

**UTILITY RESOURCE SOLUTIONS, L.P.**

675 BERING DR., SUITE 700  
HOUSTON, TX 77057  
(713) 977-5600

**JPMORGAN CHASE BANK**  
HOUSTON REGION  
HOUSTON, TX 77002  
32-115-1110

2387

10/28/2002

PAY TO THE ORDER OF Nicor Gas

**\$\*\*2,000.00**

Two Thousand and 00/100\*\*\*\*\*

DOLLARS

Nicor Gas  
1844 Ferry Road  
Naperville, IL 60563  
Attn: Patrick Hollon

MEMO

*Karen Steff*

⑈002387⑈ ⑆⑆⑆⑆100⑆⑆50⑆⑆ ⑈⑈429005690465⑈

Details on back  
FD  
Security Features Included

**UTILITY RESOURCE SOLUTIONS, L.P.**

Nicor Gas  
Dues and Subscriptions

fee for Customer Select Program

10/28/2002

2387  
2,000.00

Chase for Chicago

2,000.00

**UTILITY RESOURCE SOLUTIONS, L.P.**

Nicor Gas  
Dues and Subscriptions

fee for Customer Select Program

10/28/2002

2387  
2,000.00

**PAYMENT  
RECORDED**

Chase for Chicago

2,000.00



UTILITY RESOURCE SOLUTIONS

www.urslp.com

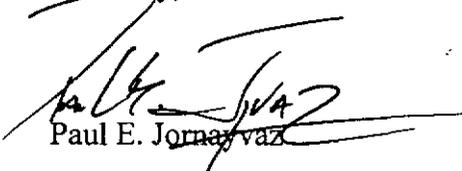
October 15, 2002  
Nicor Gas  
C/o Customer Select  
P.O. Box 190  
Aurora, Illinois 60507-0190  
Fax: 630-983-3810

Dear Sirs,

Please find attached the executed Customer Select Agreement. Also provided is the required financial information required in order to evaluate the credit requirements. At this time I don't anticipate selling any more than 500 mmbtu's initially. In the event a parental guaranty would need to be revised because of volume increases we accommodate the request.

If you have any questions please contact me at the number listed below.

Sincerely,



Paul E. Jornayvaz

Address:  
NICOR GAS  
Attn: Patrick Holton  
1844 Ferry Road  
Naperville IL. 60563  
630-983-8676

## Agreements

To participate in Nicor Gas' *Customer Select*<sup>®</sup> Program, suppliers will be required to complete various agreements and forms. These agreements and forms are summarized below. Actual agreements and forms are attached.

### Supplier Aggregation Agreement:

All suppliers will be required to execute a Supplier Aggregation Agreement (Exhibit A) with Nicor Gas. This agreement, along with the approved tariff sheets, describes the terms and conditions required for participation in *Customer Select*. Suppliers may enter the *Customer Select* program at any time.

### Supplier Selection of Market Segment Participation:

All suppliers must complete and return the Selection of Market Segment Participation form (Exhibit B). On this form, suppliers indicate the market segment(s) in which they choose to participate and information about their firms for the various Nicor Gas communication vehicles - printed and Web site.

### Participating Supplier Information Sheet:

All suppliers must complete and return the Participating Supplier Information Sheet (Exhibit C). This sheet provides information on the primary and alternate supplier contacts for the *Customer Select* program. Contacts are requested for general program administration, information services and supply operations.

### Supplier Deposit Guaranty Agreement:

Suppliers are required to provide Nicor Gas with an irrevocable letter of credit, cash deposit or parental guaranty in an amount equal to the estimated maximum daily use, in terms for those customers served multiplied by the rate as stated in Rider 16. Nicor Gas will notify the supplier of their deposit amount on or about October 1 of each year. Suppliers wishing to satisfy this requirement by means of a parental guaranty must have their request and support information (see FAQ section) to Nicor Gas by September 1 of each year. Nicor Gas will notify the supplier of their parental guaranty approval on or about October 1 of each year. Suppliers must use the parental guaranty form (Exhibit D) provided by Nicor Gas. Any modifications to the form will not be accepted. Nicor Gas must receive the supplier's cash deposit, letter of credit or parental guaranty by or on November 1 of each year.

### Affidavit of Firm Capacity and Supply:

Participating suppliers are obligated to complete an Affidavit (Exhibit E) stating the supplier has acquired the minimum of the pool's maximum daily usage of firm capacity and firm supply contracts which have primary delivery points at Nicor Gas' City Gate as required by Rider 16. This affidavit is due November 1 of each year.

**Northern Illinois Gas Company  
D/B/A Nicor Gas Company  
Small Customer Transportation Program  
Supplier Aggregation Agreement**

This Agreement, dated \_\_\_\_\_, is between Northern Illinois Gas Company, d/b/a Nicor Gas Company ("Company" or "Nicor Gas"), and Utility Resource Solutions, L.P. ("Supplier") both in its individual capacity and as agent for its customer(s) ("Customer(s)"). Company or Nicor Gas and Supplier shall be collectively referred to as "parties" or singularly as "party".

Witnesseth That, the parties hereto agree as follows:

- 1.) **Scope of Agreement:** Service under this Agreement shall be in compliance with the Company's Rider 16, Supplier Aggregation Service, and Rider 15, Customer Select. Riders 15 and 16 detail the Customer Select® Program, ("Program"). Supplier has reviewed Riders 15 and 16 and agrees that the terms, provisions and requirements of Rider 15 and Rider 16 are incorporated into this Agreement. In the event of inconsistency between this Agreement and the applicable Riders, the Riders will prevail. In the event the conditions of service or charges are changed under authority of the Illinois Commerce Commission, such changes (including, without limiting the generality of the foregoing, changes to Riders 15 and 16) shall apply to this Agreement.
- 2.) **Gas Supply:** The Supplier agrees to deliver natural gas each day in accordance with daily delivery requirements established by Nicor Gas. The Supplier understands that it will incur daily non-performance charges to be imposed by the Company, if applicable. These charges are detailed in Rider 16.

The Company agrees to deliver Supplier-owned gas from the approved interconnections between the Company and interstate pipeline(s) to the Customer's service address. Supplier warrants that it will have valid legal title to or will have the right to deliver all Supplier-owned gas to the Company, free and clear of all liens, encumbrances, and claims. Supplier shall have the responsibility for and assume all liability with respect to Supplier-owned gas prior to its delivery to the Company hereunder. Supplier agrees to indemnify the Company and save it harmless from all suits, actions, debts, accounts, damages, costs, losses, liabilities (including reasonable attorney's fees) and expenses arising from or out of claims of title, personal injury or property damage from any or all entities or persons to said Supplier-owned gas or other charges thereon which attach to the Supplier-owned gas to be delivered to the Company.

- 3.) **Firm Capacity and Gas Supply Requirements:** The Supplier warrants that it has acquired or will acquire firm supply capacity and a volume of firm transportation capacity with a primary delivery point at Nicor Gas' city-gate for the time period specified in Rider 16 and equal to the percentage requirements (as set forth in Rider 16) of the initial aggregate Maximum Daily Contract Quantity ("MDCQ") of the Customers to be served by the Supplier and participating in the Program under this Agreement which capacity shall be utilized or dedicated to meet Supplier's obligations under this Agreement. The Company shall notify each Supplier of any future change in the percentage of maximum daily use of required firm supply and firm capacity to be held by the Supplier. The Supplier shall annually provide

copies to Nicor Gas of firm city-gate supply supported by firm interstate pipeline transportation or firm supply contracts or firm interstate pipeline transportation to the Company's city-gate. If released capacity is relied upon, documentation must demonstrate that the released capacity is non-recallable. In addition, each supplier must warrant that neither it nor its firm supplier, if applicable, has any firm obligations that are in conflict with the capacity to be used to serve Rider 15 Customers.

- 4.) **Supplier Charges:** The Supplier agrees to pay for all gas services rendered to it under Rider 16. Failure of Supplier to receive payment from its Customers will not excuse Supplier's obligation to Nicor Gas. The Supplier's group bill summary shall be mailed by the Company to the Supplier.
- 5.) **Customer Aggregation:** The Supplier agrees to be responsible for compiling the Customer group(s), as defined in Rider 16. Subject to the limitations in Rider 16, Supplier may submit listings of Customer group(s) in any quantity. Nicor Gas will verify the listing with its Customer database and then provide notification to each Customer of its enrollment in the Program and the Supplier serving the Customer. The Supplier will be notified of any exceptions. Transfer of Customer data between the Supplier and Nicor Gas and Nicor Gas and the Supplier shall be accomplished via the Customer Select Supplier Internet Web-site.

If any transmitted data is received in an unintelligible or garbled form, the receiving party shall promptly notify the originating party, within one business day, (if identifiable from the received transmitted data) in a reasonable manner. The originating party shall be obligated to retransmit the data upon notice from the receiving party. Notwithstanding the above, Nicor Gas will not be liable for the consequence of an unintelligible or garbled transmission. Nicor Gas will not recognize the receipt of any transmission data for purposes of enrollment in the Program until such data is in intelligible form.

The Supplier represents and warrants to the Company that the Supplier has been duly authorized to deliver gas on behalf of each Customer for each service location identified to the Company, and that each Customer has executed a valid agency agreement evidencing Supplier's authorization and binding the Customer to indemnify Nicor Gas for Supplier's obligations hereunder, and Supplier further covenants that the Supplier will indemnify and save Company harmless from and against any and all suits, (including reasonable attorney fees), causes of action, claims, demands or lost revenues arising from or out of any breach of this Agreement or representation or warranty made by the Supplier herein. The Supplier agrees to provide Company with evidence of authority to deliver gas on behalf of each Customer upon request by Company, and Company may terminate this Agreement if such evidence is inadequate, in the Company's sole discretion.

- 6.) **Supplier Deposit:** The Supplier agrees to provide an irrevocable letter of credit, cash deposit or parental guaranty to the Company, in form and substance satisfactory to Company, in an amount equal to the MDCQ of Customers to be served by Supplier multiplied by deposit factor set forth in Rider 16. The Company reserves the right to select the appropriate deposit vehicle. The amount of the deposit will be reevaluated at least annually by the Company.

- 7.) **Customer Solicitation:** The Supplier agrees to make a good faith effort to establish a Customer agreement, under the terms of Rider 16 and this Agreement, with any Customer that contacts the Supplier regarding participation into the Program.
- 8.) **Supplier Standards of Conduct:** The Supplier agrees to adhere to the Standards of Conduct as described in Rider 16.
- 9.) **Daily Nomination Requirement:** The Supplier agrees to deliver to Nicor Gas on a daily basis a volume of gas equal to the daily requirements of the Supplier's Customers, which shall be determined by Nicor Gas pursuant to Rider 16. Supplier recognizes that Nicor Gas will employ estimated use factors to determine the volume required, that the volume required will change daily and that Nicor Gas will provide the Supplier with notice of the required volume by 8:30 a.m. Central Time the day prior to the start of the gas day flow unless such day falls on a non-critical day which is a Company recognized holiday.

The Supplier recognizes that failure to deliver the volume required by Nicor Gas will result in an imposition of non-performance charge, as defined in Rider 16.

10.) **Customers Drops:**

**Customer Initiated:** The Supplier agrees to be responsible for compiling a list of Customers who notify the Supplier that the Customer elects to terminate their participation or pending participation in the Program. Suppliers shall forward these "Customer Drop" listings of Customers to Nicor Gas on a daily basis. Upon receiving these listings, the Customer's account will be canceled if the account is not yet activated or noted with a pending cancellation date and the Customer shall remain a Customer of the Supplier until a meter reading is posted to the Customer's account.

The Supplier represents and warrants to the Company that the Supplier has been authorized by the Customer to terminate the Customer's participation in the Program for each service location identified to the Company, and that each Customer has a valid agreement evidencing Supplier's authorization and binding the Customer to indemnify Nicor Gas for Supplier's obligation hereunder, and Supplier further covenants that the Supplier will indemnify and save Company harmless from and against any and all suits, (including reasonable attorney fees), causes of action, claims, demands, or lost revenues arising from or out of any breach of this Amendment or representation or warranty made by the Supplier herein.

**Supplier Initiated Credit:** Pursuant to Rider 15 of the Program, the Supplier warrants that Customers who are designated as being "Dropped for Credit" on the electronic drop file have been notified by the Supplier that they are being returned to Nicor Gas sales service for being forty-five (45) days or greater in payment arrears to Supplier for services rendered by Supplier.

The Supplier acknowledges that the Customer shall remain a Customer of the Supplier until a meter reading is posted to the Customer's account after notification is received and processed. The Supplier further acknowledges that its actions are in compliance with the United States Bankruptcy Code and assisted the Bankruptcy Trustee to the best of its ability in relation to receiving notice of a Customer of Supplier who has filed a Bankruptcy Petition

in any United States District Court during the term of the Customer and Supplier's contractual relationship.

**Supplier Initiated Contract Expirations:** The Supplier agrees to be responsible for compiling a list of 1.) Customers whose contracts have not been renewed with the Supplier and 2.) Customers who the Supplier no longer wishes to provide service to. Supplier represents and warrants to the Company that the listing comply with the Rider 15 requirements of "Termination of Service". Suppliers shall forward these listings of Customers to Nicor Gas on a daily basis by electronic means. Upon receiving these listings, the Customer's account will be noted with a pending cancellation date and the Customer shall remain a Customer of the Supplier until a meter reading is posted to the Customer's account.

Nicor Gas reserves the right, exercisable at its sole discretion, to request supporting documentation for any Customer termination or cancellation available under this Section 16.

- 11.) **Customer Billing:** Suppliers intending to provide a customer with a consolidated bill which is comprised of the the Company's distribution charges and the Supplier's commodity charges must enter into a separate agreement to provide such service to the Customer.
- 12.) **Other Services:** Nicor Gas may offer services in conjunction with the Program. Nicor Gas will offer to all Suppliers these services on a uniform and non-discriminatory basis. Separate agreements detailing these services shall be made available by the Company upon the Supplier's request.
- 13.) **Agreement Term:** This Contract shall remain in effect unless terminated by either the Company or the Supplier by written notice received by the non-terminating party not less than 90 days before termination from the Program. The termination notice time period may be different than 90 days if instructed by the Illinois Commerce Commission. The termination of service shall not release Supplier from any performance obligation or to make payment of any amounts due or to become due in accordance with the terms of this Agreement.
- 14.) **Failure to Comply:** Notwithstanding the Agreement Terms set forth in Section 13 of this Agreement, if the Supplier fails to comply with Program operations or conditions hereunder, Company may, at its sole discretion, in addition to all other remedies available at law or in equity, terminate this Agreement and, to the extent necessary, liquidate the Supplier Deposit as compensation for any costs the Company incurs in connection therewith.
- 15.) **Assignment:** This Agreement shall be binding upon and inure to the benefit of the successors, assigns, and personal representatives of the respective parties hereto, and the representations, warranties, conditions, and obligations of this Agreement shall run for the full term of this Agreement. No assignment of this Agreement, in whole or in part, will be made without the prior written consent of the non-assigning party.
- 16.) **Choice of Law:** The interpretation and performance of this Agreement shall be governed by the laws of the State of Illinois, excluding any conflict of law rule which would apply the law of another jurisdiction.

- 17.) **Compliance:** The Supplier represents and warrants that all services to be rendered under this Agreement shall comply with all applicable federal, state, and local laws, rules and regulations, including, but not limited to, the Deceptive Advertising Act, Consumer Fraud and Deceptive Business Practices Act, Uniform Deceptive Trade Practices Act, and any other applicable statutes, regulations and orders of regulatory bodies having jurisdiction. The Supplier further represents that it shall obtain all necessary licenses and registrations required to perform the services hereunder.
- 18.) **Illinois Commerce Commission:** Subject to receipt of all necessary approvals of the Illinois Commerce Commission deemed necessary by the Company, service under Rider 15 and Rider 16 shall begin with the Customer's first bill with a beginning meter reading date at least 14 calendar days from the date the Company receives notification of the Customer's enrollment in the Program. Suppliers may begin sending Customer information to the Company no sooner than March 1, 2002.
- 19.) **Entire Agreement:** This Agreement constitutes the entire agreement of the parties with respect to the subject matter herein and cancels and supersedes any prior understandings and agreements of the parties with respect to such subject matter. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than those expressly set forth in this Agreement.

This Agreement shall not become effective until accepted by the Company as provided for below.

FOR Nicor Gas:

Submitted By: \_\_\_\_\_  
Date Received from Supplier \_\_\_\_\_

Accepted by (Please Print) \_\_\_\_\_

Accepted By (Signature) \_\_\_\_\_

Official capacity \_\_\_\_\_

Date Accepted \_\_\_\_\_

FOR THE SUPPLIER AND FOR EACH CUSTOMER:

Supplier/  
Authorized Agent WKM  
UTILITY RESOURCE SOLUTIONS L.P.

Accepted By W. KEITH MAXWELL  
Please Print DIR OF OPERATIONS

Signature WKM

DIR OF OPERATIONS  
Official capacity

Date Accepted 10/29/02

## Nicor Gas Customer Select® Supplier Selection of Market Segment Participation 2002

My organization has executed a Supplier Aggregation Agreement with Nicor Gas to participate in the *Customer Select* program. As a participating Supplier, my organization chooses to solicit customers in the following market segments.

Please check all that apply:

- Commercial/Industrial  
 Residential

On the Supplier list that will be distributed to customers, does your firm wish to qualify your participation to a major geographic area for solicitation purposes? This is intended for those Suppliers who wish to inform customers that the Supplier is looking to sign up customers in only a specific geographic area; i.e. XYZ Supplier (Joliet area). This will allow the Supplier to get their name out into the public, with qualification, and in the process possibly avoid dissatisfied customers by eliminating phone calls from customers in other locations. This by no means would preclude Suppliers from signing up customers in other locations.

- No. My firm does not want to limit its participation geographically.
- Yes. My firm wants to limit its participation to the following geographic area. Individual towns will not be listed, geographic areas will be listed; e.g. Joliet area, Bloomington/Normal area, Rockford area, Chicago Metropolitan area, etc.

Please Describe: \_\_\_\_\_

Information as you want it to appear in Nicor Gas' 2002 customer brochure:

Supplier Name: Utility Resource Solutions L.P.  
Phone Number: 713-977-4710  
Days/Hours of Operation: 5 DAYS - 8-5 P.M.  
Web Site Address: WWW.URSLP.COM

Information as you want it to appear on Nicor Gas' Web site:

Supplier Name:

Utility Resource Solutions, L.P.

Phone Number:

713-977-4710

Fax Number:

713-977-7850

e-mail Address:

Paul@URSLP.com

Business Description:

(Please use a separate sheet of paper. Maximum of 500 characters with spaces. Examples of current Supplier descriptions can be found on Nicor Gas Web site:

www.nicor.com; under Customer Select program.) *Please refer to web site*

Web Site Address:

(Nicor Gas will provide a link to your Web Site)

www.URSLP.com

(If you would like your company logo on the Web site, please e-mail it in a JPEG file to Mary Lou Grzenia at [mgrzeni@nicor.com](mailto:mgrzeni@nicor.com).)

**Nicor Gas will have final approval of information displayed.**

***To have your supplier name and phone number communicated to eligible customers in Nicor Gas' communications vehicles, please return this form to Nicor Gas by January 21, 2002.***

Nicor Gas  
c/o Customer Select Program 7W  
P.O. Box 190  
Aurora, Illinois 60507-0190

Fax: (630) 983-3810

Name of person filing out this form to contact for clarification:

Print: PAUL E. JORNAYVAZ

Signature: *Paul E. Jor...*

Phone Number: 713-977-4710

# Nicor Gas Customer Select®

## Participating Supplier Information Sheet

Company Name: Utility Resource Solutions, L.P.  
Mailing Address: 675 Berling, Suite 700  
City, State, Zip Code: Houston, TEXAS 77057

### Group Bill Mailing Information:

*Utility Resource Solutions, L.P.*  
Mailing Address  
Attention: ATTN: KAREN PFEFFER  
Street: 675 Berling, Suite 700  
City, State Zip: HOUSTON, TEXAS 77057  
Contact Person: KAREN PFEFFER  
e-mail address: Todd@URS LP.com  
Fax Number: 713-977-7850

**Nicor Gas Customer Select®****Participating Supplier Information Sheet****General Program Contacts****(Personnel to contact at your organization for general administrative assistance, policy decisions, main recipients of program information, etc.)**

**Primary Contact:** Name: Sheri Farrington  
 Phone Number: 630-466-9983  
 Pager Number: \_\_\_\_\_  
 Fax Number: 630-466-7557  
 E-Mail Address: SfarringtonUS@aol.com

**1<sup>st</sup> Alternative Contact:** Name: Debbie Incopero  
 Phone Number: 630-588-0520  
 Pager Number: 630-205-2332  
 Fax Number: 630-588-0530  
 E-Mail Address: dincopero@interaccess.com

**2<sup>nd</sup> Alternative Contact:** Name: Brooks Young  
 Phone Number: 713-971-7850 4710  
 Pager Number: 832-722-1102  
 Fax Number: 713-971-7850  
 E-Mail Address: cb.young.21@hotmail.com

**Nicor Gas Customer Select®****Participating Supplier Information Sheet****Information Services Contacts**

(Personnel to contact at your organization for information services support; i.e., general IT support questions, correction of corrupt electronic files, electronic file changes, etc.)

**Primary Contact:** Name: Eddie Marx  
 Phone Number: 281-858-0400  
 Pager Number: 877-552-5040  
 Fax Number: 775-254-5928  
 E-Mail Address: EMARX@MYALTHEBB.COM

**1<sup>st</sup> Alternative Contact:** Name: Stuart Farrington  
 Phone Number: 630-466-9963  
 Pager Number: \_\_\_\_\_  
 Fax Number: 630-466-7557  
 E-Mail Address: sfarrington@acel.com

**2<sup>nd</sup> Alternative Contact:** Name: Debbie Tinco Pezo  
 Phone Number: 630-588-0520  
 Pager Number: 630-205-2332  
 Fax Number: 630-588-0530  
 E-Mail Address: dINCOPEZO@INTERACCESS.COM

**Nicor Gas Customer Select®****Participating Supplier Information Sheet****Supply Operations Contacts****(Personnel to contact at your organization for supply operations support; i.e., nominations, critical day, operational flow orders, firm transportation, etc.)**

**Primary Contact:** Name: Debbie Inco Pero  
 Phone Number: 630-588-0520  
 Pager Number: 630-205-2332  
 Fax Number: 630-588-0530  
 E-Mail Address: dincopero@interaccess.com

**1<sup>st</sup> Alternative Contact:** Name: Brooks Young  
 Phone Number: 713-977-4710  
 Pager Number: 932-722-1102  
 Fax Number: 713-977-7850  
 E-Mail Address: cbyoung21@hotmail.com

**2<sup>nd</sup> Alternative Contact:** Name: SHERE: Farrington  
 Phone Number: 630-466-9983  
 Pager Number: \_\_\_\_\_  
 Fax Number: 630-466-7557  
 E-Mail Address: Sfarringtonurs@aol.com

NORTHERN ILLINOIS GAS COMPANY  
D/B/A NICOR GAS COMPANY  
CUSTOMER SELECT PROGRAM  
SUPPLIER DEPOSIT GUARANTY AGREEMENT

This Supplier Deposit Guaranty Agreement ("Guaranty") is made and entered into on \_\_\_\_\_, \_\_\_\_\_. For value received, the \_\_\_\_\_ Corporation ("Guarantor"), whose principal place of business is at \_\_\_\_\_, unconditionally guaranties payment to Northern Illinois Gas Company, d/b/a Nicor Gas Company ("Nicor Gas") whose principal place of business is at 1844 Ferry Road, Naperville, Illinois 60563-9600 ("Obligee") of that certain Supplier Deposit in the amount of \$ \_\_\_\_\_ due Obligee pursuant to that certain Supplier Aggregation Agreement dated \_\_\_\_\_, \_\_\_\_\_ executed by Guarantor's wholly owned subsidiary \_\_\_\_\_ ("Obligor") whose principal place of business is at \_\_\_\_\_.

Guarantor waives notice of acceptance of this Guaranty and waives diligence on the part of Obligee in collection of the indebtedness. Obligee shall have the privilege of granting such renewals and extensions as Obligee may deem proper. Guarantor further expressly waives notice of nonpayment, protest, and notice of protest with respect to the indebtedness covered by this Guaranty.

This Guaranty is in addition to any other security that Obligee now or hereafter may have. However, this Guaranty shall be construed to supercede, amend and modify any and all previous guaranties pertaining to Customer Select Programs presently in effect between Nicor Gas and Obligor. Obligee may surrender or release all or portion of such other security without affecting this Guaranty. It shall not be necessary for Obligee to enforce payment by Guarantor of the indebtedness, to first institute suit, or to pursue or exhaust remedies against Obligor, or against any other security that Obligor may have.

Guarantor acknowledges that this Guaranty is irrevocable and is in effect and binding on Guarantor without reference to whether it is signed by any other entities or persons. Guarantor agrees that this Guaranty shall continue in full force and effect notwithstanding dissolution of Guarantor, the release by agreement, operation of law or the extension of time to any other guarantor(s) as to obligations then existing.

Liability of Guarantor under this Guaranty shall not be affected or impaired by the existence, from time to time, of an indebtedness or liability of Obligor to Obligee in excess of the amount of this Guaranty. Guarantor represents and warrants that it is duly authorized by all necessary action to execute this Guaranty.

The interpretation and performance of this Supplier Deposit Guaranty Agreement shall be governed by the laws of the State of Illinois, excluding any conflict of law rule which would apply the law of another jurisdiction.

BY: \_\_\_\_\_  
NAME: (Print) \_\_\_\_\_  
TITLE: \_\_\_\_\_  
DATE: \_\_\_\_\_

ATTEST:  
  
\_\_\_\_\_

NORTHERN ILLINOIS GAS COMPANY  
D/B/A NICOR GAS COMPANY  
CUSTOMER SELECT PROGRAM  
FIRM CAPACITY AND GAS SUPPLY REQUIREMENTS

AFFIDAVIT

STATE OF ILLINOIS }  
                                  } ss.  
COUNTY OF DU PAGE }

W. Keith Maxwell hereby states that he is the Director of Operations  
(Official Title) for the Utility Resource Solutions, L.P. (Corporation) who is a participating Supplier in  
Northern Illinois Gas Company's, d/b/a Nicor Gas Company ("Nicor Gas") Customer Select program,  
and is duly authorized to execute this Affidavit on its behalf; that, the Utility Resource Solutions, L.P.  
(Corporation) has acquired a minimum of 500 MMBtus per day of firm transportation  
capacity and firm supply contracts which will have a primary delivery point at Nicor Gas' City Gate,  
effective November 1, 2002 through March 31, 2003; for the customers to be served by the  
Utility Resource Solutions, L.P. Corporation participating in the Customer Select program.

BY: [Signature]  
NAME: (Print) W. Keith Maxwell  
TITLE: Dir of Operations  
DATE: 10/11/02

On the 11<sup>th</sup> day of OCTOBER, 2002, in HOUSTON, TEXAS, before the  
undersigned, a Notary Public in and for the aforesaid place, appeared W. Keith Maxwell, to me  
known to be the person described in the foregoing affidavit, who signed the said affidavit in my  
presence and who then and there was duly sworn by me and under oath stated that the statements  
therein made are true.

[Signature]  
Notary Public

My commission expires:  
3/05/03

# ***Texex Energy Partners, Ltd.***

*Consolidated Financial Statements for the Years  
Ended December 31, 2001 and 2000 and  
Independent Auditors' Report*

Deloitte & Touche LLP  
Suite 2300  
333 Clay Street  
Houston, Texas 77002 4196

Tel: (713) 982-2000  
Fax: (713) 982-2001  
www.deloitte.com

**Deloitte  
& Touche**

## INDEPENDENT AUDITORS' REPORT

To the Partners of  
Texex Energy Partners, Ltd:

We have audited the accompanying consolidated balance sheets of Texex Energy Partners, Ltd. (the "Company") as of December 31, 2001 and 2000, and the related consolidated statements of income, partners' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Texex Energy Partners, Ltd. as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Deloitte & Touche LLP*

April 29, 2002

Deloitte  
Touche  
Tohmatsu

# TEXEX ENERGY PARTNERS, LTD.

## CONSOLIDATED BALANCE SHEETS, DECEMBER 31, 2001 AND 2000

ASSETS	2001	2000
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 2,710,425	\$ 5,683,427
Accounts receivable	5,066,306	15,025,465
Inventories	703,609	8,929
Assets from Price Risk Management Activities	8,400,349	
Other assets	3,719,955	
<b>Total current assets</b>	<b>20,600,644</b>	<b>20,717,821</b>
INVESTMENTS IN UNCONSOLIDATED AFFILIATES	556,903	544,179
PROPERTY AND EQUIPMENT	33,233	46,136
<b>TOTAL</b>	<b>\$21,190,780</b>	<b>\$21,308,136</b>
<b>LIABILITIES AND PARTNERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 6,352,551	\$ 15,287,232
Liabilities from Price Risk Management Activities	4,228,524	
Loan Payable	2,000,000	
Accrued liabilities	475,686	2,907,027
<b>Total current liabilities</b>	<b>13,056,761</b>	<b>18,194,259</b>
PARTNERS' EQUITY	8,134,019	3,113,877
<b>TOTAL</b>	<b>\$21,190,780</b>	<b>\$21,308,136</b>

See notes to consolidated financial statements.

# TEXEX ENERGY PARTNERS, LTD.

## CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
SALES	\$ 164,293,950	\$ 136,011,951
COST OF SALES:		
Gas purchases	158,067,512	132,629,502
Transportation	930,503	1,652,889
Broker fees	147,000	307,000
Total cost of sales	159,145,015	134,589,391
Gross profit	5,148,935	1,422,560
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	1,262,728	915,028
Operating profit	3,886,207	507,532
OTHER INCOME:		
Equity income from unconsolidated affiliate	104,410	345,548
Interest income	94,167	154,598
Other	97,858	110,680
Total other income	296,435	610,826
NET INCOME	\$ 4,182,642	\$ 1,118,358

See notes to consolidated financial statements.

## TEXEX ENERGY PARTNERS, LTD.

### CONSOLIDATED STATEMENTS OF PARTNERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	General Partners	Limited Partners	Total
BALANCE, DECEMBER 31, 1999	\$ 11,219	\$ 2,358,086	\$ 2,369,305
Capital contributions		900,000	900,000
Distributions to Partners		(1,273,786)	(1,273,786)
Net income	<u>11,184</u>	<u>1,107,174</u>	<u>1,118,358</u>
BALANCE, DECEMBER 31, 2000	22,403	3,091,474	3,113,877
Capital contributions	10,133	1,005,166	1,015,299
Distributions to Partners		(177,797)	(177,797)
Net income	<u>41,826</u>	<u>4,140,816</u>	<u>4,182,642</u>
BALANCE, DECEMBER 31, 2001	<u>\$ 74,362</u>	<u>\$ 8,059,659</u>	<u>\$ 8,134,021</u>

See notes to consolidated financial statements.

# TEXEX ENERGY PARTNERS, LTD.

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 4,182,642	\$ 1,118,358
Equity income from investment in unconsolidated affiliate	(104,410)	(345,548)
Depreciation and amortization	12,903	18,279
Adjustments to reconcile net income to net cash flows provided by (used in) operating activities - changes in operating assets and liabilities:		
Decrease in accounts receivable	9,959,159	(8,759,038)
Increase in inventories	(694,680)	(5,514)
Increase in assets from price risk management activities	(8,400,349)	
Increase in other assets	(3,719,955)	
Decrease in accounts payable	(8,934,681)	9,324,420
Increase in liabilities from price risk management activities	4,228,524	
Decrease in accrued liabilities	<u>(2,431,341)</u>	<u>2,494,509</u>
Net cash (used in) provided by operating activities	<u>(5,902,188)</u>	<u>3,845,466</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Contributions to investments in unconsolidated affiliates	(125,288)	(73,872)
Distributions from investment in unconsolidated affiliates	<u>216,972</u>	<u>817,026</u>
Net cash provided by investing activities	<u>91,684</u>	<u>743,154</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Short-term borrowings	2,000,000	
Partners' contributions	1,015,299	900,000
Distributions to partners	<u>(177,797)</u>	<u>(1,273,786)</u>
Net cash provided by (used) in financing activities	<u>2,837,502</u>	<u>(373,786)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,973,002)	4,214,834
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>5,683,427</u>	<u>1,468,593</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 2,710,425</u>	<u>\$ 5,683,427</u>

See notes to consolidated financial statements.

# TEXEX ENERGY PARTNERS, LTD.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

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### 1. ORGANIZATION

Texex Energy Partners, Ltd. (the "Company") is a full-service marketing organization that purchases, transports, and sells natural gas primarily in the Gulf Coast, Midwest, East Coast, and New England markets. The Company was formed pursuant to the May 15, 1998 "Texas Revised Limited Partnership Act" and began operations on August 1, 1999 ("date of inception"). The Company received capital contributions from its partners of cash, property and equipment, and limited partnership interests.

On November 1, 2001, the Company was assigned a 99% partnership interest in Utilities Resource Solutions, Ltd. ("URS"). The result of operations of URS are included in the Company's financial statements from the date of assignment. Had the results of URS been included in the Company's consolidated financial statements from the date of inception of URS, the Company's revenues and net income would have been increased by \$7,452,075 and \$25,555 respectively. URS provides natural gas to end-use retail customers predominately in the Midwest and East Coast markets. URS was formed pursuant to the May 15, 1998 "Texas Revised Limited Partnership Act" and began operations on January 17, 2001. The Company purchases natural gas on behalf of URS from utility companies and URS sells to retail customers.

The partners share operating profits and losses in direct proportion to their respective ownership interests.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Cash and Cash Equivalents* - For purposes of the statement of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

*Investments in Unconsolidated Affiliates* - The Company invests as a limited partner in various partnerships. These investments are recorded at cost and subsequently carried at either the original recorded value or net realizable value, if lower. The equity method is used to account for the Company's investment in Engroup Resources, L.P. because the Company has the ability to exercise significant influence over the investee's operating and financial policies. All other investments are accounted for under the cost method because the Company does not have the ability to exercise significant influence over the investee's operating and financial policies.

*Property and Equipment* - Property and equipment consists of an automobile recorded at cost and will be depreciated using the straight-line method based on an estimated useful life of five years.

*Revenue Recognition* - Revenue is recognized by the Company using the following criteria: (a) persuasive evidence of an exchange arrangement exists, (b) delivery has occurred or services have been rendered, (c) the buyer's price is fixed or determinable, and (d) collectibility is reasonably assured. Utilizing these criteria, revenue is recognized when products are shipped or services are rendered. The Company's products and services are generally sold based upon signed contracts that have fixed or determinable prices and contain no right of return or significant post-delivery obligations. When the

contracts settle (i.e., services designated in the contract have been performed), a determination of the necessity of an allowance is made and recorded accordingly.

**Income Taxes** - The Company is classified as a partnership for federal income tax purposes. Therefore, income taxes are not levied at the Company level but, rather, on the individual owners ("Partners") of the Company. Accordingly, the accompanying financial statements do not include a provision for income taxes.

**Purchase and Sale Commitments** - The Company enters into various firm purchase and sale commitments for natural gas. Management does not anticipate that the execution of such transactions will result in any significant losses based on current market conditions.

**Accounting for Energy Contracts** - The Company follows the provisions of Emerging Issues Task Force Issue 98-10, "Accounting for Energy Trading and Risk Management Activities." The partnership utilizes mark to market accounting for its commodity contracts and derivative financial instruments. Under such method, these contracts and financial instruments are recorded at fair value based on estimates made at the discrete points in time based on relevant market information. Changes in the market value of these contracts are recognized in sales during the period of change. The resulting unrealized gains and losses are recorded as assets and liabilities from price risk management activities in the balance sheet. During the year ended December 31, 2001, the Company recognized trading gains of \$3,678,995. At December 31, 2001, trading assets and liabilities recognized on the balance sheet were \$8,400,349 and \$4,228,524, respectively.

**Reclassifications** - Certain reclassifications have been made to prior year's financial statements to conform to the current year presentation.

**Use of Estimates and Assumptions** - Use of estimates and assumptions by management that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period are required for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from these estimates.

**Fair Value of Financial Instruments** - The Partnership's financial instruments at December 31, 2000, consisted of cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities. The carrying amounts of the partnership's financial instruments approximate their fair values because of the short-term maturities of such instruments.

### 3. CREDIT ARRANGEMENTS

The Company and URS have a combined letter-of-credit facility with a bank. This facility is used for the purchase of natural gas by securing payments to suppliers. The facility is secured by cash, accounts receivable, and other assets of the Company. The amount of letters of credit issued and outstanding for product purchases at December 31, 2001 and 2000 were \$15,409,764 and \$14,096,000, respectively.

No liability is recorded for such outstanding letters of credit unless they are drawn upon by the customers of the Company. As of December 31, 2001, the Company had \$2,000,000 drawn on the line of credit, payable in January 2002, with an interest rate of 5.75%. The Company repaid this borrowing during January 2002.

As of December 31, 2001, the Company believes it was in compliance with all debt covenants under the credit facility.

#### 4. RISK MANAGEMENT

*Commodity Risk Management* - The Company engages in the trading of natural gas and experiences open positions at any given date. The Company manages open positions with strict policies which limit its exposure to market risk. In addition, there is continuous day-to-day involvement by senior management in these activities. The average life of the Company's gas risk portfolio was approximately 5 months at December 31, 2001.

*Market and Credit Risk* - The Company is subject to the risks inherent in the industry in which it operates, primarily, fluctuating prices of natural gas. These prices are subject to fluctuations in response to changes in supply, market uncertainty, and a variety of additional factors that are beyond the control of the Company. The credit risk exposure from counterparty nonperformance on natural gas forward contracts is generally the amount of unrealized gains under the contracts.

#### 5. RECENT ACCOUNTING DEVELOPMENTS

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended and interpreted. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. All derivatives, whether designated in hedging relationships or not, will be required to be recorded on the balance sheet at fair value. Adoption of SFAS No. 133, as amended, has not had, nor is it expected to have a material impact on the Company's results of operations, financial position, or cash flows.

In July 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting and broadens the criteria for recording intangible assets separate from goodwill. The adoption of SFAS No. 141 did not have an impact on the Company's historical results of operations or financial position. SFAS No. 142 provides for a nonamortization approach, whereby goodwill and certain intangibles with indefinite lives will not be amortized into results of operations, but instead will be reviewed periodically for impairment and written down and charged to results of operations only in the periods in which the recorded value of goodwill and certain intangibles with indefinite lives is more than its fair value. At December 31, 2001, there was no goodwill or other intangibles recorded on the Company's books; therefore, the adoption of SFAS No. 142 on January 31, 2002 is not expected to have any impact on the Company's results of operations or financial position.

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Texas Limited Partnership

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