The Owners' Committee shall consist of one (1) person representing each of the Owners who are signatories to this Agreement. The Owners' Committee shall meet at its discretion to exercise the authority granted to the Owners as a group under this Agreement pursuant to Article Two, Section IX, Paragraph C of this Agreement. The Owners' Committee shall select three (3) representatives to serve on the Advisory Committee established pursuant to Article Two, Section VI, Paragraph A of this Agreement.

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VII. Open Meetings.

A. In General. Except as provided herein, all meetings of the Board, all meetings of committees (also sometimes referred to herein as “internal committees”) and working groups of the Board (hereinafter “Board Committees and working groups”), all meetings of the Advisory Committee and all Members’ meetings convened under Article Two, Section V, Paragraph B of this Agreement, shall be open to the public. Timely notice of such meetings and copies of all materials to be addressed at such meetings shall be provided to the members of the Advisory Committee, appropriate state regulatory authorities, and the FERC and posted on the Midwest ISO’s Internet World-Wide Web site or equivalent form of electronic posting. The procedures adopted by the Board for the conduct of such meetings shall allow interested members of the public, including those stakeholders represented on the Advisory Committee, to provide oral and written comments at such meetings concerning any matter that may come before the Board, Board Committees and working groups, Advisory Committee, or Members, whichever is applicable, during the open portion of such meetings.

B. Availability of Minutes. The meeting minutes of all meetings of the Board, Board Committees and working groups, Advisory Committee, and Members addressed in Paragraph A of this Section VII shall be made available to the public and furnished to appropriate state regulatory authorities and the FERC, upon request; provided, however, that materials or information which is privileged or confidential pursuant to Paragraph C of

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this Section VII may be redacted from such minutes. Copies of executed or final documents, such as contracts, leases, and agreements, not otherwise required to be treated as confidential, shall be made available for review. In the event the basis for information being treated as confidential ceases to exist, said information shall thereafter be available for review.

C. Executive Sessions to Preserve Confidentiality. Executive sessions (closed to the public) shall be held as necessary to safeguard the confidentiality of (i) personnel-related information; (ii) information subject to the attorney-client privilege or to confidential treatment under the attorney-work product doctrine or concerning pending or threatened litigation; (iii) information that is confidential under Appendix A to this Agreement; (iv) consideration of assumption of liabilities, business combinations, or the purchase or lease of real property or assets; (v) except as may be required by law, consideration of the sale or purchase of securities, investments, or investment contracts; (vi) strategy and negotiation sessions in connection with a collective bargaining agreement; (vii) discussion of emergency and security procedures; (viii) consideration of matters classified as confidential by federal or state law; (ix) matters to protect trade secrets, proprietary information, specifications for competitive bidding, or to discuss a specific proposal if open discussion would jeopardize the cost or siting or give an unfair competitive or bargaining advantage to any person or entity; and (x) discussion of proceedings by the Alternate Dispute Resolution Committee established under Appendix D to this Agreement.

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VIII. Due Diligence, Limited Liability, And Indemnification.

A. Due Diligence Duties. It shall be the duty of Directors, Officers, employees, agents, and other representatives of the Midwest ISO (i) to faithfully and diligently administer the Midwest ISO as would reasonable and prudent persons acting in their own behalf; (ii) to keep correct and accurate records of all business transacted; (iii) to exercise prudence and economy in the business of the Midwest ISO, including the minimization of tax liability if the Midwest ISO is not tax-exempt; (iv) to act in good faith, and only for the best interests of the Midwest ISO; (v) to annually render a full and correct account of the Midwest ISO business; and (vi) at the termination of the Midwest ISO, to render and to deliver all the properties and funds of the Midwest ISO in accordance with this Agreement and applicable law.

B. Limitations on Liability. No Director, Officer, agent, employee, or other representative of the Midwest ISO, and no corporation or other business organization that employs a Director of the Midwest ISO, or any Director, Officer, agent, or employee of such corporation or other business organization, shall be personally liable to the Midwest ISO, any Member, or any User for any act or omission on the part of any such Director, Officer, agent, employee, or other representative of the Midwest ISO, which was performed or omitted in good faith in his official capacity as a Director, Officer, agent, employee, or other representative of the Midwest ISO pursuant to the operation of this Agreement, or in any other capacity he may hold, at the request of the Midwest ISO, as its

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representative in any other organization. However, this release of liability shall not operate to release such a Director, Officer, agent, employee, or other representative of the Midwest ISO from any personal liability resulting from willful acts or omissions knowingly or intentionally committed or omitted by him in breach of this Agreement, for improper personal benefit, or in bad faith. Directors, Officers, agents, employees, or other representatives of the Midwest ISO also shall not be personally liable for any actions or omissions of others, including Owners, whose actions or omissions may relate to the Midwest ISO, or any property or property rights forming, or intended or believed to form, part of the Midwest ISO's property, or for any defect in the title to, or liens or encumbrances on, any such property or property rights.

C. Indemnification. It is the intent of the Midwest ISO to indemnify its Directors, Officers, agents, employees, or other representatives to the maximum extent allowed by law consistent with this Agreement. Each Director, Officer, agent, employee, or other representative of the Midwest ISO shall be indemnified by the Midwest ISO against all judgments, penalties, fines, settlements, and reasonable expenses, including legal fees, incurred by him as a result of, or in connection with, any threatened, pending or completed civil, criminal, administrative, or investigative proceedings to which he may be made a party by reason of his acting or having acted in his official capacity as a Director, Officer, agent, employee, or representative of the Midwest ISO, or in any other capacity which he

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may hold at the request of the Midwest ISO, as its representative in any other organization, subject to the following conditions:

1. Such Director, Officer, agent, employee, or other representative must have conducted himself in good faith and, in the case of criminal proceedings, he must have had no reasonable cause to believe that his conduct was unlawful. When acting in his official capacity, he must have reasonably believed that his conduct was in the best interests of the Midwest ISO, and, when acting in any other capacity, he must have reasonably believed that his conduct was at least not opposed to the best interests of the Midwest ISO.

2. If the proceeding was brought by or on behalf of the Midwest ISO, however, indemnification shall be made only with respect to reasonable expenses referenced above. No indemnification of any kind shall be made in any such proceeding in which the Director, Officer, agent, employee, or other representative shall have been adjudged liable to the Midwest ISO.

3. In no event, however, will indemnification be made with respect to any described proceeding which charges or alleges improper personal benefit to a Director, Officer, agent, employee, or other representative and where liability is imposed upon him on the basis of the receipt of such improper personal benefit.

4. In order for any Director, Officer, agent, employee, or other representative to receive indemnification under this provision, he shall vigorously assert

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and pursue any and all defenses to those claims, charges, or proceedings covered hereby which are reasonable and legally available and shall fully cooperate with the Midwest ISO or any attorneys involved in the defense of any such claim, charges, or proceedings on behalf of the Midwest ISO.

5. No indemnification shall be made in any specific instance until it has been determined by the Midwest ISO that indemnification is permissible in that specific case, under the standards set forth herein and that any expenses claimed or to be incurred are reasonable. These two (2) determinations shall be made by a majority vote of at least a quorum of the Board consisting solely of Directors who were not parties to the proceeding for which indemnification or reimbursement of expenses is claimed. If such a quorum cannot be obtained, a majority of at least a quorum of the full Board, including Directors who are parties to said proceeding, shall designate a special legal counsel who shall make said determinations on behalf of the Midwest ISO. In making any such determinations, the termination of any proceeding (except proceedings referred to in Article Two, Section VIII, Paragraph C, (2) of this Agreement) by judgment, order, settlement, conviction, or upon plea of *nolo contendere*, or its equivalent, shall not, in and of itself, be conclusive that the person did not meet the standards set forth herein.

6. Any reasonable expenses, as shall be determined above, that have been incurred by a Director, Officer, agent, employee, or other representative who has been made a party to a proceeding as defined herein, may be paid or reimbursed in

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advance upon a majority vote of a quorum of the full Board, including those who may be a party to the same proceeding. However, such Director, Officer, agent, employee, or other representative shall have provided the Midwest ISO with (i) a written affirmation under oath that he, in good faith, believes that he has met the conditions for indemnification herein, and (ii) a written undertaking that he shall repay any amounts advanced, with interest accumulated at a reasonable rate, if it is ultimately determined that he has not met such conditions. In addition to the indemnification and reimbursement of expenses provided herein, the President shall, if reasonably practical, purchase insurance that would protect the Midwest ISO, its Directors, Officers, agents, employees, or other representatives against reasonably expected liabilities and expenses arising out of the performance of their duties for the Midwest ISO.

D. Reliance on Information Provided. In addition to and without limiting the provisions contained in Paragraph B of this Section VIII, Directors, Officers, agents, employees, or other representatives of the Midwest ISO shall be fully protected in, and shall incur no personal liability to the Midwest ISO or its Members for acting on any notice, request, consent, certificate, affidavit, statement, resolution, or other instrument, paper, or document believed in good faith by them to be genuine and to be signed and certified by the person stated in such instrument, paper, or document to be familiar with the facts set forth in such instrument, paper, or document. Directors, Officers, agents, employees, or other representatives may, however, in their sole discretion, require any such instrument,

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paper, or document to be sworn to, before their acceptance of such instrument, paper, or document, or before any duty shall devolve on them to act on such instrument, paper, or document. Directors, Officers, agents, employees, or other representatives may also reasonably rely upon information provided by professionals and consultants of the Midwest ISO within the area of their expertise, provided such reliance is undertaken in good faith.

E. Annual Report. The Board shall annually make a written report showing the financial results of the Midwest ISO's operations during the preceding fiscal year. A copy of such report shall be furnished to each Member.

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IX. Amendments.

A. Amendments by Board. Except as provided in Article Two, Section IX, Paragraphs B and C of this Agreement, this Agreement, including all appendices, may be amended by the Board from time to time, subject to the receipt of any necessary federal and state regulatory approvals. The provisions of this Paragraph A cannot be amended except by unanimous vote of the Owners who are signatories to this Agreement.

B. Amendments Requiring Approval of Owners. The provisions of Paragraph C of this Section IX are regarded as basic to the Owners' bargain in surrendering operation of their transmission facilities to the Midwest ISO as provided herein, and, therefore, cannot be amended except by vote of the Owners who are signatories to this Agreement, in the manner specified in Paragraph C and subject to the receipt of any applicable federal and state regulatory approvals. The provisions of this Paragraph B cannot be amended except by unanimous vote of the Owners who are signatories to this Agreement.

C. Amendments by Owners. The matters referred to in Subparagraph 6 of this Paragraph C may be changed by action of the Owners, as set forth in such Subparagraphs, without approval by the Board, subject to the receipt of any necessary federal and state regulatory approvals. The matters referred to in Subparagraphs 1 through and including 5 and 8 of this Paragraph C may be changed by action of the

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Owners, as set forth in such Subparagraphs, with approval by the Board, subject to the receipt of all necessary federal and state regulatory approvals. Subparagraph 7 of this Paragraph C may be changed only pursuant to Article V, Section H of Appendix K.

1. Ownership rights. The ownership rights set forth in Article Two, Section I, Paragraph E of this Agreement shall not be changed except by unanimous vote by the Owners.

2. Board. The qualifications for, and total number of Directors on, the Board, as set forth in Article Two, Section III of this Agreement, shall not be changed for a period of five (5) years following the Transfer Date except by unanimous vote of the Owners. Thereafter, the qualifications and total number of Directors may be changed by action of the Board, subject to approval by the FERC, without approval by the Owners.

3. Duties. The relationship established pursuant to Article Three, Section III, Paragraph A of this Agreement, and the duties specified in Article Three, Section III, Paragraphs B, C, and D of this Agreement, shall not be changed except by unanimous vote of the Owners.

4. Access to books and records. The right of the Owners, individually and collectively, to have access to the books and records of the Midwest ISO, as established pursuant to Article Three, Section IV, Paragraph C of this Agreement, shall not be changed except by unanimous vote of the Owners.

5. Compliance with requirements. The responsibility of the Midwest ISO to comply with the guidelines, standards, policies, rules, regulations, orders, license

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conditions, and all other requirements of the North American Electric Reliability Council applicable regional reliability councils, or any successor organizations, applicable federal regulatory authorities, including the Nuclear Regulatory Commission and the FERC or any successor authorities, and state regulatory authorities, as set forth in Article Three, Section I, Paragraph A of this Agreement, shall not be changed except by unanimous vote of the Owners.

6. Revenue distribution and methodology and return of start-up costs**Error! Bookmark not defined..** The distribution of transmission service revenues collected by the Midwest ISO and the methodology for determining such distribution, as set forth in Appendix C to this Agreement, and the return of start-up costs, provided for in Appendix C to this Agreement, also shall not be changed except by unanimous vote of the Owners.

7. Filing Rights of Owners and the Midwest ISO Pursuant to Section 205 of the Federal Power Act. The rights of the Owners and the Midwest ISO to make filings pursuant to section 205 of the Federal Power Act shall be governed by the provisions of Appendix K to this Agreement.

8. Withdrawal rights. The withdrawal rights set forth in Articles Five and Seven of this Agreement shall not be changed except by unanimous vote by the Owners.

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X. Duration And Termination.

A. Period. Except with respect to Governmental Entities, as defined in Article Seven, Section C, this Agreement shall continue for a period of thirty (30) years from the earliest Effective Date for any signatory to this Agreement. Thereafter, it shall be renewed for successive five-year (5-year) terms unless, no later than two years prior to the end of any term, a majority of the Owners vote not to renew this Agreement. Notwithstanding any other provisions of this Agreement, the appendices thereto or the Transmission Tariff, as to Governmental Entities, who become signatories to this Agreement, the initial term of the Agreement shall begin as of the Effective Date applicable to the Governmental Entity, as provided in Article One, Section 1, through and including December 31 of the calendar year of execution. Thereafter, as to such Governmental Entities, this Agreement shall have a term of one (1) year and shall be automatically renewed for successive one (1) year terms; provided, however, that either the Midwest ISO or such Governmental Entity may cancel this Agreement at the end of each one (1) year term, including the initial term, without cause upon prior written notice to the other party at least thirty (30) days prior to the expiration of the then current term.

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B. Transfer Date. The transfer of operational control of the Transmission System from the respective Owners to the Midwest ISO pursuant to this Agreement shall not take place until the Midwest ISO can demonstrate that it is functionally able and ready to take over the provision of transmission service under the Transmission Tariff from the Owners. To reach this end, the Midwest ISO shall move as quickly as is reasonably practical to take the actions necessary for the Midwest ISO to begin providing such transmission services. The President shall notify the Owners of the date (hereinafter "Transfer Date") when such transfer is proposed to take place. The President shall provide, no later than sixty (60) days prior to the proposed Transfer Date, a technical demonstration of the ability of the Midwest ISO to perform such functions. Following such technical demonstration, the Owners' Committee may, by majority vote, postpone the Transfer Date if the technical demonstration raises reasonable concerns as to whether the Midwest ISO is capable of taking over the provision of transmission service from the Owners.

Article Two

C. Interim Operations. Nothing in this Agreement shall preclude the Midwest ISO from providing transmission service before it possesses the capability to implement full operations and responsibilities as described in this Agreement, provided that the Midwest ISO shall begin such “interim operations” only if all of the Owners agree. Both the Owners and the Midwest ISO shall investigate such interim operations.

D. Withdrawal Notification. An Owner may withdraw from the Midwest ISO at any time, but only upon notice as provided in Article Five, Sections I and IV, and Article Seven of this Agreement.

E. Termination. Upon the termination of the Midwest ISO, the Board shall, consistent with applicable federal and state regulatory requirements, liquidate the Midwest ISO, wind up its affairs, and dispose of its property and assets in the manner required by Delaware law applicable to non-stock corporations. Furthermore, in the event that the Midwest ISO is determined to be exempt from taxation by the Internal Revenue Service or any state governmental authorities, then such disposition shall be in accordance with all laws applicable to entities subject to the exemption granted.

Article Three

ARTICLE THREE

RIGHTS, POWERS, AND OBLIGATIONS OF THE MIDWEST ISO

I. Operation And Planning.

A. Functional Control. By this Agreement, each of the Owners authorizes the Midwest ISO to exercise functional control over the operation of the Transmission System as necessary to effectuate transmission transactions administered by the Midwest ISO. Such control shall be exercised in accordance with Good Utility Practice and shall conform to applicable reliability guidelines, policies, standards, rules, regulations, orders, license requirements and all other requirements of the North American Electric Reliability Council, applicable regional reliability councils, or any successor organizations, each Owner's specific reliability requirements and operating guidelines, and all applicable requirements of federal or state laws or regulatory authorities. Disputes regarding reliability requirements and operating guidelines may be resolved through the Dispute Resolution process provided for in Appendix D to this Agreement. Pending resolution of such disputes, the Owners' criteria shall be used by the Midwest ISO until the issue is resolved. The methods of functional control are set forth in more detail in Appendix E to this Agreement.

Article Three

B. Reliability. The Midwest ISO shall have responsibility for the reliability of the Transmission System in connection with its rights, powers, and obligations under this Agreement. The division of responsibility between the Midwest ISO and the Owners in maintaining the reliability of the Transmission System is set forth in more detail in Appendices B and E to this Agreement.

C. Planning Activities. The Midwest ISO shall engage in such planning activities as are necessary to fulfill its obligations under this Agreement and the Transmission Tariff. Such planning shall conform to applicable reliability requirements of the North American Electric Reliability Council, applicable regional reliability councils, or any successor organizations, each Owner's specific reliability requirements and operating guidelines, and all applicable requirements of federal or state laws or regulatory authorities. Such planning shall seek to minimize costs, consistent with the reliability and other requirements set forth in this Agreement. The division of responsibility between the Owners and the Midwest ISO for planning the Transmission System is set forth in more detail in Appendix B to this Agreement.

D. Performance of Regulatory Obligations. The Midwest ISO shall comply with existing transmission operation and planning obligations of an Owner, imposed by federal or state laws or regulatory authorities, which can no longer be performed solely by the Owner following transfer of functional control of its transmission facilities to the Midwest ISO, until such time as such obligations are changed or revised.

Article Three

II. Non-discriminatory Transmission Service.

A. Type of Service. The Midwest ISO shall offer transmission service over the entire Transmission System and over Non-transferred Transmission Facilities to all "Eligible Customers," as defined in the Transmission Tariff, including the Owners, on a non-discriminatory basis, pursuant to the Transmission Tariff and Agency Agreement attached hereto as Appendix G. The Transmission Tariff shall offer both network and point-to-point transmission service, as presently described in the FERC's pro-forma tariff adopted pursuant to FERC Order No. 888, 61 Fed. Reg. 21,540 (May 10, 1996), order on reh'g, Order No. 888-A, 62 Fed. Reg. 12,274 (March 14, 1997), or other forms of service pursuant to any superseding tariff. The Midwest ISO shall administer the Transmission Tariff.

B. Pricing. In connection with its administration of the Transmission Tariff, the Midwest ISO may propose to the FERC such transmission pricing for transmission service as is necessary to fulfill its obligations under this Agreement and may propose to the FERC such changes in prices, pricing methods, terms, and conditions as are necessary to continue to fulfill such obligations; provided, however, that the pricing approach set forth in Appendix C to this Agreement shall be changed only in accordance with Article Two, Section IX, Paragraphs B and C of this Agreement.

Article Three

C. Standards of Conduct. The Midwest ISO, its Directors, Officers, employees, contractors, and agents shall adhere to the Standards of Conduct set forth in Appendix A to this Agreement.

D. OASIS. The Midwest ISO shall implement an Open Access Same-time Information System or Systems (hereinafter sometimes referred to as "OASIS") or successor system(s) pursuant to the Transmission Tariff. The OASIS shall conform to the requirements for such systems as specified by the FERC.

E. Ancillary Services. The Midwest ISO shall offer, as part of the Transmission Tariff, such ancillary services as are required by the FERC to be offered. The Midwest ISO shall obtain such services from providers, in a manner which minimizes cost, consistent with its reliability responsibilities and other obligations under this Agreement. In obtaining such ancillary services, the Midwest ISO shall afford no undue preference or disadvantage to any supplier, including the Owners or their affiliates.

Article Three

III. Responsibilities Of The Midwest ISO To The Owners.

A. Relationship. The Midwest ISO and its Directors, Officers, employees, and agents shall have a custodial trust relationship to the Owners in performing the obligations set forth in Paragraphs B, C, and D of this Section III.

B. Promise Not to Impair Value. In performing their obligations under this Agreement, the Midwest ISO, its Directors, Officers, employees, and agents shall use their individual and collective best efforts to avoid physical damage to the Transmission System or any property of the Owners affected by the Midwest ISO's activities.

C. Revenues. All revenues for transmission service under the Transmission Tariff shall be received, held, used, managed, and distributed in accordance with this Agreement, the Funds Trust Agreement, and the Transmission Tariff.

D. Duty to Maximize Revenues. It shall be the duty of the Midwest ISO, its Directors, Officers, employees, and agents to maximize transmission service revenues associated with "Transmission Services," as defined in the Transmission Tariff, so as to most efficiently utilize the Transmission System as it exists at any given time consistent with Appendices B and E to this Agreement. The Board shall establish incentives for the Officers, employees, and agents of the Midwest ISO to meet this obligation.

E. Revenue Distribution. The Midwest ISO shall distribute on a monthly basis to each Owner or its designee(s) an amount determined in accordance with Appendix C to this Agreement.

Article Three

IV. Additional Obligations.

A. Assume Liability. With respect to the signatories to this Agreement, the Midwest ISO shall assume liability for any injury or damage to persons or property arising from the Midwest ISO's own acts or neglect, including the acts or neglect of its Directors, Officers, employees, agents, and contractors, and shall release, indemnify, and hold harmless each Owner, and the Owners as a group, from and against all damages, losses, claims, demands, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or to third parties, arising from the Midwest ISO's performance or neglect of its obligations under this Agreement, except in cases where, and only to the extent that, the gross negligence or intentional wrongdoing of an Owner, or the Owners as a group, contributes to the claimed injury or damage.

B. Dispute Resolution. The Midwest ISO shall resolve disputes between and among the Midwest ISO and the Owners, individually or collectively, and Users other than the Owners, in accordance with the procedures set forth in Appendix D to this Agreement. This provision does not apply to disputes covered under the Transmission Tariff.

C. Inspection and Auditing Procedures. The Midwest ISO shall grant each Member, its employees or agents, external auditors, and federal and state regulatory authorities having jurisdiction over the Midwest ISO or an Owner, such access to the Midwest ISO's books and records as is necessary to verify compliance by the Midwest ISO with this Agreement and to audit and verify transactions under this Agreement. Such

Article Three

access shall be at reasonable times and under reasonable conditions. The Midwest ISO shall also comply with the reporting requirements of federal and state regulatory authorities having jurisdiction over the Midwest ISO with respect to the business aspects of its business operations, including, but not limited to, the State of Delaware. Contacts between Officers, employees, and agents of any Owner and those of the Midwest ISO pursuant to this Paragraph C shall be strictly limited to the purposes of this Paragraph C and shall comply with the Standards of Conduct set forth in Appendix A to this Agreement.

D. Stranded Cost Recovery Charges. The Midwest ISO shall collect and distribute, as appropriate, any stranded cost recovery charges pursuant to applicable schedules accepted by the FERC.

E. Performance Incentives. The Midwest ISO shall develop appropriate incentives for efficient management and administration and shall file such incentives with the FERC.

F. Location for Midwest ISO Operations. The Midwest ISO shall promptly choose the location for Midwest ISO operations. The Midwest ISO shall review and give consideration to the report of any independent consultant hired by the Owners or by the Midwest ISO to identify and/or evaluate locations for Midwest ISO operations.

G. Standards Governing Post-Employment Restrictions, Gifts, and Other Matters.

Article Three

The Midwest ISO shall develop “ethics” standards governing, among other things, post-employment restrictions and gifts. As to post-employment restrictions, the Midwest ISO shall prohibit Directors and key employees (as identified by the Board) from having any involvement for twelve (12) months after they leave the Midwest ISO on behalf of any parties other than the Midwest ISO with regard to any matters in which they were substantially involved when serving for, or employed by, the Midwest ISO.

H. Incentives Regarding Location of Generation. The Midwest ISO shall consider whether incentives are necessary to ensure that new generators are located in areas that better facilitate transmission and do not detrimentally affect Available Transmission Capability, as defined in the Transmission Tariff. If it determines that such incentives are necessary, the Midwest ISO shall develop and file with the FERC any such incentives. Any such filing must comply with the requirements of Article Two, Section IX of this Agreement, if applicable.

V. Enforcement Authority.

A. Violations. The Midwest ISO shall have the authority to impose penalties or other sanctions for any of the following actions by an Owner or User (subject to the Dispute Resolution procedures discussed below):

1. Material and willful violations of Midwest ISO policies;

Article Three

2. Intentionally ignoring or disobeying any material directive from the Midwest ISO including, without limitation, operating orders or directives issued by the Midwest ISO;

3. Engaging in willful behavior which manipulates Available Transmission Capability to the detriment of other Users;

4. Willful violation of Midwest ISO operating standards; or

5. Willful violation of material provisions of this Agreement or the Transmission Tariff.

B. Penalties. Penalties or other sanctions for such violations may include one or more of the following:

1. Imposition of a penalty which shall be no more than \$10,000 per day, per violation.

2. Ability to withhold transmission revenues from an Owner until the violation ceases and any forfeiture is fully paid.

3. Termination of service to a User that consistently or habitually ignores or disobeys directives from the Midwest ISO, provided that the Midwest ISO complies with any applicable FERC requirements before such termination becomes effective.

C. Offset of Expenses. The Midwest ISO shall use revenues from any penalties under this Section V to offset Midwest ISO expenses.

Article Three

D. Dispute Resolution. All enforcement actions of the Midwest ISO, except for actions under Subparagraph 3 of Paragraph B of this Section V shall be subject to the Dispute Resolution provisions of Appendix D to this Agreement. The Midwest ISO shall be required to refund any forfeitures, including interest, which it is determined that the Midwest ISO was not justified in imposing. In such event, the Midwest ISO shall not be subject to any additional liability.

Article Four

ARTICLE FOUR

RIGHTS, POWERS, AND OBLIGATIONS OF THE OWNERS AND USERS

I. Operation And Planning.

A. Redispatch and Curtailment. Each Owner shall follow the directions of the Midwest ISO, its Officers, employees, or agents, in operating the Transmission System, redispatching generation, providing reactive supply and voltage control from generation sources or other ancillary services, and curtailing load, if so directed, in accordance with the Transmission Tariff. No Owner shall take any action which unduly interferes with the provision of transmission service by the Midwest ISO. Users that own or control generation that could affect the reliability or capability of the Transmission System and that are not Owners similarly shall follow the directions of the Midwest ISO in redispatching generation, providing reactive supply and voltage control from generation sources, and in providing other ancillary services consistent with the Transmission Tariff. Similarly, Users shall follow directives of the Midwest ISO to curtail load in accordance with the Transmission Tariff.

B. Maintenance Practices. Each Owner shall maintain its transmission facilities in accordance with Good Utility Practice. Each Owner shall follow the maintenance requirements set forth in more detail in Appendix E to this Agreement for both generation and transmission facilities. Users that own or control generation facilities

Article Four

that could affect the reliability or capability of the Transmission System similarly shall follow the requirements in Appendix E to this Agreement.

C. Construction. Each Owner shall use due diligence to construct transmission facilities as directed by the Midwest ISO in accordance with Article Three, Section I, Paragraph C of this Agreement and Appendix B to this Agreement, subject to such siting, permitting, and environmental constraints as may be imposed by state, local, and federal laws and regulations, and subject to the receipt of any necessary federal or state regulatory approvals. Such construction shall be performed in accordance with Good Utility Practice, industry standards, and any applicable requirements of federal or state laws or regulatory authorities. Each Owner shall be fully compensated for the costs of construction undertaken by such Owner in accordance with this Agreement, which compensation shall be in accordance with the Transmission Tariff and Appendix C to this Agreement.

D. Acquisition. In the event an Owner acquires transmission facilities not identified in Appendix H to this Agreement, such facilities shall not become part of the Transmission System unless the Midwest ISO, on its own initiative or in response to the request of any person, directs the Owner to assign such facilities to its control in accordance with Appendix E to this Agreement. In no event, however, shall any such facilities become part of the Transmission System or otherwise become subject to the

Article Four

Midwest ISO's control unless they are electrically connected to the Transmission System or, if not so connected, unless the Owner consents.

E. Use of Distribution. Each Owner shall provide such service over its distribution facilities as is necessary to effectuate transmission transactions administered to eligible customers under the Transmission Tariff by the Midwest ISO, at approved rates.

F. Other Obligations. Both Owners and Users, where applicable, shall comply with the requirements of Appendices B and E to this Agreement.

Article Four

II. Additional Obligations.

A. Providing Information. Each Owner and User shall provide such information to the Midwest ISO as is necessary for the Midwest ISO to perform its obligations under this Agreement and the Transmission Tariff. Information may be treated as confidential as more fully described in Appendix A to this Agreement.

B. Facilities Access. Each Owner shall allow the Midwest ISO, its Officers, employees, or agents, such access to Transmission System facilities as is necessary for the Midwest ISO to perform its obligations under this Agreement. Such access shall be at reasonable times and under reasonable conditions.

C. Inspection and Auditing Procedures. Each Owner shall grant the FERC, the Midwest ISO, its Officers, employees, and agents, and each state regulatory authority having jurisdiction over that Owner, such access to the Owner's books and records as is necessary for the Midwest ISO to perform its obligations under this Agreement and to audit and verify transactions under this Agreement. Such access shall be at reasonable times and under reasonable conditions. Each Owner shall comply with the reporting requirements of any federal or state regulatory authorities having jurisdiction over the Owner with respect to the business aspects of the Midwest ISO's business operations, including, but not limited to, the State of Delaware. Pursuant to this Paragraph C, contacts between Officers, employees, and agents of the Midwest ISO and those of any Owner

Article Four

shall be strictly limited to the purpose of this Paragraph C and shall conform to the Standards of Conduct set forth in Appendix A to this Agreement.

D. Assume Liability. With respect to the parties to this Agreement, each Owner (hereinafter "Indemnifying Owner") shall assume liability for any injury or damage to persons or property arising from its own acts or neglect, including the acts or neglect of its officers, employees, agents, or contractors, and shall indemnify and hold harmless the Midwest ISO and each other Owner (hereinafter "Indemnified Owners") from any damages, losses, claims, demands, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or of third parties, arising from the Indemnifying Owner's performance or neglect of its obligations under this Agreement or from the Indemnifying Owner's exercise of the rights and powers preserved to it by this Agreement, except, and to the extent that, the gross negligence or intentional wrongdoing of the Midwest ISO or the Indemnified Owner(s) contributes to the claimed injury or damage. Except as provided in the Transmission Tariff, no Owner shall be liable for any costs or expenses relating to the operation, repair, maintenance, or improvement of any of the transmission facilities committed to the Transmission System by any other Owner.

Article Five

ARTICLE FIVE

WITHDRAWAL OF MEMBERS

I. Withdrawal Notice.

A Member who is not an Owner may, upon submission of a written notice of withdrawal to the President, withdraw from membership in the Midwest ISO at any time which withdrawal shall be effective thirty (30) days after the receipt of such notice by the President. A Member who is also an Owner may, upon submission of a written notice of withdrawal to the President, commence a process of withdrawal of its facilities from the Transmission System. Such withdrawal shall not be effective until December 31 of the calendar year following the calendar year in which notice is given, nor shall any such notice of withdrawal become effective any earlier than five (5) years following the date that the Owner signed this Agreement except as provided for in Article Five, Section IV and Article Seven of this Agreement. Notwithstanding this limitation on withdrawals during the first five years, in the event of a merger, consolidation, reorganization, sale, spin-off, or foreclosure, as a result of which substantially all of an Owner's transmission facilities which are part of the Transmission System are acquired by another entity, that entity shall have the right to withdraw its facilities from the Midwest ISO upon providing one (1) year's notice to the Midwest ISO. Such withdrawal, however, may become effective only if FERC approves the withdrawal. If any withdrawal creates a situation where an Owner's or Owners' transmission system is not physically interconnected with the Transmission

Article Five

System, the Midwest ISO shall determine if such withdrawal affects the ability of such Owner(s) to continue as an Owner(s). With regard to these withdrawal rights, the Owner shall remain a Member with all rights and obligations of a Member who is an Owner until such time as the FERC approves the withdrawal, as appropriate. However, no further FERC approval of the withdrawal is required for withdrawals pursuant to Article Five, Section IV and Article Seven of this Agreement, or for withdrawals by an Owner who is not subject to the jurisdiction of the FERC at the time it executes this Agreement.

II. Effect Of Withdrawal By An Owner On Contractual Obligations.

In the event of withdrawal of an Owner pursuant to Section I of this Article Five:

A. Users Held Harmless. Users taking service which involves the withdrawing Owner and which involves transmission contracts executed before the Owner provided notice of its withdrawal shall continue to receive the same service for the remaining term of the contract at the same rates, terms, and conditions that would have been applicable if there were no withdrawal. The withdrawing Owner shall agree to continue providing service to such Users and shall receive no more in revenues for that service than if there had been no withdrawal by such Owner.

B. Existing Obligations. All financial obligations incurred and payments applicable to time periods prior to the effective date of such withdrawal shall be honored by the Midwest ISO and the withdrawing Owner.

Article Five

C. Construction of Facilities. Obligations relating to the construction of new facilities pursuant to an approved plan of the Midwest ISO shall be renegotiated as between the Midwest ISO and the withdrawing Owner. If such obligations cannot be resolved through negotiations, they shall be resolved in accordance with Appendix D to this Agreement.

D. Other Obligations. Other obligations between the Midwest ISO and the withdrawing Owner shall be renegotiated as between the Midwest ISO and the withdrawing Owner.

III. Regulatory And Other Approvals Or Procedures.

Except as provided in Section IV of this Article Five, the withdrawal by an Owner of its facilities from the Midwest ISO shall be subject to applicable federal and state regulatory approvals or procedures as set forth in Article Five, Section I of this Agreement.

IV. Withdrawal Because of Midwest ISO Configuration

In the event that a signatory to this Agreement determines in its sole judgment that the Owners executing this Agreement do not form an acceptable Midwest ISO, then that signatory shall have the right to withdraw from the Agreement. This right of withdrawal will expire at Midnight on December 31, 1998. Any withdrawing Owner shall file a notice of withdrawal from the Agreement with the FERC. Such withdrawal may become effective only if such notice is approved or accepted by FERC or FERC otherwise allows the notice to become effective.

Article Six

ARTICLE SIX

MEMBERSHIP FEES

All entities eligible for membership in the Midwest ISO shall pay an initial membership fee of \$15,000 in order to become Members. On January 1 of each year, each Member shall pay an additional fee of \$1,000 to the Midwest ISO to retain its membership. All such fees are nonrefundable and may be adjusted from time to time, as may be appropriate, by the Board.

Article Seven

ARTICLE SEVEN

REGULATORY, TAX, AND OTHER AUTHORITIES

A. Regulatory And Other Authorities. This Agreement and the participation of the signatories to this Agreement is subject to acceptance or approval by the FERC and may be subject to actions of respective state regulatory authorities to which respective signatories may be subject and to the actions of any other governmental body which may affect the ability of any signatory to participate in this Agreement. This paragraph describes the signatories' rights and obligations in the event required regulatory and other approvals or acceptances are not obtained.

1. In the event the FERC disapproves or refuses in whole or in part to accept this Agreement or the Transmission Tariff, then this Agreement shall cease to be effective except that the signatories shall be obligated to attempt expeditiously and in good faith to negotiate a substitute agreement and tariff which address the reasons for such FERC action. If despite such good faith negotiation, the signatories are unable to produce such a substitute agreement and tariff, then the signatories shall have no further obligations under this Agreement, the Transmission Tariff or any filing associated herewith.

2. In the event the FERC by order imposes conditions on approval of the Agreement or the Transmission Tariff which adversely affect any signatory in the sole judgement of that signatory, each such signatory may, no later than thirty (30) days after the date of such order and upon notice to all signatories, withdraw from this Agreement. In

Article Seven

such event, the signatories shall in good faith, negotiate to determine whether changes should be made to this Agreement or the Transmission Tariff to address the reasons for such signatory's withdrawal.

3. In the event any state regulatory authority refuses to permit participation by a signatory or imposes conditions on such participation which adversely affect a signatory in the sole judgement of that signatory, such signatory or any other signatory that is, in its sole judgement, adversely affected by such regulatory action (whether or not the signatory is subject to that regulatory authority's jurisdiction) may, no later than thirty (30) days after the date of such action, or after any such signatory concludes reasonably that the state regulatory authority has refused to act, and upon notice to all signatories, withdraw from this Agreement. In such event, the signatories shall, negotiate in good faith to determine whether changes should be made to this Agreement or the Transmission Tariff to address the reasons for such signatory's withdrawal.

4. In the event any other governmental body takes an action (or fails to take a necessary action) which adversely affects a signatory, in the sole judgment of such signatory, such signatory, that is, in its sole judgement, adversely affected by such governmental action or any other signatory (whether or not the signatory is subject to that regulatory authority's jurisdiction) may, no later than thirty (30) days after the date of such action, or after any such signatory concludes reasonably that the governmental body has

Article Seven

refused to act, and upon notice to all signatories, withdraw from this Agreement without any additional FERC authorization. In such event, the signatories hereto shall, in good faith, negotiate to determine whether changes should be made to this Agreement or the Transmission Tariff to address the reasons for such signatory's withdrawal.

B. Tax Authorities. If the Internal Revenue Service or any other federal or state taxing authority issues, or fails to issue, any ruling, or imposes any requirement or obligation, in connection with this Agreement or the Midwest ISO, adverse to any signatory (in the sole judgment of such signatory), then, within thirty (30) days of the date of such final action, or after the signatory concludes reasonably that the governmental body has refused to act, and upon notice to all signatories, such signatory may withdraw from this Agreement without any additional FERC authorization. In such event, the signatories shall, in good faith, negotiate to determine whether changes should be made to this Agreement to address the reasons for such signatory's withdrawal.

C. Effectiveness As To Certain Owners. The effectiveness of this Agreement as to an Owner which is a political subdivision of a state (hereinafter "Governmental Entity") and which has outstanding tax-exempt bonds issued to finance, in whole or in part, transmission or distribution facilities is dependent upon satisfaction or written waiver of the following conditions:

1. Receipt of an unqualified opinion of a nationally recognized bond counsel to the effect that the provisions of this Agreement do not adversely affect the

Article Seven

exclusion from gross income of interest on any such outstanding bonds issued to finance transmission and distribution facilities under the Internal Revenue Code of 1986, as amended;

2. Receipt of an unqualified opinion of a nationally recognized bond counsel and general counsel to such Governmental Entity to the effect that the provisions of this Agreement do not constitute a breach or impairment of, or a default under, any agreement to which such Governmental Entity is a party, including, but not limited to, its master bond resolution, as amended, and any power sales contracts with its municipal members (if any), as amended, or other agreements;

3. Receipt of a certificate of the Trustee for any such outstanding bonds issued for transmission and distribution facilities to the effect that the Governmental Entity's entry into this Agreement is permitted under the master bond resolution, as amended; and

4. Receipt of an opinion of a nationally recognized bond counsel and general counsel to the Governmental Entity that such Governmental Entity has full constitutional and statutory authority to enter into this Agreement. In the event that any of the foregoing conditions are not satisfied or waived by a Governmental Entity, then the adversely affected Governmental Entity shall promptly give notice of its objections or conditions which have not been satisfied to the other signatories, and the signatories shall expeditiously attempt in good faith to negotiate a substitute agreement.

Article Seven

D. Regulatory Approvals of Withdrawals. No signatory shall withdraw from this Agreement pursuant to the provision of this Article Seven, unless such signatory shall have filed a notice of withdrawal with the FERC and FERC has approved or accepted such notice or has otherwise allowed the notice to become effective.

Article Eight

ARTICLE EIGHT

MONITORING PROCEDURES AND ISO ASSESSMENT

A. Monitoring Procedures.

The Midwest ISO shall develop monitoring procedures to be effective before the Transfer Date. It shall file such procedures with FERC. In order to carry out this monitoring, the Midwest ISO shall establish procedures for independent monitoring either within the Midwest ISO or by contract with an independent entity. These procedures shall allow reports to be submitted directly to regulatory agencies. The monitoring entity's duties shall include monitoring the behavior of the Owners, generators, and Users to determine if there are any attempts to create transmission constraints to exclude competitors, or any other behavior that undermines the provision of transmission service. Such monitoring also shall include monitoring of the relationship between control areas and the Midwest ISO on an ongoing basis to determine if the split of functions between the control areas and the Midwest ISO creates any competitive or reliability problems affecting the Midwest ISO's provision of nondiscriminatory transmission service. The monitoring entity shall make recommendations in its reports or elsewhere for any changes to Midwest ISO rules or protocols that it believes are necessary.

Article Eight

B. Midwest ISO Assessment

No later than eighteen months after the Transfer Date, the Midwest ISO shall submit a report to the FERC assessing its operations. Among other things, the report shall assess (1) the relationship between existing generation control areas and the Midwest ISO to determine if the relationship needs to be revised or improved to allow the Midwest ISO to better assure reliability and to provide nondiscriminatory transmission service; (2) whether the Midwest ISO's approach to managing congestion needs to be revised; (3) the effectiveness of the system of functional control together with the penalties and sanctions provisions; (4) the need for generation redispatch to provide non-firm transmission service; and (5) whether the Midwest ISO requires other changes to better carry out its responsibilities. In addition, the report shall include a discussion of the additional data and analyses that the Midwest ISO may need in order to perform on-going and comprehensive market monitoring. In developing the report, the input of the Members shall be solicited and considered.

Article Nine

ARTICLE NINE

MISCELLANEOUS PROVISIONS

A. Descriptive Headings. The descriptive headings of Articles, Sections, Paragraphs, Subparagraphs, and other provisions of this Agreement have been inserted for convenience of reference only and shall not define, modify, restrict, construe, or otherwise affect the construction or interpretation of any of the provisions of this Agreement.

B. Governing Law. This Agreement shall be interpreted, construed, and governed by the laws of the State of Delaware, except to the extent preempted by the laws of the United States of America.

C. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument, binding upon all of the Owners, notwithstanding that all such Owners may not have executed the same counterpart.

D. Successors And Assigns. This Agreement shall inure to the benefit of, and be binding upon, the Owners, their respective successors and assigns permitted hereunder, but shall not be assignable by any Owner, by operation of law or otherwise, without the approval of the Board, except as to a successor in the operation of the Owner's transmission facilities committed to the operation of the Midwest ISO by reason of a merger, consolidation, reorganization, sale, spin-off, or foreclosure, as a result of

Article Nine

which substantially all such transmission facilities are acquired by such successor and such successor becomes an Owner under this Agreement.

E. No Implied Waivers. The failure of an Owner to insist upon or enforce strict performance of any of the specific provisions of this Agreement at any time shall not be construed as a waiver or relinquishment to any extent of such Owner's right to assert or rely upon any such provisions, rights, or remedies in that or any other instance, or as a waiver to any extent of any specific provision of this Agreement; rather the same shall be and remain in full force and effect.

F. Severability. Except for Article Two, Section IX, Article Five, and Article Seven of this Agreement, each provision of this Agreement shall be considered severable, and if for any reason any provision of this Agreement, or the application thereof to any person, entity, or circumstance, is determined by a court or regulatory authority of competent jurisdiction to be invalid, void, or unenforceable, then the remaining provisions of this Agreement shall continue in full force and effect and shall in no way be affected, impaired, or invalidated, and such invalid, void, or unenforceable provision shall be replaced with a suitable and equitable provision in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid, void, or unenforceable provision.

G. Renegotiation. If any provision of this Agreement, or the application thereof to any person, entity, or circumstance, is held by a court or regulatory authority

Article Nine

of competent jurisdiction to be invalid, void, or unenforceable, or if a modification or condition to this Agreement is imposed by a regulatory authority exercising jurisdiction over this Agreement, then the Owners shall endeavor in good faith to negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligations of the Owners under this Agreement immediately prior to such holding, modification, or condition. If such negotiations are unsuccessful, then the Owners may exercise their individual or collective withdrawal or termination rights available under this Agreement.

H. Representations And Warranties. Each Owner represents and warrants to the other Owners that as of the later of the date it becomes an Owner under this Agreement or the Effective Date of this Agreement as to such Owner:

1. The Owner is duly organized, validly existing, and in good standing under the laws of the jurisdiction where organized.

2. Subject to any necessary approvals by federal or state regulatory authorities of the Midwest ISO, the Owner's participation in the Midwest ISO, or any transactions or actions covered by this Agreement, the execution and delivery by the Owner of this Agreement and the performance of its obligations hereunder have been duly and validly authorized by all requisite action on the part of the Owner and do not conflict with any applicable law or with any other agreement binding upon the Owner, other than third-party joint agreements covered by Paragraph N of this Article Nine.

Article Nine

3. This Agreement has been duly executed and delivered by the Owner, and, subject to the conditions set forth in Subparagraph 2 of this Section H, this Agreement constitutes the legal, valid, and binding obligation on the part of the Owner, enforceable against it in accordance with its terms except insofar as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, or other similar laws affecting the enforcement of creditor's rights generally, and by general principles of equity regardless of whether such principles are considered in a proceeding at law or in equity.

4. There are no actions at law, suits in equity, proceedings, or claims pending or, to the knowledge of the Owner, threatened against the Owner before or by any federal, state, foreign, or local court, tribunal, or governmental agency or authority that might materially delay, prevent, or hinder the performance by the Owner of its obligations hereunder.

I. Further Assurances. Each Owner agrees that it shall hereafter execute and deliver such further instruments, provide all information, and take or forbear such further acts and things as may be reasonably required or useful to carry out the intent and purpose of this Agreement and as are not inconsistent with the provisions of this Agreement.

J. Delivery Of Notices. Except as otherwise expressly provided herein, notices required under this Agreement shall be in writing and shall be sent to an Owner,

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Member, or the Midwest ISO by U.S. mail, overnight courier, hand delivery, telefacsimile, or other reliable electronic means. Any notice required under this Agreement shall be deemed to have been given either upon delivery, if by U.S. mail, overnight courier, or hand delivery, or upon confirmation, if given by telefacsimile or other reliable electronic means.

K. Limitations On Liability. No Owner, Member, or User shall be liable to any other Owner, Member, or User for any actions taken pursuant to the direction of the Midwest ISO except in cases of the gross negligence or intentional wrong-doing of such Owner, Member or User.

L. Entire Agreement. This Agreement, including the appendices attached hereto, the Transmission Tariff, the Agency Agreement and other agreements referenced herein constitute the entire agreement among the Owners with respect to the subject matter of this Agreement, and no previous or contemporary oral or written representations, agreements, or understandings made by any officer, agent, or employee of any Owner shall be binding on any Owner unless contained in this Agreement, including the appendices attached hereto, the Transmission Tariff, the Agency Agreement, or other agreements referenced herein.

M. Good Faith Efforts. Each Owner agrees that it shall in good faith take all reasonable actions necessary to permit such Owner to fulfill its obligations under this Agreement. Where the consent, agreement, or approval of any Owner must be

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obtained hereunder, such consent, agreement, or approval shall not be unreasonably withheld, conditioned, or delayed. Where any Owner is required or permitted to act, or omit to act, based on its opinion or judgment, such opinion or judgment shall not be unreasonably exercised. To the extent that the jurisdiction of any federal or state regulatory authority applies to any part of this Agreement and/or the transactions or actions covered by this Agreement, each Owner shall cooperate with all other Owners to secure any necessary or desirable approval or acceptance of such regulatory authorities of such part of this Agreement and/or such transactions or actions.

N. **Third-Party Joint Agreements.** This Agreement, including the appendices to this Agreement, the Transmission Tariff, and the Agency Agreement shall not be construed, interpreted, or applied in such a manner as to cause any Owner to be in material breach, anticipatory or otherwise, of any agreement (in effect on the later of the Effective Date of this Agreement as to such Owner or the date that it becomes an Owner under this Agreement) between such Owner and one or more third parties who are not Owners under this Agreement (regardless of the inclusion of one or more other Owners as parties to such agreement) for the joint ownership, operation, or maintenance of any electrical facilities covered by this Agreement, the Transmission Tariff, or the Agency Agreement. An Owner who has such a third-party joint agreement shall discuss with the Board and the other Owners under this Agreement any material conflict between such third-party joint agreement and this Agreement, the Transmission

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Tariff, or the Agency Agreement raised by a third party to such joint agreement, but the resolution of such a conflict shall, vis-à-vis the Board and the other Owners under this Agreement, be and remain within the sole discretion of such Owner; provided, however, that such Owner shall, if otherwise unresolved, utilize the available remedies and dispute resolution procedures to resolve such conflict, including, but not limited to, submitting such conflict to the FERC for resolution; provided, further, that in no event shall such Owner enter into a resolution of such conflict which would impair the reliability of the Transmission System.

O. No Partnership. The Owners do not intend that the Midwest ISO constitute a partnership or joint venture, and no Owner shall be entitled to act as an agent for any other Owner with respect to the Midwest ISO.

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IN WITNESS WHEREOF, the Owners have caused their duly authorized representatives to execute and attest this Agreement, on their respective behalves, as of the day of _____.

Signature

Name of Owner

Title of Signatory

APPENDIX A

APPENDIX A

STANDARDS OF CONDUCT

I. Background.

It is the policy of the Midwest ISO to operate in a fair and non-discriminatory manner and to implement such rules and regulations in the governance of the organization as necessary to prevent control, or the appearance of control, of the decision-making process by any Owner, Member, or User of the Transmission System; and

It is the policy of the Midwest ISO to operate and plan the Transmission System without adverse distinction or preference to any Owner, Member, or User of the Transmission System, and that investments in facilities be made by the Owners as directed by the Midwest ISO without discrimination; and

It is the policy of the Midwest ISO that the Directors, agents, Officers, and employees of the organization shall not have a direct financial interest in, or a conflict of interest with, any Owner, Member, or User of the Transmission System or any affiliates of such entities.

Nothing in this Appendix A is intended to restrict or expand any rights that any federal or state regulatory authorities may have to receive or have access to any information.

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II. Standards.

In furtherance of the above policies, the Standards of Conduct for the Midwest ISO shall include, but not be limited to, the following Standards:

A. The Midwest ISO, its Directors, agents, Officers, and employees shall operate and plan the Transmission System without adverse distinction or preference to any Owner, Member, or User of the Transmission System. In addition, the Transmission Tariff shall be applied to any Owner, Member, or User of the Transmission System without adverse distinction or preference to any of the Owners, Members, or Users of the Transmission System.

B. The operation of the Midwest ISO shall be conducted in such a manner that it shall be separate from the operations of the Owners, Members, or Users of the Transmission System.

C. The Midwest ISO, in operating its business, shall require any consultant, contractor, and/or subcontractor of the Midwest ISO to disclose to the Midwest ISO all financial affiliations and conflicts of interest with Owners, Members, or Users of the Transmission System. The Midwest ISO shall have the discretion to determine if the contents of such disclosure warrant disqualification of such consultant, contractor, or subcontractor.

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D. No Midwest ISO Director, agent, Officer, or employee shall have any involvement in the sale of electric energy at wholesale or retail except as required or allowed by the Agreement or the Transmission Tariff.

E. The Directors, agents, Officers, and employees of the Midwest ISO shall not have a direct financial interest in, or stand to be financially benefited by, any transaction with any of the Owners, Members, or Users of the Transmission System. Each Director, agent, Officer, and employee of the Midwest ISO in a decision-making position shall certify in writing that he does not have a direct financial interest in any Owner, Member, or User of the Transmission System and that a conflict of interest does not exist. To that end, no Midwest ISO Director, agent, Officer, or employee may directly own securities issued by any Owner, Member, or User of the Transmission System, except under the following circumstances:

1. Each Midwest ISO Director, agent, Officer, or employee shall dispose of those securities or transfer such securities to a non-discretionary blind trust within six (6) months of the time of his affiliation or employment with the Midwest ISO.
2. Each Midwest ISO Director, agent, Officer, or employee shall dispose of those securities or transfer such securities to a non-discretionary blind trust within six (6) months of the time a new Owner or Member is added, or a new User of the Transmission System begins taking service under the Transmission Tariff, where the Midwest ISO

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Director, agent, Officer, or employee owns securities of such User, Owner, or Member.

3. If a Midwest ISO Director, agent, Officer, or employee receives a gift or inheritance of those securities, he must dispose of such securities or transfer such securities to a non-discretionary blind trust within six (6) months of the date of receipt.
4. Nothing in this Paragraph E shall be interpreted to preclude a Director, agent, Officer, or employee of the Midwest ISO from indirectly owning securities issued by an Owner, Member, or User of the Transmission System through a mutual fund, blind trust or similar arrangement (other than a fund or arrangement specifically targeted towards the electric industry or the electric utility industry, or any segments thereof) under which the Director, agent, Officer, or employee does not control the purchase or sale of such securities.
5. Participation in a pension plan of an Owner, Member, or User of the Transmission System shall not be deemed to be a direct financial benefit as long as such pension plan is a defined benefit pension plan that does not involve ownership in the securities of the company sponsoring such plan.
6. For the purposes of this Agreement, a "blind trust" means a legally binding arrangement in which a fiduciary third party trustee (the