

## OPERATING AGREEMENT

### 15. ENFORCEMENT OF OBLIGATIONS

#### 15.1 Failure to Meet Obligations.

##### 15.1.1 Suspension and Termination of Market Participant Rights.

PJM may limit, suspend or terminate a Market Participant's right to participate in any ~~market operated by PJM~~ Market if it determines that the Market Participant does not continue to meet the obligations set forth in any of the Agreements, including but not limited to the obligation to be in compliance with the terms, or operating characteristics of any of its prior scheduled transactions in any market operated by PJM, the creditworthiness requirements set forth in Tariff, Attachment Q and/or the obligation to make timely payment, provided that PJM and/or PJMSettlement has notified the Market Participant of any such deficiency and afforded the Market Participant a reasonable opportunity to cure pursuant to section 15.1.3 below, or Tariff, Attachment Q, as applicable. PJM shall reinstate a Market Participant's right to participate in any ~~market operated by PJM~~ Market upon a determination by PJM and/or PJMSettlement that the Market Participant has satisfied the applicable requirements and is in compliance with the obligations set forth in the Agreements.

##### 15.1.6 Reinstatement of Member Following Default and Remedy

- a. A Member that has been declared in default, solely of PJM's creditworthiness standards, or fails to otherwise comply with PJM's credit policies as more fully described in Tariff, Attachment Q, once within any 12 month period may be reinstated in full after remedying such default and satisfying any requirements imposed upon the Member as a result of the default.
- b. A Member that has been declared in default of any of the Agreements for failing to: (i) make timely payments when due once during any prior 12 month period, or (ii) adhere to PJM's creditworthiness standards and credit policies, twice during any prior 12 month period, may be subject to the following restrictions:
  - a) Loss of stakeholder privileges, including voting privileges, for 12 months following such default; and
  - b) Loss of the allowance of unsecured credit for 12 months following such default
- c. A Member that has been declared in default of this Agreement for failing to: (i) make timely payments when due twice during any prior 12 month period, or (ii) adhere to PJM's creditworthiness standards and credit policies, three times during any prior 12 month period, shall, except as provided for in section 15.1.6(d) below, not be eligible to be reinstated as a Member to this Agreement and its membership rights pursuant to this Agreement shall be terminated in accordance with Operating Agreement, section 4.1(c), notwithstanding whether such default has been remedied. Furthermore:
  - a) PJMSettlement shall close out and liquidate all of the Member's current and

forward positions in accordance with the provisions of this Agreement and the PJM Tariff; and

b) A Member terminated in accordance with these provisions, ~~and Principals,~~ shall be precluded from seeking future membership in PJM under this Agreement whether in the name of the Member when it was terminated from PJM membership ~~and/or~~ as a new Applicant under a different name, affiliation, or organization ~~that should be treated as if~~ the Member ~~that or new Applicant~~ experienced a previous default that resulted in a loss to the PJM Markets and was terminated from membership. ~~Such determination regarding a new~~ Whether an Applicant shall should be considered the same as a Member that previously defaulted will be determined based on the factors that may include, but are not limited to, the interconnectedness of the business relationships, overlap in relevant personnel, similarity of business activities, overlap of customer base, and the business engaged in prior to the attempted re-entry through another entity or the same entity using a different name identified in Operating Agreement, Schedule 1, section 1.4.8, and the parallel provisions of Tariff, Attachment K-Appendix, section 1.4.8.

d. A Member may appeal a determination made pursuant to the foregoing procedures utilizing PJM's Dispute Resolution Procedures as set forth in Operating Agreement, Schedule 5, (provided, however, that a Member's decision to utilize these procedures shall not operate to stay the ability of PJM to exercise any and all of its rights under this Agreement and the PJM Tariff) and may be reinstated provided that the Member can demonstrate the following:

- a) that it has otherwise consistently complied with its obligations under this Agreement and the PJM Tariff; and
- b) the failure to comply was not material; and
- c) the failure to comply was due in large part to conditions that were not in the common course of business.