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12 East State Street, Delmar, Maryland 21875

IRREVOCABLE LETTER OF CREDIT

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

ISSUER: The Bank of Delmar, N.A.  
2727 North Salisbury Blvd.  
Salisbury, MD 21801

DATE OF ISSUE: November 1, 1998

LETTER OF CREDIT NO: 96

BENEFICIARY:  
Pennsylvania Public Utility Comm.  
P.O. Box 3265  
Harrisburg, PA 17105-3265

APPLICANT:  
Affiliated Power Purchasers, Inc.  
2129 Northwood Dr.  
Salisbury, MD 21801

AMOUNT: \$250,000.00

EXPIRY DATE: October 31, 1999

PROJECT: Electric Generator Supplier  
License

A-110041

To Whom It May Concern:

This Irrevocable Letter of Credit is issued in favor of the Pennsylvania Public Utility Commission, which is available by one or more sight drafts drawn on us accompanied by the following:

1. The original of the Letter of Credit.
2. A written statement from the Beneficiary that the Applicant has not compiled with applicable provisions of the Public Utility Code, 66 Pa. C.S. 101, et seq. and the rules and regulations of the Pennsylvania Public Utility Commission by the Applicant as a licensed electric generation supplier or the Applicant has not paid the Gross Receipts Tax as required by Section 2810 of the Public Utility Code 66 Pa. C.S. 2810 or the Applicant has not supplied electricity at retail in accordance with contracts, agreements or arrangements. Therefore, reimbursement is required in the amount up to \$250,000.00.

The Letter of Credit is written in accordance with Section 2809(c)(1)(i) of the Public Utility Code, 66 Pa. C.S. 2909(c)(1)(i), to assume compliance with applicable provisions of the Public Utility Code, 66 Pa. C.S. 101, et seq. and the rules and regulations of the Pennsylvania Public Utility Commission by the Principal as a licensed electric generation

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supplier; to ensure the payment of Gross Receipts Tax as required by Section 2810 of the Public Utility Code, 66 Pa. C.S. 2810; and to ensure the supply of electricity at retail in accordance with contracts, agreements or arrangements. Payments made pursuant to this Letter of Credit shall ensure first to the benefit of the Commonwealth, and second, to any and all retail electric generation customers to whom the Principal may be held legally liable for failure to supply electric generation pursuant to contract, agreements or arrangements. Any claims made by the Commonwealth shall have priority over claims made by private individuals. Proceeds of the bond may not be used to pay any penalties or fines levied against the Principal for violations of the law, or for payment of any other tax obligations owed to the Commonwealth.

This Letter of Credit sets forth the full terms of Issuer's obligation to Pennsylvania Public Utility Commission. It is separate from and shall not be subject to or supplemented or modified by any agreement which refers to this Letter of Credit or to which this Letter of Credit relates.

Except as otherwise stated, this Letter of Credit is governed by the Pennsylvania Uniform Commercial Code and is subject to the "Uniform Customs and Practice for Documentary Credits" (1983 Revision) International Chamber of Commerce Publication No. 400. In case of conflict between the Pennsylvania Uniform Commercial Code and the Uniform Customs and Practice for Documentary Credits, the Pennsylvania Uniform Commercial Code shall control.

We hereby agree with you that sight drafts drawn under this Letter of Credit will be honored in accordance with the terms and conditions stated herein provided the sight draft and required documents are presented to us at the above address within 60 days from the date of expiry. Payment of any draft drawn under this Letter of Credit in an amount less than the maximum amount available hereunder shall be recorded by us on the reverse side hereof and this Letter of Credit shall then be returned to you.

Letter of Credit Number 96 replaces Letter of Credit Number 76, which has expired as of October 31, 1998. The Beneficiary must return Letter of Credit Number 76 to this Issuer upon receipt of Letter of Credit Number 96.

THE BANK OF DELMAR, N.A.



Edward M. Thomas

President and Chief Executive Officer

cc: Affiliated Power Purchasers, Inc.