V.B. Cash Collateral Investment Alternatives

(i) Investment Alternatives. A Customer may elect to deposit some or all of its cash collateral it has posted with the ISO to satisfy its Operating Requirement into one or both of two bond funds: a short-term bond fund (Short-Term Bond Fund") and a intermediate-term bond fund ("Intermediate-Term Bond Fund") (each a "Bond Fund"). A Customer's election shall be in writing and shall not be changed more than twice each year.

(ii) Additional Premium. A Customer electing to deposit cash collateral into a Bond Fund shall be required to provide a premium above the base amount of cash collateral being deposited to protect against fluctuation in the values of the Bond Fund. A 5% premium shall be required for investments in the Short-Term Bond Fund. A 10% premium shall be required for investments in the Intermediate-Term Bond Fund.

(iii) ISO Monitoring. The ISO shall monitor the value of the Bond Funds at least once each week. If at any time the value of the Customer's account in a Bond Fund reduces by fifty (50%) percent of the premium amount or more, the ISO shall attempt to contact the Customer to request an additional cash collateral deposit to restore the required balance in the Bond Fund. If a Customer fails to provide the additional collateral by 4:00 p.m. on the following business day, the ISO may immediately liquidate the Customer's Bond Fund deposit and transfer the balance to a standard cash collateral deposit account.

(iv) Example. Assume a Customer has an Operating Requirement of $300 and elects to place $100 in the standard cash collateral deposit account; $100 in the Short-Term Bond Fund; and $100 in the Intermediate-Term Bond Fund. As such, the Customer would be required to place $100 in the standard cash collateral deposit account. The Customer would be required to place $100 plus $5 (the 5% required premium) for a total of $105 to participate in the Short-Term Bond Fund. The Customer would be required to place $100 plus $10 (the 10% required premium) for a total of $110 to participate in the Intermediate-Term Bond Fund. Assume further that upon the ISO monitoring, it discovers that the value of the Customer's Short-Term Bond Fund decreased to $102.50 while the value of the Intermediate-Term Bond Fund remained unchanged. The ISO would then notify the Customer to provide an additional $2.50 of collateral such that the 5% premium would be met for the Short-Term Bond Fund. If the Customer failed to timely provide the additional collateral, the ISO may then liquidate the $102.50 balance in the Short-Term Bond Fund and place it in a standard cash collateral deposit account. The Intermediate-Term Bond Fund would remain unaffected.