UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report
(Date of earliest event reported): July 9, 2007

SEMPRA ENERGY
(Exact name of registrant as specified in its charter)

CALIFORNIA	1-14201	33-0732627
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

101 ASH STREET, SAN DIEGO, CALIFORNIA	92101
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (619) 696-2034

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement.

On July 9, 2007, Sempra Energy and The Royal Bank of Scotland plc ("RBS") entered into an agreement to form a partnership, RBS Sempra Commodities LLP, to purchase and operate Sempra Energy's commodity-marketing businesses.

Pursuant to a Master Formation and Equity Interest Purchase Agreement (the "Formation Agreement") filed as an exhibit to this report, RBS Sempra Commodities will be formed as a United Kingdom limited liability partnership in which Sempra Energy and RBS will make initial equity investments of $1.3 billion and $1.355 billion, respectively. The partnership concurrently will purchase Sempra Energy's commodity-marketing subsidiaries at a price (after deducting certain expenses to be paid by Sempra Energy in terminating pre-existing contractual arrangements) equal to their book value computed on the basis of international financial reporting standards ("IFRS"). RBS will provide any additional funding required for the ongoing operating expenses of the partnership's businesses.

RBS Sempra Commodities will initially be governed by a board of seven directors, three appointed by Sempra Energy and four by RBS. The consent of Sempra Energy will be required before the partnership may take certain significant actions, including materially changing the scope of the partnership's businesses, issuing credit support outside the ordinary course, incurring certain types of indebtedness and entering into agreements of significant size or duration, all as more fully specified in the Limited Liability Partnership Agreement (the "LLP Agreement") that is filed as an exhibit to this report.

Sempra Energy and RBS intend that RBS Sempra Commodities will distribute all of its net income on an annual basis, although under the LLP Agreement distributions are within the discretion of the Board of Directors. Subject to certain limited exceptions, partnership pre-tax income, calculated in accordance with IFRS, will be allocated as follows:

- Sempra Energy will receive a preferred 15 percent return on its adjusted equity capital (initially, $1.3 billion);
- RBS will receive a preferred 15 percent return on any capital in excess of capital attributable to Sempra Energy that is required by the U.K. Financial Services Authority (the "FSA") to be maintained by RBS in respect of the operations of the partnership;
- Sempra Energy will receive 70 percent of the next $500 million in pre-tax income, with RBS receiving the remaining 30 percent; and
- Sempra Energy will receive 30 percent, and RBS 70 percent, of any remaining pre-tax income.

Any losses of the partnership would be shared equally between Sempra Energy and RBS.

Sempra Energy will not be required to invest additional capital in RBS Sempra Commodities beyond its initial capital investment of $1.3 billion although, in limited cases, earnings allocable to Sempra Energy may be retained by the partnership to replenish capital depleted through losses. However, Sempra Energy will be permitted to provide additional capital of up to $200 million to the partnership, and RBS will have the right to contribute additional capital on an equal basis, to the extent that capital required by the FSA to be maintained by RBS in respect of the partnership exceeds $2.45 billion.

RBS and Sempra Energy will use commercially reasonable efforts to terminate Sempra Energy's credit support arrangements for the commodity-marketing businesses to be purchased by RBS Sempra Commodities or to replace them with credit support provided by RBS. To the extent that Sempra Energy's credit support cannot be terminated or replaced, RBS will indemnify Sempra Energy for any claims or losses arising in connection with those arrangements. A copy of the Indemnity Agreement relating to these indemnification obligations is filed as an exhibit to this report.

For a period of four years following the closing of the RBS Sempra Commodities purchase of Sempra Energy's commodity-marketing businesses, each of RBS and Sempra Energy will agree to certain limitations on their ability to compete with the partnership. RBS will agree not to compete with certain core business activities of the

partnership (defined to include trading, processing and tolling of, and derivatives and certain other transactions in, oil and oil byproducts, electricity, natural gas, liquefied natural gas, base metals, coal, liquefied petroleum gas, biofuels, carbon credits and emissions credits) or to acquire an equity interest in any entity whose principal business involves activities that are competitive with the partnership's core business activities. If RBS were to acquire an equity interest in excess of agreed upon thresholds in entities whose activities include, but are not principally comprised of, those that are competitive with the partnership's core business activities, RBS and Sempra Energy would engage in good faith negotiations to combine the activities of such competitor with those of the partnership, and if RBS and Sempra Energy are not able to agree on terms within six months, RBS would be required to offer the partnership an opportunity to act as the counterparty with respect to certain significant commodities hedging, supply and offtake opportunities generated by RBS's other business activities in the areas of project finance and structured finance.

Sempra Energy will also agree to limitations, mirroring those to which RBS will be subject, on its ability to acquire equity interests in entities competing with the core business activities of RBS Sempra Commodities. Certain Sempra Energy non-utility businesses will also be required, subject to risk concentration policies, to offer the partnership an opportunity to act as the counterparty to Sempra Energy in certain transactions that are competitive with the core business activities of the partnership.

For a period of four years following the closing, neither RBS nor Sempra Energy will be permitted to sell or assign its interest in the partnership. Following this four-year period, if Sempra Energy were to desire to sell its interest, it would be required to so notify RBS and, unless RBS notifies Sempra Energy that it is not interested in purchasing such interest, negotiate with RBS to determine a price at which the interest would be sold to RBS. If Sempra Energy and RBS were unable to agree upon a price at which the interest would be sold to RBS, either party would be permitted to request that the price be submitted for binding arbitration. If the other party assents to that request, the interest will be sold to RBS at a price determined by arbitration subject to a maximum price of $3.5 billion in the fourth year following the closing and increasing by 2.5% per year to a maximum of $4 billion. If RBS declines to arbitrate, Sempra Energy may sell its interest to a third party upon terms no more favorable than those at which the interest was offered to RBS. If the third party purchaser is a bank or broker-dealer, a majority owned or controlled affiliate of a bank or broker-dealer or a hedge fund controlled by such an entity or has a credit rating lower than Sempra Energy's, the third party purchaser must also be reasonably acceptable to RBS.

If RBS were to desire to sell its interest in RBS Sempra Commodities after such four-year period, it would be required to provide Sempra Energy with the opportunity to make the first offer to acquire the interest and would be prohibited from subsequently selling the interest to a third party upon terms less favorable than those offered by Sempra Energy. The LLP Agreement will also provide Sempra Energy with the right to "tag-along" in connection with any sale of RBS's interest in the partnership to a third party.

In addition, if RBS were to fail to fund RBS Sempra Commodities consistent with its commitments and intentions and did not cure that failure within a specified period following notice from Sempra Energy, Sempra Energy would have the right to purchase RBS's interest in the partnership at book value.

The closing is expected to occur prior to the end of 2007, and either RBS or Sempra Energy may unilaterally terminate the Formation Agreement if the closing does not occur by June 30, 2008. The closing is subject to customary closing conditions and the approval of regulatory authorities including the FSA, the U.S. Federal Reserve Board and the U.S. Federal Energy Regulatory Commission. With certain exceptions, the representations and warranties contained in the Formation Agreement will survive the closing, and subject to certain limitations, Sempra Energy will indemnify RBS for its out-of-pocket damages resulting from breaches of Sempra Energy's representations, warranties and covenants. Sempra Energy will also indemnify the partnership for liabilities in respect of certain litigation and taxes relating to the businesses to be purchased by the partnership. RBS, subject to certain limitations, will indemnify Sempra Energy for its out-of-pocket damages resul ting from breaches of RBS's representations, warranties and covenants.

Copies of the LLP Agreement, the Formation Agreement and the Indemnity Agreement are attached as Exhibits 10.1, 10.2 and 10.3, respectively, and are incorporated herein by reference. The foregoing summary is qualified in its entirety by reference to each of the LLP Agreement, the Formation Agreement and the Indemnity Agreement.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit 10.1	Form of Limited Liability Partnership Agreement of RBS Sempra Commodities LLP among The Royal Bank of Scotland plc, Sempra Global, Sempra Energy Trading International, B.V., RBS Sempra Commodities LLP and Sempra Energy
Exhibit 10.2	Master Formation and Equity Interest Purchase Agreement, dated as of July 9, 2007, by and among Sempra Energy, Sempra Global, Sempra Energy Trading International, B.V. and The Royal Bank of Scotland plc
Exhibit 10.3	Form of Indemnity Agreement among Sempra Energy and The Royal Bank of Scotland plc.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SEMPRA ENERGY
(Registrant)

Date: July 9, 2007

By: / S/ Joseph A. Householder
Joseph A. Householder
Sr. Vice President and Controller

10.1
Exhibit A - Form of LLP Agreement

Dated [●]

THE ROYAL BANK OF SCOTLAND plc

and

SEMPRA GLOBAL

and

SEMPRA ENERGY TRADING INTERNATIONAL, B.V.

and

RBS SEMPRA COMMODITIES LLP

and

SEMPRA ENERGY
(solely for the purposes of Clauses 13.1, 15.1, 15.2, 17 and 18.15)

LIMITED LIABILITY PARTNERSHIP AGREEMENT

This Agreement is made on [●] between:

(1) **The Royal Bank of Scotland plc**, a public limited company incorporated in Scotland whose registered office is at 36 St Andrew Square, Edinburgh EH2 2YB ("**RBS**");

(2) **Sempra Global**, a corporation duly organised and existing under the laws of California, USA whose registered office is at 101 Ash, San Diego, California 92101, USA (Sempra Global, or such other Qualifying Subsidiary as Sempra Energy may designate prior to the date hereof, "**SG**");

(3) **Sempra Energy Trading International, B.V.**, a company formed under the laws of the Netherlands whose registered office is at Olympic Plaza, Fred. Roeskestraat 123, 1076 EE Amersterdam, the Netherlands (Sempra Energy Trading International, B.V., or such other Qualifying Subsidiary as Sempra Energy may designate prior to the date hereof, "**SETI**");

(4) **Sempra Energy**, a corporation duly organised and existing under the laws of California, USA whose registered office is at 101 Ash, San Diego, California 92101, USA ("**Sempra Energy**"); and

(5) **RBS Sempra Commodities LLP**, a limited liability partnership formed under the United Kingdom Limited Liability Partnership Act 2000 and the regulations made thereunder whose registered office is at [●] (the "**Partnership**").

Whereas:

(A) Sempra Energy, SG, SETI and RBS entered into a Master Formation and Equity Interest Purchase Agreement on July 9, 2007 which provides for RBS and Sempra Energy to contribute cash and cash equivalents to the Partnership to fund the purchase by the Partnership of the SET Companies and the repayment to Sempra Energy of inter-company debt.

(B) The Partnership was incorporated in England under the Act (as defined below) under partnership no. [OC ●] on ● 2007 pursuant to the Incorporation Document.

(C) [*RBS Entity*] and [*RBS Entity*] were the Members of the Partnership on incorporation.

(D) The parties to this Agreement wish to enter into this Limited Liability Partnership Agreement to govern the future operation of the Partnership and the mutual rights and duties of its Members.

(E) RBS and the members of the SET Group have entered into that certain Commodities Trading Activities Master Agreement dated as of the date hereof (the "**Commodities Trading Activities Master Agreement**") pursuant to which the SET Group will engage in the SET Business as agent on behalf of RBS and the Partnership will make its capital available to RBS, and will assume the risk of loss, in connection with the SET Business.

It is agreed as follows:

1 Interpretation

1.1 Definitions

In this Agreement unless the context otherwise requires:

"**AAA**" has the meaning provided in Clause 19.2.1;

“**AAA Rules**” has the meaning provided in Clause 19.2.1;

“**Accession Deed**” means a deed in the form set out in Schedule 1 pursuant to which a Person agrees to become a Member and accedes to this Agreement;

“**Accounting Dispute Notice**” has the meaning provided in Clause 13.1.3(ix);

“**Accounting Expert**” has the meaning provided in Clause 13.1.3(ix);

“**Accounts**” has the meaning provided in Clause 6.2.3;

“**Acquiror**” has the meaning provided in Clause 16.3.4;

“**Act**” means the United Kingdom Limited Liability Partnerships Act 2000, as amended from time to time;

“**Adjusted Contribution Amounts**” means the RBS Adjusted Contribution Amount and the Sempra Adjusted Contribution Amount;

“**Adjusted Global Net Income**” means, for any Financial Year, the Post-Tax consolidated income of the SET Group, determined in accordance with IFRS, *plus* the Aggregate Transfer Pricing Adjustment; *provided* that any items that are specifically addressed in Clause 7.8 shall be excluded from the computation of Adjusted Global Net Income. For purposes of this definition, “**Post-Tax**” means a computation made after deductions of any Taxes incurred by the SET Group and any irrecoverable VAT incurred by RBS or the SET Group as a result of the Contributions, as set forth in Section 2.2 of the Master Formation and Equity Interest Purchase Agreement or in the course of conduct of the Business but not including Taxes (other than VAT described in the previous clause of this sentence) of any Member in respect of its respective share of Partnershi p Net Income or Partnership Net Loss;

“**Adjusted Global Net Loss**” means, for any Financial Year, the Post-Tax consolidated loss of the SET Group, determined in accordance with IFRS, *plus* the Aggregate Transfer Pricing Adjustment; *provided* that any items that are specifically addressed in Clause 7.8 shall be excluded from the computation of Adjusted Global Net Loss. For purposes of this definition, “**Post-Tax**” means a computation made after deductions of any Taxes incurred by the SET Group and any irrecoverable VAT incurred by RBS or the SET Group as a result of the Contributions, as set forth in Section 2.2 of the Master Formation and Equity Interest Purchase Agreement or in the course of conduct of the Business but not including Taxes (other than VAT described in the previous clause of this sentence) of any Member in respect of its respective share of Partnership Net Income or Partnership Net Loss;

“**Affiliate Conduct Rules and Plans**” means any laws, rules, regulations, directives, judgements, decrees or orders that are promulgated or imposed by the United States Federal Energy Regulatory Commission, the public utility commission of any State of the United States (including the California Public Utility Commission) or any similar utility or energy regulatory bodies (for the avoidance of doubt, excluding the FSA) and that are applicable to Sempra Energy or its affiliates, including any codes of conduct, standards of conduct, compliance plans or interlocking directorate rules pertaining to Sempra Energy or its affiliates or adopted by Sempra Energy or its affiliates as it or they reasonably deem necessary to comply with such laws, rules and regulations, as in effect from time to time and, as to codes of conduct and standards of conduct adopted internally, of which the Partnership has been notified in writing (such internal codes and standards as in effect as of the Closing being attached hereto as Schedule 2);

"**Aggregate Transfer Pricing Adjustment**" means, with respect to any Financial Year, the aggregate amount by which payments by the members of the SET Group during such Financial Year to any Member, or any Associated Company thereof, in respect of any goods or services, the provision of which is subject to the affiliate pricing terms set forth in Clause 13.3, exceed (or are less than, as the case may be), as a result of adjustments required by an applicable Tax authority, the amount that would have been paid had such provision of goods or services been on the pricing terms set forth in Clause 13.3;

"**Agreement**" means this Limited Liability Partnership Agreement;

"**Allocation Percentages**" means each of the RBS Allocation Percentage and the Sempra Allocation Percentage;

"**Allocation Percentage Calculation Date**" has the meaning provided in Clause 7.1;

"**Applicable Laws**" means, with respect to any Person, any laws, rules, regulations, directives, treaties, judgements, decrees, Governmental Authorisations or orders of any Governmental Body that are applicable to and binding on such Person;

"**Arbitration Demand**" has the meaning provided in Clause 19.2.1;

"**Associated Companies**" means, in relation to any Person, any holding company, subsidiary, subsidiary undertaking or any other subsidiaries or subsidiary undertakings of any such holding company; *provided* that: (i) with respect to the Sempra Members, "Associated Companies" does not include the Sempra Utilities or any other Person now or hereafter owned by Sempra Energy or any of its Associated Companies, that is subject to cost-based rate regulation and regulation as to service by any state, federal or foreign governmental authority and owns or operates facilities used for (a) the generation, transmission, or distribution of electric energy for sale, (b) the distribution of natural or manufactured gas for heat, light, or power or (c) the collection, treatment and distribution of water for sale; (ii) with respect to RBS, Sempr a Energy or any Member, "Associated Companies" shall not include any member of the SET Group; and (iii) with respect to any Person, "Associated Companies" shall not include (a) any holding company resulting from an acquisition of such Person by another Person, which other Person was not, prior to such acquisition, an Associated Company of such Person or (b) any subsidiary or subsidiary undertaking of a holding company described in clause (iii)(a) that was, prior to such acquisition, a subsidiary or subsidiary undertaking, respectively, of such holding company;

"**Auditors**" means the auditors of the Partnership from time to time as appointed pursuant to Clause 6.3.8 by the Designated Members;

"**Average Net Trading Revenue**" means, with respect to any Person, the average, for the most recent three years for which financial statements are available for such Person, of the total annual net revenue for such Person, determined in accordance with IFRS or GAAP, as applicable, it being understood that net revenues (i) with respect to any trading activity shall mean the total realized gains, unrealized mark-to-market gains and fee and interest income generated by trading activities, net of interest expense and transaction fees and expenses attributable to such trading activity for such period and (ii) with respect to any other transactions, the net revenues as reflected in such financial statements;

"**Board**" means the Board of Directors of the Partnership constituted in accordance with Clause 12 or, where the context requires, any authorised committee thereof;

“**Business**” has the meaning provided in Clause 3.1;

“**Business Day**” means a day which is not a Saturday or Sunday or a bank or public holiday in England and Wales or the United States;

“**Buyback Consideration**” has the meaning provided in Clause 13.1.3(ii);

“**Capital Account**” has the meaning provided in Clause 11.3.1;

“**Capital Model**” means the model, system or methodology reasonably used by RBS in the calculation of the total regulatory capital required to be maintained by the RBS Group to satisfy the requirements from time to time of the FSA (or such other entity as may be RBS’s principal prudential regulatory authority), solely by reason of the operation of the Business;

“**Carrying Value**” means, with respect to any asset of the Partnership, such asset’s adjusted basis for U.S. federal income tax purposes, except that the Carrying Values of all assets of the Partnership shall be adjusted to equal their respective fair market values, in accordance with the rules set forth in Treasury Regulations section 1.704-1(b)(2)(iv)(f), except as otherwise provided herein, as of: (i) the date of the acquisition of any additional partnership interests by any new or existing Members in exchange for more than a *de minimis* capital contribution, other than pursuant to the initial formation of the Membership; (ii) the date of the distribution of more than a *de minimis* amount of assets of the Partnership to a Member; (iii) the date any partnership interests are relinquished to the Partnership; (iv) the date of the termination of the Partner ship under section 708(b)(i)(B) of the Code; and (v) the date on which any of the Partnership’s Financial Years ends; *provided*, *however*, that the adjustments pursuant to clauses (i), (ii), (iii) and (v) above shall be made only if and to the extent such adjustments are deemed necessary or appropriate by the Board to reflect the relative economic interests of the Members. The Carrying Value of any asset of the Partnership distributed to any Member shall be adjusted immediately prior to such distribution to equal its fair market value and depreciation shall be calculated by reference to Carrying Value, instead of tax basis, once Carrying Value differs from tax basis. The Carrying Value of any asset contributed (or deemed contributed under Treasury Regulations section 1.704-1(b)(1)(iv)) by a Member to the Partnership will be the fair market value of such asset at the date of its contribution thereto. Upon an adjustment to Carrying Value of any asset pursuant to this definition of Carryi ng Value, the amount of the adjustment shall be included as gain or loss in computing book income or loss for purposes of maintaining Capital Accounts hereunder. For the avoidance of doubt, the initial Carrying Value of assets acquired pursuant to the Master Formation and Equity Interest Purchase Agreement shall be equal to the amount allocated to such asset pursuant to Section 10.3(f) of the Master Formation and Equity Interest Purchase Agreement;

“**Cause**” means any of the following causes:

(a) the Director is prohibited by law from holding office or any other position of responsibility within a limited liability partnership or body corporate;

(b) the Director becomes bankrupt or makes any arrangement or composition with his creditors;

(c) the Director is, or may be, suffering from a mental disorder and either:

(i) he is admitted to a hospital in pursuance of an application for admission to treatment under the Mental Health Act 1983 (or, in Scotland, an application for admission for treatment under the Mental Health (Scotland) Act 1960) or under

any comparable Applicable Law outside the United Kingdom; or

(ii) an order is made by a court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to his property or affairs;

(d) the Director resigns his office by notice to the Partnership;

(e) the Director shall for more than six consecutive months have been absent (without permission of the other Directors) from meetings of Directors held during that period and the Directors resolve that his office be vacated; or

(f) the Director is prohibited by any Governmental Body from holding office in relation to the Business;

"**Closing**" has the meaning provided in the Master Formation and Equity Interest Purchase Agreement;

"**Code**" means the United States Internal Revenue Code of 1986, as amended from time to time, or any successor statute;

"**Commodity**" shall have the meaning assigned to such term in the United States Commodity Exchange Act as in effect on the date of this Agreement;

"**Commodity Transaction**" means (i) spot, forward, futures, option, deposit, consignment, loan, lease, swap, exchange, sale, purchase and repurchase (including reverse repurchase and prepaid forward transactions) transactions, hedge transactions, allocated transactions, unallocated transactions, forward rate agreements, cap agreements, floor agreements, collar agreements, or any combination thereof or option or derivative thereon or similar transaction, in any case involving any Commodity or indices on, or comprised of, any Commodity; (ii) dealing, market-making, clearing, brokering, trading, marketing, buying, selling or distributing Commodities or transactions of the type described in clause (i) of this definition; and (iii) refining, processing, blending, tolling, otherwise altering, producing, marketing, distributing (at wholesale and retail), stor ing, shipping, transporting and generating Commodities through agreements with third parties;

"**Commodities Trading Activities Master Agreement**" has the meaning provided in the recitals hereto;

"**Companies Act**" means the United Kingdom Companies Act 1985 (as applied by the LLP Regulations in relation to limited liability partnerships), as amended from time to time;

"**Confidential Information**" has the meaning provided in Clause 17.1;

"**Contract**" has the meaning provided in the Master Formation and Equity Interest Purchase Agreement;

"**Contribution**" means any money or assets paid or contributed into the account of or transferred into the ownership of the Partnership by a Member;

"**Designated Members**" means those persons specified as Designated Members in the Incorporation Document and Persons who subsequently become Designated Members pursuant to Clause 4.2, in each case, who have not ceased to be Members;

"**Directors**" means the individuals appointed as directors of the Partnership pursuant to Clause 12.1.1, with respect to the directors appointed on the date hereof, or Clause 12.1.2, thereafter;

"**Dollars**" and the symbol "**$**" each means lawful money of the United States of America;

"**Escrowed Amount**" has the meaning provided in Clause 7.3.3(i);

"**Estimated Buyback Consideration**" has the meaning provided in Clause 13.1.3(ii);

"**Exit**" means the closing of any purchase pursuant to Clause 13.1.3;

"**Exit Price Cap**" means (i) in the Financial Year in which the Restricted Period terminates, an amount equal to $3,500,000,000 *plus* the amount by which the Sempra Adjusted Contribution Amount exceeds $1,300,000,000 on the date of the relevant Outside Transfer Notice and (ii) for each year thereafter, an amount equal to the amount specified in clause (i) increased at a rate of 2.5% per annum, compounded annually; *provided* that, in no case shall the Exit Price Cap exceed $4,000,000,000 *plus* the amount by which the Sempra Adjusted Contribution Amount exceeds $1,300,000,000 on the date of the relevant Outside Transfer Notice;

"**Final Balance Sheet**" has the meaning provided in the Master Formation and Equity Interest Purchase Agreement;

"**Final Buyback Consideration**" has the meaning provided in Clause 13.1.3(viii);

"**Financial Quarter**" means any quarterly period ending on the last day of March, June, September or December of any Financial Year (or any portion thereof with respect to any Financial Year that does not span four full quarterly periods);

"**Financial Year**" means a year ending on the Year End Date (ignoring, for purposes of this definition, any days prior to the date of the Closing, and, in the year in which the liquidation of the Partnership or an Exit occurs, any days after completion of liquidation of the Partnership or the Exit);

"**Fitch**" means Fitch Ratings Ltd., Fitch, Inc., their subsidiaries, including Derivative Fitch, Inc. and Derivative Fitch Ltd.;

"**FSA**" means the Financial Services Authority of the United Kingdom or any successor body to that entity from time to time;

"**Fund**" has the meaning provided in Clause 15.1.4;

"**GAAP**" means United States generally accepted accounting principles in effect from time to time;

"**Governmental Authorisation**" means any (i) approval, consent, ratification, waiver or other authorisation; (ii) licence, qualification, certificate, franchise, confirmation, registration, clearance or permit; or (iii) preliminary or final order, writ, injunction, judgement, decree, ruling, assessment or arbitration award, in each case, issued, granted, given or otherwise made available by or under the authority of any Governmental Body or pursuant to any Applicable Law;

"**Governmental Body**" means any international, federal, state, local, municipal, foreign or other governmental or quasi-governmental authority or self-regulatory organisation of any nature (including any agency, branch, department, board, commission, court, tribunal or other entity exercising governmental or quasi-governmental powers) or exercising, or entitled or

purporting to exercise, any administrative, executive, judicial, legislative, enforcement, regulatory or taxing authority or power;

"**holding company**" has the meaning provided in the Companies Act;

"**IBA Rules**" has the meaning provided in Clause 19.2.7;

"**IFRS**" means International Financial Reporting Standards promulgated by the International Accounting Standards Board (which includes standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards issued under previous constitutions), together with its pronouncements thereon from time to time, applied on a consistent basis, and in each case, as adopted by the European Union;

"**Incorporation Document**" means the incorporation document of the Partnership lodged with the Registrar pursuant to the Act;

"**Indebtedness**" means with respect to any Person, and without duplication, any obligations of such Person (i) for borrowed money, (ii) evidenced by notes, bonds, debentures or similar instruments, (iii) for the deferred purchase price of goods or services (other than trade payables or accruals incurred in the ordinary course of business, including in connection with any trades, hedges or other transactions entered into in connection with the SET Group's trading activities), (iv) under capital leases and (v) in the nature of guarantees of the obligations described in clauses (i) through (iv) above of any other Person;

"**Indemnified Person**" has the meaning provided in the Master Formation and Equity Interest Purchase Agreement;

"**Indemnifying Person**" has the meaning provided in the Master Formation and Equity Interest Purchase Agreement;

"**Indication Notice**" has the meaning provided in Clause 16.3.2(ii);

"**Internal Audit Plan**" has the meaning provided in Clause 6.3.1;

"**LIBOR**" means the British Bankers Association Interest Settlement Rate for deposits in US Dollars for a period determined in accordance with Clause 13.2.3 which appears on the relevant Reuters Screen at approximately 11:00 am (London time) two (2) Business Days before the first day of the period specified in respect of which interest (or any amount equivalent to interest) is to be calculated (or in the case of an overnight rate, the value date shall be the same Business Day as the fixing rate with the maturity date falling on the next Business Day), and if no such screen rate is available, the replacement rate or service selected by the Partnership after consultation with the Members;

"**LLP Regulations**" means the United Kingdom Limited Liability Partnerships Regulations 2001;

"**Major Competitor**" has the meaning provided in Clause 15.1.2;

"**Market Price Arrangements**" means any Commodity Transaction between any member of the SET Group, on the one hand, and Sempra Energy, RBS or any of their respective Associated Companies, on the other;

"**Master Formation and Equity Interest Purchase Agreement**" means the Master Formation and Equity Interest Purchase Agreement referenced in Recital (A);

“**Material Capital Imbalance**” means, with respect to any Financial Year, the condition that obtains when (i) the Sempra Adjusted Contribution Amount is less than $750,000,000, (ii) the Total FSA Regulatory Capital Attributed to the RBS Member Group is greater than three (3) times the Sempra Adjusted Contribution Amount and (iii) each of the conditions set forth in clauses (i) and (ii) is satisfied on the first day of such Financial Year (after giving effect to the application of Clause 9.1 for any preceding Financial Year) and was continuing for each of the two full consecutive Financial Years preceding such Financial Year (as determined based on the daily average of the Sempra Adjusted Contribution Amount during such two full consecutive Financial Years);

“**Member**” means any person who became a member of the Partnership on or prior to the date hereof and any person who from time to time becomes a member of the Partnership in accordance with this Agreement and, in each case, who is for the time being a member of the Partnership;

“**Minor Competitor**” has the meaning provided in Clause 15.1.3;

“**Moody’s**” means Moody’s Investors Service, Inc. or any successor thereto;

“**Name**” means the name from time to time determined in accordance with this Agreement to be the name of the Partnership;

“**Net Trading Revenue**” means, for any period, the total realized gains, unrealized mark-to-market gains and fee and interest income generated by trading activities, net of interest expense and transaction fees and expenses for such period in accordance with IFRS;

“**Non-Public Entity**” means any entity or group of related entities (or assets purchased from such an entity or group of related entities that constitute a line of business) that is not a Public Entity;

“**Non-US Business**” means that part of the Business which does not comprise the US Business;

“**Non-US Members**” means RBS and SETI;

“**Non-US Net Income**” means, in respect of any Financial Year, the extent to which the income and gains attributable to the Non-US Business (and taken into account in calculating the Adjusted Global Net Income or Adjusted Global Net Loss for that Financial Year) exceed the losses and deductions attributable to the Non-US Business (and taken into account in calculating the Adjusted Global Net Income or Adjusted Global Net Loss for that Financial Year). Notwithstanding this definition, any items that are specifically addressed in Clause 7.8 shall be excluded from the computation of Non-US Net Income;

“**Non-US Net Losses**” means, in respect of any Financial Year, the extent to which the losses and deductions attributable to the Non-US Business (and taken into account in calculating the Adjusted Global Net Income or Adjusted Global Net Loss for that Financial Year) exceed the income and gains attributable to the Non-US Business (and taken into account in calculating the Adjusted Global Net Income or Adjusted Global Net Loss for that Financial Year). Notwithstanding this definition, any items that are specifically addressed in Clause 7.8 shall be excluded from the computation of Non-US Net Loss;

“**Non-US Partnership Net Income**” and “**Non-US Partnership Net Loss**” means, for each Financial Year or other period of the Partnership, an amount equal to the Partnership’s taxable income or loss for such Financial Year of the Partnership or other period, as applicable, determined in accordance with Code section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Code section 703(a)(1) shall be included in taxable income or loss), with the adjustments described in Treasury Regulations section 1.704-1(b)(2)(iv) and taking into account only items of income, gain, loss and deduction attributable to the Non-US Business; *provided* that any items that are specifically allocated pursuant to Clause 11.3.3 shall be excluded from the computation of Non-US Partnership Net Income and Non-US Partnership Net Loss. The amount of items of income, gain, loss or deduction available to be specially allocated pursuant to Clause 11.3.3 shall be determined by applying rules analogous to those set forth in this definition;

“**Notice**” has the meaning provided in Clause 18.9.1;

“**Notice of Objection**” has the meaning provided in Clause 13.1.3(viii);

“**Offered Interest**” has the meaning provided in Clause 16.3.2(i);

“**Order**” has the meaning provided in Clause 7.3.2;

“**Out of Pocket and Tax Damages**” has the meaning provided in the Master Formation and Equity Interest Purchase Agreement;

“**Outside Transfer Notice**” has the meaning provided in Clause 16.3.2(i);

“**Partnership**” has the meaning provided in the preamble to this Agreement;

“**Partnership Election**” has the meaning provided in Clause 11.2;

“**Partnership Net Income**” and “**Partnership Net Loss**” means, for each Financial Year or other period of the Partnership, an amount equal to the Partnership’s taxable income or loss for such Financial Year of the Partnership or other period, as applicable, determined in accordance with Code section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Code section 703(a)(1) shall be included in taxable income or loss), with the adjustments described in Treasury Regulations section 1.704-1(b)(2)(iv); *provided* that any items that are specifically allocated pursuant to Clause 11.3.3 shall be excluded from the computation of Partnership Net Income and Partnership Net Loss. The amount of items of income, gain, loss or deduction available to be specially allocated pursuant to Clause 11.3.3 shall be determined by applying rules analogous to those set forth in this definition;

“**Person**” means any natural person, corporation, general partnership, limited partnership, limited liability company, joint venture, trust, union, proprietorship, Governmental Body or other entity, association or organisation of any nature, however and wherever organised or constituted;

“**Pre-Closing Tax Period**” means any taxable period of any member of the SET Group ending before the date of the Closing;

“**Proposed Buyback Consideration**” has the meaning provided in Clause 13.1.3(vii);

“**Prorated**” means, as applied to any number or percentage, to multiply such number or percentage by a fraction, the numerator of which is the number of days elapsed in the

applicable Financial Year (whether from the date of the Closing to the end of the Financial Year, as in the case of the Financial Year in which the Closing occurs, or from the first day of the Financial Year to the date of determination) and the denominator of which is 365;

"**Public Entity**" means any entity or group of related entities with a class of equity securities (or whose parent company, if such parent company is not Sempra Energy or RBS, has a class of equity securities) that is listed on a national securities exchange (within the meaning of the United States Securities Exchange Act of 1934) or an internationally recognised securities exchange outside the United States;

"**Purchase Notice**" has the meaning provided in Clause 13.1.3(i);

"**Qualifying Subsidiary**" means a Person that is a wholly-owned subsidiary or subsidiary undertaking of Sempra Energy other than the SET Companies and is an entity organized under the laws of (i) the United States, any state thereof or the District of Columbia if such Person would become a Member in place of SG or (ii) the Netherlands, or such other country as to which RBS has given its consent, if such Person would become a Member in place of SETI, provided that, in either case, the substitution of such subsidiary or subsidiary undertaking for SG or SETI, as the case may be, would not have an adverse Tax effect on the Partnership or RBS;

"**Ratings Agency**" means S&P, Fitch or Moody's (or any successor thereto);

"**Ratings Trigger**" means, with respect to Sempra Energy, Sempra Energy or the ultimate parent company of Sempra Energy (if not Sempra Energy) does not have a current rating for long-term unsecured unsubordinated debt published by any one Ratings Agency that is equivalent to or better than a rating of BBB- from S&P, and with respect to RBS, means RBS does not have a current rating for long-term unsecured unsubordinated debt published by any one Ratings Agency that is equivalent to or better than a rating of A+ from S&P;

"**RBS**" has the meaning provided in the preamble to this Agreement;

"**RBS Adjusted Contribution Amount**" means the amount of capital contributed to the Partnership on Closing by RBS, as set forth in Clause 5.1.1, as such amount may be reduced from time to time pursuant to Clause 8.1 and increased from time to time pursuant to Clause 5.5, 7.3.4 and Clause 9.1 and which amount may be a negative number;

"**RBS Allocation Percentage**" means, in respect of the relevant Financial Year, the aggregate of the amounts allocated to the RBS Member Group pursuant to Clause 7.1, expressed as a percentage of the Adjusted Global Net Income for the relevant Financial Year;

"**RBS Core Transaction**" has the meaning provided in Clause 15.1.3(ii)(a);

"**RBS Covered Areas**" means Commodity supply, offtake and hedging opportunities arising from the global project finance and structured finance businesses of RBS and its Associated Companies;

"**RBS Directors**" means the Directors appointed by RBS pursuant to Clause 12.1.1 or 12.1.2;

"**RBS Group**" means The Royal Bank of Scotland Group plc and its subsidiaries and subsidiary undertakings from time to time;

"**RBS Liquidation Amount**" has the meaning provided in Clause 16.4.1;

“**RBS Maximum Entitlement**” means, in respect of the relevant Financial Year, the RBS Member Group’s Unallocated Preferred Return, the RBS Member Group’s Preferred Return, the RBS Member Group’s Allocation of Tranche 1 and the RBS Member Group’s Allocation of Tranche 2; *provided* that, solely for purposes of Clause 9.1, the RBS Maximum Entitlement in any Financial Year shall not include any amounts that are treated as having been distributed pursuant to Clause 7.3.1 or 7.3.2 or that are retained pursuant to Clause 7.3.3 and that would otherwise be included in the RBS Maximum Entitlement for such Financial Year;

“**RBS Member Group**” means RBS, together with any of its Associated Companies which are also Members, collectively the “**RBS Members**” or the “**RBS Member Group**”;

“**RBS Member Group’s Allocation of Tranche 1**” means, with respect to any Financial Year, thirty percent (30%) of Tranche 1 or, if a Material Capital Imbalance has occurred and was continuing on the first day of such Financial Year, the RBS Regulatory Capital Percentage;

“**RBS Member Group’s Allocation of Tranche 2**” means seventy percent (70%) of Tranche 2;

“**RBS Member Group’s Preferred Return**” means, in respect of any Financial Year, (i) fifteen percent (15%) (or the Prorated percentage in the case of the Financial Year commencing upon Closing or any other Financial Year that is less than 12 months) of the Total FSA Regulatory Capital Attributed to the RBS Member Group for such Financial Year *minus* (ii) the portion of the Aggregate Transfer Pricing Adjustment attributable to payments made during such Financial Year by any member of the SET Group to any RBS Member or Associated Company thereof;

“**RBS Member Group’s Unallocated Preferred Return**” means, in respect of any Financial Year, the aggregate of the RBS Member Group’s Preferred Return from any previous Financial Year (if any) in respect of which, as a result of insufficient Adjusted Global Net Income, Adjusted Global Net Income has not previously been allocated to RBS pursuant to Clause 7.1;

“**RBS Permitted Competitive Activities**” means (i) proprietary trading and incidental activities that do not involve market-making, marketing, distributing, dealing or brokering activities; (ii) banking, lending, investment banking, financial asset management, financing (including project finance), sale-leasebacks and similar activities in respect of (a) SET Core Businesses, (b) Commodity producers and Commodity producing, (c) shipping, transportation or generating assets or (d) structured or asset purchase transactions, buyouts and restructurings; (iii) purchase of physical commodities for the RBS Group’s own consumption (e.g. the purchase of electricity to operate office facilities); (iv) the activities specified on Schedule 15.1.1 and (v) any activities incidental to those described in clauses (i) through (iv) above;

“**RBS Policies**” means the high level policies and guidelines of RBS generally applicable to members of the Global Banking and Markets division of the RBS Group in effect from time to time;

“**RBS Regulatory Capital Percentage**” means one-hundred percent (100%) *minus* the Sempra Regulatory Capital Percentage;

“**Registered Office**” has the meaning provided in Clause 2.2.2;

“**Registrar**” means the Registrar of Companies in England and Wales;

“**Related Agreement**” has the meaning provided in the Master Formation and Equity Interest Purchase Agreement;

“**Reserved Matters**” has the meaning provided in Clause 12.4.1;

“**Restricted Period**” means the period commencing on the date of this Agreement and ending on the date that is the fourth anniversary of the date of the Closing;

“**Right**” has the meaning provided in Clause 18.8;

“**Sempra Adjusted Contribution Amount**” means the SG Adjusted Contribution Amount *plus* the SETI Adjusted Contribution Amount (in each case whether positive or negative);

”**Sempra Allocation Percentage**” means, in respect of the relevant Financial Year, the aggregate of the amounts allocated to the Sempra Member Group pursuant to Clause 7.1, expressed as a percentage of the Adjusted Global Net Income for the relevant Financial Year;

“**Sempra Applicable Level**” has the meaning provided in Clause 9.1;

“**Sempra Core Transaction**” has the meaning provided in Clause 15.2.1;

“**Sempra Covered Units**“ means, collectively, the business units of Sempra Energy known, as of the date of this Agreement, as Sempra Generation and Sempra LNG and such business units as in the future may conduct the businesses currently conducted by such units;

“**Sempra Directors**” means the Directors appointed by the Sempra Member Group pursuant to Clause 12.1.1 or 12.1.2;

“**Sempra Energy**” has the meaning provided in the preamble to this Agreement;

“**Sempra Excess Capital**” means, on any day, an amount equal to (i) the Sempra Adjusted Contribution Amount on such day *minus* (ii) the greater of (a) the Total FSA Regulatory Capital Daily Amount on such day and (b) $1,300,000,000; *provided* that, if on any day the Sempra Excess Capital would be less than zero, then such amount shall be deemed to be zero for such day;

“**Sempra Group**” means Sempra Energy and its subsidiaries and subsidiary undertakings from time to time, including SG and SETI;

“**Sempra High Water Mark**” means, on any date, the lesser of (i) the highest Sempra Adjusted Contribution Amount at any time on or prior to such date and (ii) $1,500,000,000;

“**Sempra Liquidation Amount**” has the meaning provided in Clause 16.4.1;

“**Sempra Maximum Entitlement**” means, in respect of the relevant Financial Year, the Sempra Member Group’s Unallocated Preferred Return, the Sempra Member Group’s Preferred Return, the Sempra Member Group’s Allocation of Tranche 1 and the Sempra Member Group’s Allocation of Tranche 2; *provided* that, solely for purposes of Clause 9.1, the Sempra Maximum Entitlement in any Financial Year shall not include any amounts that are treated as having been distributed pursuant to Clause 7.3.1 or 7.3.2 or that are retained pursuant to Clause 7.3.3 and that would otherwise be included in the Sempra Maximum Entitlement for such Financial Year;

“**Sempra Member**” means each of SG and SETI, together with any of their Associated Companies that are also Members, which are collectively the “**Sempra Members**” or the “**Sempra Member Group**”;

“**Sempra Member Group’s Allocation of Tranche 1**” means, with respect to any Financial Year, seventy percent (70%) of Tranche 1 or, if a Material Capital Imbalance has occurred and

was continuing on the first day of such Financial Year, the Sempra Regulatory Capital Percentage;

"**Sempra Member Group's Allocation of Tranche 2**" means thirty percent (30%) of Tranche 2;

"**Sempra Member Group's Preferred Return**" means, in respect of any Financial Year, (x) the sum of (i) fifteen percent (15%) (or the Prorated percentage in the case of the Financial Year commencing upon Closing or any other Financial Year that is less than twelve (12) months) of the sum of (a) the Total FSA Regulatory Capital Attributed to the Sempra Member Group for such Financial Year and (b) the daily average, for such Financial Year, of distributions payable to any Sempra Member pursuant to Clause 7.2 or 7.3.4 with respect to any prior Financial Year that have not been distributed by the Partnership to such Sempra Member (other than distributions that are treated as having been distributed pursuant to Clause 7.3.1, 7.3.2 or 9.1 or that are retained pursuant to Clause 7.3.3) (for the purposes of this clause (x)(i)(b), such distributions sha ll be deemed to be payable beginning on the first day of the relevant Financial Year), (ii)(a) the daily average, for such Financial Year, of the Sempra Excess Capital *multiplied by* (b) LIBOR plus fifty (50) basis points, (iii)(a) the daily average, for such Financial Year, of the Sempra Undistributed Tax Payments *multiplied by* (b) LIBOR plus fifty (50) basis points and (iv) on and after the date that is the one year anniversary of the date of the Closing, any Excess Reserve Amount (as such term is defined in the Master Formation and Equity Interest Purchase Agreement) payable to any Sempra Member pursuant to Section 2.7 of the Master Formation and Equity Interest Purchase Agreement during such Financial Year *minus* (y) the portion of the Aggregate Transfer Pricing Adjustment attributable to payments made during such Financial Year by any member of the SET Group to any Sempra Member or Associated Company thereof;

"**Sempra Member Group's Unallocated Preferred Return**" means, in respect of any Financial Year, the aggregate of the Sempra Member Group's Preferred Return from any previous Financial Year (if any) in respect of which, as a result of insufficient Adjusted Global Net Income, Adjusted Global Net Income has not previously been allocated to any Sempra Member pursuant to Clause 7.1;

"**Sempra Regulatory Capital Percentage**" means, in respect of any Financial Year, the greater of (i) the product of (x) the percentage determined by *dividing* the daily average, for such Financial Year, of the Sempra Adjusted Contribution Amount *by* $1,300,000,000 and (y) seventy percent (70%) and (ii) thirty percent (30%);

"**Sempra Undistributed Tax Payment**" has the meaning provided in Clause 7.7.4;

"**Sempra Utilities**" means the entities listed on Schedule 3 and each of their respective subsidiaries or successors;

"**SET Business**" means engaging in the SET Core Businesses, the SET Non-Exclusive Businesses and other related activities, in each case, by the members of the SET Group (other than the Partnership);

"**SET Companies**" has the meaning provided in the Master Formation and Equity Interest Purchase Agreement;

"**SET Core Businesses**" means Commodity Transactions with respect to oil (and by-products thereof), electricity, natural gas, liquefied natural gas, base metals, coal, liquefied petroleum gas, biofuels, carbon credits and emissions credits;

“**SET Group**” means the Partnership and its subsidiaries and subsidiary undertakings from time to time, including, for the avoidance of doubt, each of the SET Companies;

“**SET Non-Exclusive Businesses**” means the following:

(a) Commodity Transactions other than the SET Core Businesses;

(b) investment of cash and other cash equivalents of the SET Group;

(c) financing of, or providing advisory or similar services in respect of, (i) Commodities, (ii) Commodity producers, (iii) Commodity producing, shipping, transportation or generating assets, and (iv) structured or asset purchase transactions, buyouts and restructurings with respect to any of the above items specified in clauses (i) through (iii), but excluding project finance, leveraged finance and corporate lending (but for the avoidance of doubt, not excluding SET Core Businesses or activities constituting SET Non-Exclusive Businesses of the type described in clause (a), (b), (d), (e) or (f) of this definition, even if such activities have a similar economic effect);

(d) transactions in currencies, interest rates, credit, freight and similar derivatives (provided that, in respect of such currency and interest rate business, transactions will be entered into only to hedge the exposures created by activities of the SET Group, as is otherwise incidental to the SET Business or as part of proprietary trading);

(e) trading equity securities and derivative instruments, the value of which is determined by reference to equity securities; and

(f) all other activities incidental to the foregoing activities;

“**SETI**” has the meaning provided in the preamble to this Agreement;

“**SETI Adjusted Contribution Amount**” means the capital contributed on Closing to the Partnership by SETI, as set forth in Clause 5.1.2, as such amount may be increased from time to time pursuant to Clauses 5.5, 5.6.3, 7.3.4, 7.4.3, 8.2 and 9.1 and reduced from time to time pursuant to Clause 5.6.2, 7.4.2 and 8.1 and which amount may be a negative number;

“**SG**” has the meaning provided in the preamble to this Agreement;

“**SG Adjusted Contribution Amount**” means the capital contributed on Closing to the Partnership by SG, as set forth in Clause 5.1.2, as such amount may be increased from time to time pursuant to Clauses 5.5, 5.6.2, 7.3.4, 7.4.3, 8.2 and 9.1 and reduced from time to time pursuant to Clause 5.6.3, 7.4.2 and 8.1 and which amount may be a negative number;

“**S&P**” means Standard & Poor’s Ratings Services or any successor thereto;

“**Straddle Period**” means any taxable period that begins before and ends after the date of the Closing;

“**subsidiary**” has the meaning provided in the Companies Act;

“**subsidiary undertaking**” has the meaning provided in the Companies Act;

“**Successor Exit Price Cap**” means (i) in the Financial Year in which the third anniversary of the relevant Successor Member’s admission to the Partnership occurs, an amount equal to the price paid by such Successor Member in respect of its interest in the Partnership *plus* the amount by which such Successor Member’s Adjusted Contribution Amount exceeds, on the date of the relevant Outside Transfer Notice, the greater of (a) $1,300,000,000 and (b) the

balance of the Adjusted Contribution Amount of the Sempra Member from which such Successor Member purchased its interest in the Partnership (or, if such Successor Member purchased the entire interest of the Sempra Member Group, the balance of the Sempra Adjusted Contribution Amount) immediately prior to the closing of such purchase and (ii) for each year thereafter, an amount equal to the amount specified in clause (i) increased at a rate of 2.5% per annum, compounded annually;

"**Successor Member**" has the meaning provided in Clause 16.3.3;

"**Tax**" means any income, capital gains, corporate, gross receipts, license, payroll, employment, excise, severance, stamp, stamp duty reserve tax, occupation, premium, property, environmental, windfall profit, customs, vehicle, airplane, boat, vessel or other title or registration, capital stock, franchise, employees' income withholding, foreign or domestic withholding, social security, unemployment, disability, real property, personal property, sales, use, transfer, documentary, value added, alternative, add on minimum and other tax, fee, assessment, levy, tariff, charge or duty of any kind whatsoever or however described and any interest, penalty, addition or additional amount thereon imposed, assessed or collected by or under the authority of any Governmental Body or payable under any tax sharing agreement or any other Contract;

"**Tax Return**" means any return (including any information return), report, statement, schedule, notice, form, declaration or claim for refund (including any amended return, report, statement, schedule, notice, form, declaration or claim for refund) filed with or submitted to, or required to be filed with or submitted to, any Governmental Body with respect to Taxes;

"**Third Party Commodities Trading Organisation**" means Goldman Sachs Group, Inc., Merrill Lynch & Co., Inc., Morgan Stanley, any subsidiary or affiliate of the foregoing or any other financial institution, hedge fund or other similar organisation whose primary business is engaging in Commodity Transactions, and which entity is not affiliated with RBS, Sempra Energy or any of their respective subsidiaries or subsidiary undertakings;

"**Total FSA Regulatory Capital**" means, in respect of any Financial Year, the daily average of the Total FSA Regulatory Capital Daily Amount during such Financial Year;

"**Total FSA Regulatory Capital Daily Amount**" means, on any day, the total regulatory capital required to be maintained for such day by the RBS Group with respect to the Business, as indicated by the Capital Model (which shall include, for the avoidance of doubt, any goodwill);

"**Total FSA Regulatory Capital Attributed to the RBS Member Group**" means, in respect of any Financial Year, the greater of (i) the Total FSA Regulatory Capital for such Financial Year *minus* the Total FSA Regulatory Capital Attributed to the Sempra Member Group for such Financial Year and (ii) zero;

"**Total FSA Regulatory Capital Attributed to the Sempra Member Group**" means, in respect of any Financial Year, the daily average of the Total FSA Regulatory Capital Attributed to the Sempra Member Group Daily Amount during such Financial Year;

"**Total FSA Regulatory Capital Attributed to the Sempra Member Group Daily Amount**" means the following:

(i) on any day during which the Total FSA Regulatory Capital Daily Amount is greater than or equal to both the Sempra Adjusted Contribution Amount on such day and $1,300,000,000, the Sempra Adjusted Contribution Amount on such day;

(ii) on any day during which the Total FSA Regulatory Capital Daily Amount is less than the Sempra Adjusted Contribution Amount but greater than or equal to $1,300,000,000, the Total FSA Regulatory Capital Daily Amount for such day; and

(iii) on any day during which the Total FSA Regulatory Capital Daily Amount is less than $1,300,000,000, the lesser of the Sempra Adjusted Contribution Amount on such day and $1,300,000,000;

provided that, if the Total FSA Regulatory Capital Attributed to the Sempra Member Group Daily Amount would be less than zero, such amount shall be deemed to be zero;

"**Trademark Licence Agreements**" means the Trademark Licence Agreement, dated as of the date hereof, between Sempra Energy and the Partnership and the Trademark License Agreement, dated as of the date hereof, between RBS and the Partnership, in each case, in such form as the parties hereto shall agree;

"**Trading Agreement**" has the meaning provided in the Master Formation and Equity Interest Purchase Agreement;

"**Tranche 1**" means, in respect of any Financial Year, an amount equal to the lesser of (i) $500,000,000 and (ii) the Adjusted Global Net Income for such Financial Year less the sum of (w) the Sempra Member Group's Unallocated Preferred Return, *plus* (x) the RBS Member Group's Unallocated Preferred Return, *plus* (y) the Sempra Member Group's Preferred Return, *plus* (z) the RBS Member Group's Preferred Return; *provided* that, with respect to any Financial Year that is less than twelve (12) calendar months (including for purposes of calculations pursuant to Clause 13.1.3 or 16.3), the amount set forth in clause (i) of this definition shall be Prorated;

"**Tranche 2**" means, in respect of any Financial Year in which Tranche 1 is $500,000,000 (or, with respect to any Financial Year for which Tranche 1 is Prorated, such Prorated amount), the Adjusted Global Net Income less the sum of (i) the Sempra Member Group's Unallocated Preferred Return, *plus* (ii) the RBS Member Group's Unallocated Preferred Return, *plus* (iii) the Sempra Member Group's Preferred Return, *plus* (iv) the RBS Member Group's Preferred Return, *plus* (v) Tranche 1, and in respect of any Financial Year in which Tranche 1 is less than $500,000,000 (or, with respect to any Financial Year for which Tranche 1 is Prorated, such Prorated amount), $0;

"**Transfer**" has the meaning provided in Clause 4.6;

"**Transferred Company Interests**" has the meaning provided in the Master Formation and Equity Interest Purchase Agreement;

"**Treasury Regulations**" means the United States federal income tax regulations promulgated under the Code, as such Treasury Regulations may be amended from time to time (it being understood that all reference herein to specific sections of the Treasury Regulations shall be deemed also to refer to any corresponding provision of succeeding Treasury Regulations);

"**US Business**" means that part of the Business conducted, directly or indirectly, by any member of the SET Group that is an entity organized under the laws of the United States, any state thereof or the District of Columbia, and including, in the case of a business conducted on a global trading book basis, only that amount allocated to such entity;

"**US Member**" means SG;

"**US Net Income**" means, in respect of any Financial Year, the extent to which the income and gains attributable to the US Business (and taken into account in calculating the Adjusted Global Net Income or Adjusted Global Net Loss for that Financial Year) exceed the losses and deductions attributable to the US Business (and taken into account in calculating the Adjusted Global Net Income or Adjusted Global Net Loss for that Financial Year); *provided* that any items that are specifically addressed in Clause 7.8 shall be excluded from the computation of US Net Income;

"**US Net Losses**" means, in respect of any Financial Year, the extent to which the losses and deductions attributable to the US Business (and taken into account in calculating the Adjusted Global Net Income or Adjusted Global Net Loss for that Financial Year) exceed the income and gains attributable to the US Business (and taken into account in calculating the Adjusted Global Net Income or Adjusted Global Net Loss for that Financial Year); provided that any items that are specifically addressed in Clause 7.8 shall be excluded from the computation of US Net Loss;

"**US Partnership Net Income**" and "**US Partnership Net Loss**" means, for each Financial Year or other period of the Partnership, an amount equal to the Partnership's taxable income or loss for such Financial Year of the Partnership or other period, as applicable, determined in accordance with Code section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Code section 703(a)(1) shall be included in taxable income or loss), with the adjustments described in Treasury Regulations section 1.704-1(b)(2)(iv), and taking into account only items of income, gain, loss and deduction attributable to the US Business; *provided* that any items that are specifically allocated pursuant to Clause 11.3.3 shall be excluded from US Partnership Net Income and US Partnership Net Loss. The amount of items of income, gain, loss or deduction available to be specially allocated pursuant to Clause 11.3.3 shall be determined by applying rules analogous to those set forth in this definition;

"**VAT**" means value added, sales and use tax, as well as any similar tax, imposed by any Governmental Body, including the United Kingdom;

"**Year End Date**" means 31 December or such other date as may be determined in accordance with the provisions of this Agreement.

1.2 Subordinate Legislation

References to a statutory provision include any subordinate legislation made from time to time under that provision.

1.3 Interpretation Act 1978

The Interpretation Act 1978 shall apply to this Agreement in the same way as it applies to an enactment, so that, *inter alia*, unless the contrary intention appears, words importing the masculine gender include the feminine, and words importing the feminine gender include the masculine.

1.4 Modification etc. of Statutes

References to a statutory provision include that provision as from time to time modified or re-enacted whether before or after the date of this Agreement.

1.5 Recitals, Clauses etc.

References to this Agreement include its Schedules and this Agreement as from time to time amended and references to Clauses, Recitals and Schedules are to Clauses of and Recitals and Schedules to, this Agreement.

1.6 Headings and explanatory notes

Headings shall be ignored in construing this Agreement.

1.7 Information

Any references to books, records or other information means books, records or other information in any form including paper, electronically stored data, magnetic media, film and microfilm.

1.8 Rules concerning Lists

In this Agreement, unless the context requires otherwise:

1.8.1 lists of examples shall be non-exhaustive and words such as ‘including’ and ‘in particular’ shall not be construed as limiting a wider class of things; and

1.8.2 where general words follow an enumeration of particular things, such general words shall be construed as having their natural and larger meaning and shall not be restricted to things of the same class as those previously enumerated. The *ejusdem generis* rule shall accordingly not apply.

1.9 Delivery on a Business Day

If any party to this Agreement, or any Associated Company or affiliate thereof, would otherwise be required to deliver any document or make any payment to any other party to this Agreement, or any Associated Company or affiliate thereof, on a day that is not a Business Day, such Person shall deliver such document or make such payment on the next succeeding Business Day. For the avoidance of doubt, this Clause 1.9 shall not apply to any notice required to be delivered pursuant to Clause 12.1.6 or 12.4.2.

1.10 Time of day

References to time of day are to London time unless otherwise stated.

1.11 Winding-up

References to the winding-up (or words of similar import) of a Person include the amalgamation, reconstruction, reorganisation, administration, dissolution, liquidation, merger or consolidation of such Person and any equivalent or analogous procedure under the law of any jurisdiction in which that Person is incorporated, domiciled or resident or carries on business or has assets.

2 Constitution and other matters

2.1 Formation

RBS and the Sempra Members acknowledge and agree that the Partnership commenced on the date of incorporation specified in Recital (B) and shall continue unless and until wound up

pursuant to Clause 16 or otherwise in accordance with the mandatory provisions of the Act and the LLP Regulations.

2.2 Name and Registered Office

2.2.1 The Name of the Partnership shall be RBS Sempra Commodities LLP or such other name as the Board (with the consent of at least one of the Sempra Directors) shall from time to time determine.

2.2.2 The "**Registered Office**" of the Partnership shall be [●] or such other place within the United Kingdom as the Board may from time to time determine.

2.2.3 Upon any change in the Name/and or the Registered Office it shall be the responsibility of the Designated Members to notify the Registrar of any such change in accordance with the Act.

2.2.4 RBS and Sempra Energy have licensed to the Partnership (on behalf of the SET Group) the right to use certain marks pertaining to each of RBS and Sempra Energy on the terms set out in the Trademark Licence Agreements.

3 Business

3.1 The "**Business**" of the Partnership shall be to carry on the business of (i) acting as a holding vehicle for the other members of the SET Group and (ii) making its capital available to RBS, and assuming the risk of loss, in connection with the SET Business. The parties intend that the members of the SET Group (other than the Partnership) will engage in the SET Business primarily as agent on behalf of RBS pursuant to the Commodities Trading Activities Master Agreement, but the parties acknowledge that the members of the SET Group (other than the Partnership) may engage in the SET Business as principal in connection with (a) certain agreements relating to trading activities prior to the date of the Closing that have not been novated or terminated prior to Closing and (b) ongoing trading activities for which the SET Group is better situated, in light of econom ic, legal or regulatory considerations, than RBS to act as principal.

3.2 The Members shall (so far as they lawfully can) ensure that the Partnership complies with all of its obligations under this Agreement.

3.3 The Members acknowledge that it is their intention that the Partnership shall provide a means to operate, develop and generate income from the SET Business to their mutual advantage, and to this end, they agree that they will conduct their dealings in relation to the Partnership and all its affairs in a way which is fair and conscionable between the Members at all times.

3.4 The Business shall be conducted in a manner that allows the Members to satisfy their tax and legal obligations in the various jurisdictions in which the Partnership operates, including any obligation for income and other taxes in such jurisdictions.

4 Members

4.1 The initial Members of the Partnership [*2 RBS entities*] shall be the Persons specified in the Incorporation Document who are each Designated Members.

4.2 Any Member who is a Designated Member may cease to be such by giving notice to the

Partnership, such notice to take effect immediately or, if later, at such date specified in the notice; *provided* that, if there would be only one Designated Member then remaining, such notice shall not take effect until such time as the Board shall have specified a replacement Designated Member. The Designated Members of the Partnership shall at all times be members of the RBS Group.

4.3 The Designated Members shall be responsible for ensuring compliance with all registration and other requirements of the Act and the LLP Regulations. Subject thereto, the Members shall have no right or authority to act for the Partnership or to take part in the management of the Partnership or to vote on matters relating to the Partnership other than as set out in this Agreement. The Designated Members shall not, merely by virtue of being Designated Members, be entitled to any share of the income or capital of the Partnership.

4.4 With effect from the time of becoming a Member, a Person shall be bound by, and entitled to the benefit of, this Agreement as if a party thereto.

4.5 The liabilities of each Member in a winding up of the Partnership shall be limited to the aggregate prior Contributions (for the avoidance of doubt, including Contributions made pursuant to Clause 16.4.4) that they have made to the Partnership and in no circumstances shall any Member be liable to contribute to the assets of the Partnership or accept any additional liability whatsoever.

4.6 Save as provided in Clauses 4.7 and 16.3, no Member may sell, assign, transfer, exchange, pledge, encumber, gift or otherwise dispose of its interest (each, a "**Transfer**") in the Partnership (or any part thereof) or any equity interest therein (including (i) any security interest in respect of such interests in the Partnership or securities thereof, (ii) puts, calls, options, stock appreciation rights or warrants in respect of, or securities convertible into, interests in the Partnership or securities thereof, (iii) rights with an exercise or conversion privilege at a price related to interests in the Partnership or securities thereof, (iv) derivatives contracts that have the effect of transferring the economic benefits and/or burdens of the ownership of the interests in the Partnership to a third party or (v) other rights or options to buy or sell interests in the Partne rship or securities thereof).

4.7 Any Member may transfer all, but not part only, of its interest in the Partnership to a wholly-owned subsidiary of RBS (in the case of RBS) or Sempra Energy (in the case of SG or SETI) (whether by sale, assignment or otherwise or in connection with any merger, consolidation or amalgamation of, with or into such Member) without the consent of any other Member; *provided*, *however*, that no transfer under this Clause 4.7 shall be permitted if, solely as a result of such transfer, the Partnership would become subject to and bound by any laws, rules, regulations, directives, treaties, judgements, decrees or orders of any governmental or regulatory authority that would have an adverse effect on the Partnership's ability to conduct the Business or would result in a more-than-insignificant increase in the Taxes owed by the Partnership or any of the non-transferring Members. &nbs p;No transfer under this Clause 4.7 shall be effective unless:

4.7.1 the transferor and transferee perform such actions as are required by Clause 4.8; and

4.7.2 the transferee undertakes to the Partnership that if it is proposed that the transferee should cease to be a subsidiary of RBS or Sempra Energy (as the case may be), then immediately prior to such cessation it shall transfer its entire interest in the Partnership

back to RBS or Sempra Energy (as the case may be) or one of their respective Associated Companies.

4.8 Any Person to whom any Member Transfers such Member's interest in the Partnership (other than by means of a pledge of, or encumbrance on, the distributions payable in connection therewith) in accordance with the provisions of this Agreement shall become a Member of the Partnership and succeed to all of the rights and obligations of such Member, and the Partnership shall continue to exist under this Agreement *mutatis mutandis*; *provided*, *however*, that no such Transfer shall be effective unless:

4.8.1 the transferor provides written notice to the Board and each other Member of such transfer prior to or simultaneously with the effectiveness of such transfer;

4.8.2 the transferee delivers to the Board a duly executed Accession Deed; and

4.8.3 the transferor resigns from this Agreement.

5 Capital Contributions

5.1 On the date hereof in accordance with the terms of the Master Formation and Equity Interest Purchase Agreement:

5.1.1 RBS has made a Contribution to the Partnership of $1,355,000,000 of cash and cash equivalents, which amount is equal to the RBS Adjusted Contribution Amount as of the date hereof after giving effect to such Contribution;

5.1.2 SG has made a Contribution to the Partnership of $1,000,000,000 of cash and cash equivalents and SETI has made a Contribution to the Partnership of $300,000,000 of cash and cash equivalents, which amounts are equal to the SG Adjusted Contribution Amount and the SETI Adjusted Contribution Amount, respectively, as of the date hereof after giving effect to such Contribution; and

5.1.3 the Partnership has purchased the Transferred Company Interests from Sempra Energy or Associated Companies thereof, as applicable.

5.2 The Sempra Adjusted Contribution Amount shall not be adjusted as a result of any payment by the Partnership to Sempra Energy or any payment by Sempra Energy to the Partnership pursuant to any post-Closing adjustment of the Partnership's purchase of the SET Companies pursuant to Section 2.6 of the Master Formation and Equity Interest Purchase Agreement.

5.3 Other than on liquidation, no Member shall be entitled to call for the return to it of any capital.

5.4 Neither Sempra Member shall be under any obligation to make further Contributions to the Partnership except in accordance with Clause 16.4.4. Each Sempra Member shall have the right, but not the obligation (other than as provided in Clause 16.4.4), to make further Contributions only to the extent expressly provided by this Agreement.

5.5 Each of the Sempra Members and the RBS Members shall have the right to make additional Contributions as set forth in Clause 5.5.1 and Clause 5.5.2.

5.5.1 At any time that the Sempra Adjusted Contribution Amount is less than $1,300,000,000, each Sempra Member shall have the right, but not an obligation, to make cash Contributions to the Partnership in such amounts as it may determine in its sole discretion; *provided* that in no case shall any amount Contributed pursuant to this

Clause 5.5.1 exceed an amount equal to $1,300,000,000 *minus* the Sempra Adjusted Contribution Amount on the date of such Contribution (before giving effect to such Contribution). At any time within twenty (20) Business Days of the date on which any Sempra Member makes a Contribution pursuant to this Clause 5.5.1, the RBS Members shall have the right to make a Contribution to the Partnership of equal value.

5.5.2 Within thirty (30) days following the delivery of Accounts to the Members pursuant to Clause 6.2.3(i), if the Total FSA Regulatory Capital for the most recently ended Financial Year is greater than or equal to $2,450,000,000 and the Sempra Adjusted Contribution Amount is less than $1,500,000,000, the Sempra Members shall have the right, but not an obligation, to make cash Contributions to the Partnership in such amounts as they may determine in their discretion; *provided* that no amount Contributed by the Sempra Members pursuant to this Clause 5.5.2 shall exceed the lesser of (i) an amount equal to $1,500,000,000 *minus* the Sempra Adjusted Contribution Amount on the date of such Contribution (before giving effect to such Contribution) and (ii) fifty percent (50%) of the amount by which the Total FSA Regulatory Capital for the most recently ended Financial Year excee ds $2,450,000,000. At any time within twenty (20) Business Days of the date on which any Sempra Member makes a Contribution pursuant to this Clause 5.5.2, the RBS Member shall have the right to make a Contribution to the Partnership of equal value.

5.5.3 Upon receipt by the Partnership of a Contribution referred to in Clause 5.5.1 or 5.5.2 from the Sempra Member Group, the SG Adjusted Contribution Amount or the SETI Adjusted Contribution Amount, as applicable, shall be increased by an amount equal to the amount of such Contribution. Upon receipt by the Partnership of a Contribution referred to in Clause 5.5.1 or 5.5.2 from the RBS Member, the RBS Adjusted Contribution Amount shall be increased by an amount equal to the amount of such Contribution.

5.6 Rebalancing of Adjusted Contribution Amounts

5.6.1 The Board shall, on an annual basis, review the relative performance and capital needs of the US Business and the Non-US Business.

5.6.2 If the Board determines that the Non-US Business has, during the relevant year, contracted relative to growing US Business, the Board may approve that the Partnership shall distribute to SETI an amount equal to the capital that the Board determines to be unnecessary in the operation of the Non-US Business, and the SETI Adjusted Contribution Amount shall be reduced by such amount. If the Partnership makes such a distribution, SG shall simultaneously make a cash Contribution to the Partnership in the same amount, and the SG Adjusted Contribution Amount shall be increased by such amount.

5.6.3 If the Board determines that the US Business has, during the relevant year, contracted relative to growing Non-US Business, the Board may approve that the Partnership shall distribute to SG an amount equal to the capital that the Board determines to be unnecessary in the operation of the US Business, and the SG Adjusted Contribution Amount shall be reduced by such amount. If the Partnership makes such a distribution, SETI shall simultaneously make a cash Contribution to the Partnership in the same amount, and the SETI Adjusted Contribution Amount shall be increased by such amount.

6 Financial Year, Accounts, Financial Information and Books and Records

6.1 Year End Date

The Board shall be entitled at its discretion to alter the Year End Date; *provided* that the Partnership shall provide at least three (3) months prior written notice of such alteration to the Sempra Members.

6.2 Financial Information, Reportable Events and Accounts

6.2.1 The Partnership shall use reasonable endeavours to procure that, within ten (10) Business Days of the end of each calendar month, the Partnership shall prepare, or procure the preparation of, and shall promptly deliver to each Member, management accounts of the SET Group in respect of such month comprising (i) a consolidated balance sheet, (ii) a consolidated statement of income for such month and for the period commencing on the first day of the Financial Year and ending on the last day of such month (showing the same periods from the previous Financial Year and variations from budget) and (iii) other customary information regarding the Business, not less detailed than that information historically furnished by the SET Companies.

6.2.2 The Partnership shall use reasonable endeavours to procure that:

(i) Within ten (10) Business Days of the end of any Financial Quarter, the Partnership shall prepare, or procure the preparation of, and shall promptly deliver to each Member, preliminary management accounts of the SET Group in respect of such Financial Quarter comprising (a) a consolidated balance sheet and (b) a consolidated statement of income and cash flow for such Financial Quarter (showing the same period from the previous Financial Year and, with respect to such consolidated statement of income only, variations from budget).

(ii) Within ten (10) Business Days of the earlier of (x) delivery of the preliminary management accounts described in clause (i) in respect of any Financial Quarter and (y) the date on which such delivery is due, the Partnership shall prepare, or procure the preparation of, and shall promptly deliver to each Member, final management accounts in respect of such Financial Quarter containing the information required by clause (i), which shall be in such format, and include such notes and other information, as any Member may reasonably require (and has requested in writing) to comply with its public reporting obligations, including disclosure obligations of the Members or their Associated Companies pursuant to the rules and regulations of the United States Securities and Exchange Commission.

6.2.3 The Partnership shall use reasonable endeavours to procure that:

(i) Within thirty (30) days of the Year End Date in any Financial Year, the Partnership shall prepare, or procure the preparation of, and shall promptly deliver to each Member, annual financial statements of the SET Group in respect of the preceding Financial Year in accordance with the requirements of the Act, including (a) a consolidated balance sheet of all the assets and liabilities of the SET Group as at the Year End Date and (b) a consolidated statement of income and cash flow for such Financial Year (the "**Accounts**"), in

such format and giving such information, notes and disclosure of the interests therein of the Members as may be required by the Act.

(ii) Within ten (10) days of the earlier of (x) delivery of the unaudited Accounts described in clause (i) in respect of any preceding Financial Year and (y) the date on which such delivery is due, the Partnership shall prepare, or procure the preparation of, and shall promptly deliver to each Member, Accounts (in such format and giving such information, notes and disclosure of the interests therein of the Members as may be required by the Act) that have been audited by the Auditors in accordance with IFRS and certified by the Auditors as giving a true and fair view of the SET Group's affairs and profit and loss in the preceding Financial Year.

(iii) Within fifteen (15) Business Days of the Year End Date in any Financial Year, the Partnership shall prepare, or procure the preparation of, and shall promptly deliver to each Member, a preliminary statement showing the estimated calculation of Adjusted Global Net Income, Adjusted Global Net Loss, Non-US Net Income, Non-US Net Losses, US Net Income and US Net Losses. Within thirty (30) days of the Year End Date in any Financial Year, the Partnership shall prepare, or procure the preparation of, and shall promptly deliver to each Member, a final statement showing the calculation of Adjusted Global Net Income, Adjusted Global Net Loss, Non-US Net Income, Non-US Net Losses, US Net Income and US Net Losses.

6.2.4 The Accounts shall be delivered to all Members and filed with the Registrar as required by the Act.

6.2.5 The Designated Members shall not approve the Accounts for purposes of the Companies Act without the consent of at least one of the Sempra Members.

6.2.6 To the extent that the Board, RBS, Sempra Energy, any Member, the Partnership or any other member of the SET Group prepares periodic (including daily) profit and loss accounts or value at risk reports with respect to the Business, the Partnership shall, or shall procure that the relevant member of the SET Group, promptly deliver them to RBS and the Sempra Members. In addition, the Partnership shall, and shall cause each other member of the SET Group to, promptly furnish to the Sempra Members (i) copies of any information or documents that the Partnership delivers or has delivered to RBS relating to audits or investigations of the Partnership or the Business by any Governmental Body, (ii) any budgets, forecasts and other planning data developed, prepared or adopted by the Board, the Partnership or any other member of the SET Group and (iii) solely to the extent requested with reason able specificity by any such Member, copies of any information or documents that the Partnership delivers or has delivered to RBS as a Member and not included in clauses (i) or (ii) above.

6.2.7 The Partnership shall use reasonable endeavours to procure that:

(i) Each of the financial statements described in Clauses 6.2.2 and 6.2.3 above shall be in such format and include such notes and other information as any Member may reasonably require (and has requested in writing) to comply with its public reporting obligations, including disclosure obligations of the Members or their Associated Companies pursuant to the rules and regulations of the United States Securities and Exchange Commission including, to the extent

required by such obligations, a reconciliation of IFRS to GAAP, as in effect from time to time; and

(ii) The Auditors shall perform limited review procedures with respect to the quarterly financial statements of the Partnership as required by rules and regulation of the United States Securities and Exchange Commission.

6.2.8 Notwithstanding the foregoing, solely with respect to financial statements delivered pursuant to this Clause 6.2 that pertain to the Financial Year in which the Closing occurs (or any period thereof), where the Partnership would otherwise be required to include in such financial statements a comparison to a previous Financial Year (or any period thereof), the Partnership shall not be required to include such comparison.

6.3 Audits; Books and Records; Auditors

6.3.1 Within thirty (30) days prior to the end of each Financial Year, the Partnership shall prepare, or procure that there shall be prepared, a plan providing for an internal audit of the SET Group during the following Financial Year (the "**Internal Audit Plan**"); *provided* that, for the Financial Year in which the Closing occurs, the Board shall prepare, or procure that there shall be prepared, an Internal Audit Plan within thirty (30) days after the date of the Closing. Once prepared, the Partnership shall promptly notify the Sempra Members of such Internal Audit Plan, and such Members shall have a period of fifteen (15) days during which to propose reasonable additions to the scope of, or procedures performed in connection with, the Internal Audit Plan, which proposals shall not be unreasonably rejected by the Partnership. Promptly following the completion of such comment period, the Internal Audit Plan shall be adopted by a resolution of the Board. The Partnership shall pay all costs and expenses incurred in connection with the preparation and conduct of the Internal Audit Plan. Copies of any documents, reports, data or other information resulting from or created in connection with the conduct of the Internal Audit Plan shall be contemporaneously delivered to each of RBS and the Sempra Members.

6.3.2 At any reasonable time during normal business hours, in a manner so as not to interfere with the normal operations of the Business and in all events with at least three (3) Business Days prior notice, the Partnership shall, and shall cause each of the other members of the SET Group to, permit any Member or authorised representative thereof to, subject to the requirements of Clause 17, and for the purpose of confirming information provided in financial statements or as a result of a good faith dispute of any financial matter relating to the SET Group:

(i) visit and inspect any of the SET Group's locations or assets (which visitation and inspection, in the case of shared facilities, shall be limited to the portion of such locations used in connection with the Business);

(ii) review and make copies of the financial and accounting records, books, journals, orders, receipts and any correspondence and other data of the SET Group relating to the Business and activities of each member of the SET Group;

(iii) discuss the affairs, finances and accounts of each member of the SET Group with the officers and independent certified public accountants of each member of the SET Group; and

(iv) authorise any independent accountants or auditors, at such Member's sole expense, to take any of the actions described in clauses (i) through (iii) above and to examine and audit the financial and accounting records and other books and records of the SET Group relating to the Business and activities of each member of the SET Group; *provided* that such Member shall be permitted to so authorise its independent accountants or auditors not more frequently than once every two years or more frequently if such Member has a reasonable basis to believe that a material error exists in the financial statements of the SET Group.

Each Member and its authorised representatives (including, with respect to clause (iv), its independent accountants or auditors) shall comply with reasonable safety and security instructions from the Partnership and undertake reasonable efforts to minimise disruption to the SET Group. Any Member conducting such an examination shall pay any out of pocket expenses incurred by such Member in connection therewith.

6.3.3 The Partnership shall, and shall cause each of the other members of the SET Group to, keep and maintain in all material respects proper, complete and accurate books of record and account, in which entries in conformity with IFRS and otherwise in compliance with Applicable Law shall be made of all dealings and financial transactions and the assets and business of the Partnership and each other member of the SET Group in relation to their respective businesses and activities. Such books and records shall comply in all material respects with any and all applicable tax and legal requirements of the various jurisdictions in which the Partnership operates and shall include such information and be in such form as is necessary to compute the Partnership and Members' liability for income and other taxes (taking into account any transfer pricing requirements) in each such jurisdiction. The Partnership shall cause such books of record and account, the Accounts, all financial statements prepared in accordance with Clause 6.2 and all other financial reports and calculations to be denominated in Dollars, except as otherwise required by Applicable Law or IFRS.

6.3.4 The Partnership shall, and shall cause each other member of the SET Group to, subject to the requirements of Clause 17, furnish to each Member such documents, certificates and other information, and provide reasonable access to management, as such Member may reasonably request for purposes of complying with Applicable Laws, including laws regulating U.S. publicly traded companies and companies that are Associated Companies with respect to regulated utilities, and the Affiliate Conduct Rules and Plans.

6.3.5 RBS shall, and shall cause each of its Associated Companies to, subject to the requirements of Clause 17, furnish to each Member such documents, certificates and other information, and provide reasonable access to management, as such Member may reasonably require (and has requested in writing) for purposes of complying with Applicable Laws, including laws regulating U.S. publicly traded companies, and the Affiliate Conduct Rules and Plans; *provided* that the obligations of RBS under this Clause 6.3.5 shall be limited to (i) documents, certificates and other information pertaining to the Business or otherwise reasonably relating to the Partnership and its Associated Companies and (ii) communication with members of management that pertains to the Business or otherwise reasonably relates to the SET Group.

6.3.6 The Sempra Members shall, and shall cause each of their Associated Companies,

subject to the requirements of Clause 17, to furnish to the Partnership and each other Member such documents, certificates and other information, and provide reasonable access to management, as the Partnership or such Member may reasonably require (and has requested in writing) for purposes of complying with Applicable Laws, including laws regulating U.S. publicly traded companies, and the Affiliate Conduct Rules and Plans; *provided* that the obligations of the Sempra Members under this Clause 6.3.6 shall be limited to (i) documents, certificates and other information pertaining to the Business or otherwise reasonably relating to the Partnership and its Associated Companies and (ii) communication with members of management that pertains to the Business or otherwise reasonably relates to the SET Group.

6.3.7 If, as a result of any internal audit, examination or discussion conducted in connection with Clause 6.3.1 or 6.3.2, any Member believes that any financial statement or report prepared in connection with Clause 6.2.1, 6.2.2 or 6.2.3 should be amended, such Member shall promptly notify the other Members and the Partnership. Upon receipt of such notice, the Partnership shall convene an audit committee consisting of one RBS Director and one Sempra Director, and the committee shall determine whether to amend such financial statement or report. If the audit committee is unable to agree on a determination, the Auditors shall be consulted, and the determination of the Auditors shall be binding on the Members with respect to the noticed matter.

6.3.8 The Designated Members shall select the Auditors of the Partnership from among the "big four" international accounting firms or such firms as are then remaining at the time of such selection. The Auditors so chosen may also act as independent auditor of one or more of the Members.

7 Distributions

7.1 Calculation of Allocation Percentages

Within two (2) weeks from completion of the audit of the Accounts in any Financial Year and provided that the Accounts show an Adjusted Global Net Income for such Financial Year, the Partnership shall calculate the Allocation Percentages for that Financial Year (the date of such calculation, the "**Allocation Percentage Calculation Date**"). For the purposes of calculating the Allocation Percentages for any Financial Year, the Adjusted Global Net Income, if any, for that Financial Year shall be allocated notionally as between the RBS Member Group and the Sempra Member Group in the following priority to the extent of such available income:

7.1.1 first, to the Sempra Member Group, the Sempra Member Group's Unallocated Preferred Return, if any, as provided in Clause 7.6.1;

7.1.2 second, to the Sempra Member Group, the Sempra Member Group's Preferred Return;

7.1.3 third, to the RBS Member Group, the RBS Member Group's Unallocated Preferred Return, if any, as provided in Clause 7.6.2;

7.1.4 fourth, to the RBS Member Group, the RBS Member Group's Preferred Return;

7.1.5 fifth, to the Sempra Member Group, the Sempra Member Group's Allocation of Tranche 1;

7.1.6 sixth, to the RBS Member Group, the RBS Member Group's Allocation of Tranche 1;

7.1.7 seventh, to the Sempra Member Group, the Sempra Member Group's Allocation of Tranche 2; and

7.1.8 eighth, to the RBS Member Group, the RBS Member Group's Allocation of Tranche 2.

7.2 Application of Allocation Percentages and Payment of Distributions

In respect of each Financial Year, following the calculation of the Allocation Percentages in accordance with Clause 7.1:

7.2.1 Simultaneously, (i) the Sempra Allocation Percentage shall be applied to the US Net Income for such Financial Year and, subject to the approval of the Board required by Clause 7.5 and to Clauses 7.3, 7.4 and 9, such amount shall be distributed by the Partnership to SG and (ii) the RBS Allocation Percentage shall be applied to the US Net Income for such Financial year and, subject to the approval of the Board required by Clause 7.5 and to Clauses 7.3, 7.4 and 9, such amount shall be distributed by the Partnership to RBS; and

7.2.2 Simultaneously, (i) the Sempra Allocation Percentage shall be applied to the Non-US Net Income for such Financial Year and, subject to the approval of the Board required by Clause 7.5 and to Clauses 7.3, 7.4 and 9, such amount shall be distributed by the Partnership to SETI and (ii) the RBS Allocation Percentage shall be applied to the Non-US Net Income for such Financial Year and, subject to the approval of the Board required by Clause 7.5 and to Clauses 7.3, 7.4 and 9, such amount shall be distributed by the Partnership to RBS.

7.3 Payment of Out of Pocket and Tax Damages

7.3.1 Where Out of Pocket and Tax Damages are payable by an Indemnifying Person to an Indemnified Person pursuant to Article IX of the Master Formation and Equity Interest Purchase Agreement, the Indemnifying Person shall have the right to elect, by irrevocable notice in writing to the Partnership, for the relevant Out of Pocket and Tax Damages, to the extent not reasonably likely to exceed the amount of distributions payable to the Indemnifying Person or its Associated Companies on the next succeeding date on which distributions are paid pursuant to Clause 7.2, to be set off against such distributions and for the amount so set off to be distributed by the Partnership to the nominated Sempra Member (where the Indemnified Person is a member of the Sempra Group) or to a nominated member of the RBS Member Group (where the Indemnified Person is a member of the RBS Group other than the Partner ship) or applied by the Partnership in accordance with Clause 7.3.4 (where the Indemnified Person is the Partnership). On the next date on which distributions are paid pursuant to Clause 7.2 following receipt of such irrevocable notice by the Partnership, the amounts shall be set off as set forth in such notice and the amount so set off shall be deemed for all other purposes under this Agreement to have been distributed to the Indemnifying Person. No such election to set off Out of Pocket and Tax Damages against distributions shall affect the obligations of the Indemnifying Person under the Master Formation and Equity Interest Purchase Agreement to pay Out of Pocket and Tax Damages except to the extent such setoff actually occurs.

7.3.2 If (a) a claim for Out of Pocket and Tax Damages has been made pursuant to Article IX of the Master Formation and Equity Interest Purchase Agreement and the amount of such Out of Pocket and Tax Damages is reasonably certain and (b) the Indemnifying

Person is no longer contesting in good faith such claim for Out of Pocket and Tax Damages or a Governmental Body has issued a binding, final and non-appealable order, writ or similar instrument (each an "**Order**") with respect to such claim for Out of Pocket and Tax Damages, then, in each case, on the next succeeding date on which distributions are paid, the Partnership shall set off the relevant Out of Pocket and Tax Damages against the distributions otherwise payable to the Indemnifying Person or its Associated Companies pursuant to Clause 7.2, and the amount so set off shall be distributed by the Partnership to the nominated Sempra Member (where the Indemnified Person is a member of the Sempra Group) or to a nominated member of the RBS Member Group (where the Indemnified Person is a member of the RBS Group oth er than the Partnership) or applied by the Partnership in accordance with Clause 7.3.4 (where the Indemnified Person is the Partnership). The amount so set off shall be deemed for all other purposes under this Agreement to have been distributed to the Indemnifying Person.

7.3.3 If (a) a claim for Out of Pocket and Tax Damages has been made pursuant to Article IX of the Master Formation and Equity Interest Purchase Agreement (other than a claim covered by Clauses 7.3.1 or 7.3.2) and remains unsatisfied prior to a distribution date, (b) the Indemnifying Person has suffered a Ratings Trigger and (c) the Indemnified Person is complying, to the extent applicable, with Section 10.5 of the Master Formation and Equity Interest Purchase Agreement, then:

(i) the Partnership shall withhold from the next distribution otherwise payable to the Indemnifying Person pursuant to Clause 7.2 the lesser of (x) the amount of the Out of Pocket and Tax Damages remaining unsatisfied in respect of such claim and (y) the amount otherwise required to be distributed to the Indemnifying Person (the "**Escrowed Amount**"); and

(ii) the Escrowed Amount with respect to any claim for Out of Pocket and Tax Damages shall be distributed after the Indemnifying Person is no longer contesting in good faith such claim for Out of Pocket and Tax Damages or an Order has been entered with respect to such claim: (a) in full to the Indemnifying Person, if the Indemnifying Person is not obligated to pay any such Out of Pocket and Tax Damages or pays such Out of Pocket and Tax Damages in full, (b) in full to the Indemnified Person, if the Out of Pocket and Tax Damages payable to the Indemnified Person are greater than or equal to the Escrowed Amount or (c) if the Out of Pocket and Tax Damages payable to the Indemnified Person are less than the Escrowed Amount, (x) first, to the Indemnified Person, an amount equal to such Out of Pocket and Tax Damages and (y) second, to the Indemnifying Person, an amount equal to the remaining Escro wed Amount with respect to such Out of Pocket and Tax Damages after the amounts in clause (x) above are distributed (in each case, such amounts shall be distributed together with interest accrued thereon at an annual rate of nine percent (9%), compounded annually and calculated on the basis of a 365 day year and the actual number of days elapsed, from and including the date of such withholding to but excluding the date of distribution of such Escrowed Amount); *provided* that any amounts that would be distributed to the partnership pursuant to this Clause 7.3.3 (inclusive of accrued interest) shall be retained by the Partnership.

7.3.4 Notwithstanding anything herein to the contrary, where the Partnership is the Indemnified Person, if any Out of Pocket and Tax Damages are paid, set off against distributions pursuant to Clause 7.3.1 or released from escrow pursuant to Clause 7.3.3(ii)(b) or (c)(x) in a Financial Year (the "**current Financial Year**") later than the Financial Year in which the Partnership recorded charges arising from such Out of Pocket and Tax Damages (the "**earlier Financial Year**"), an amount equal to the amount so paid, set off or released shall be applied *pro forma* to the post-Tax consolidated income of the SET Group (determined in accordance with the definition of Adjusted Gross Net Income) in respect of the earlier Financial Year and the Allocation Percentages and related distributions to Members for such year shall be calculated *pro forma* (incl uding for purposes of this calculation, adjustments in respect of compensation expense for the current Financial Year that are attributable to the activities that resulted in the Out of Pocket and Tax Damages in the earlier Financial Year that was payable on a basis related to performance in the earlier Financial Year). If such *pro forma* calculation results in an increase in distributions payable to any Member in respect of the earlier Financial Year, the Partnership shall, subject to the approval of the Board required by Clause 7.5 and to Clauses 7.4 and 9, cause an amount equal to such increase, promptly after its identification, to be distributed in the form of a special distribution, payable to such Members in the current Financial Year in such amounts determined on the basis of the pro forma calculations (and such payments and the offset amounts shall be disregarded in the calculation of Adjusted Global Net Income or Adjusted Global Net Loss for the current Financial Year). If su ch *pro forma* calculation results in a reduction in Adjusted Global Net Loss in respect of the earlier Financial Year, the applicable Adjusted Contribution Amounts in the aggregate shall be increased by the amount of such reduction in the manner set out in Clause 8.1 as applied to the attribution of Net Losses.

7.4 Maximum Entitlements

7.4.1 Where in any Financial Year there is Adjusted Global Net Income but there is either a US Net Loss or a Non-US Net Loss, the Partnership shall, subject to Clause 9, only distribute the Sempra Maximum Entitlement to SG (in the case of a Non-US Net Loss) or the Sempra Maximum Entitlement to SETI (in the case of a US Net Loss), and shall, subject to Clause 9, only distribute the RBS Maximum Entitlement to RBS.

7.4.2 Where in any Financial Year there is Adjusted Global Net Income but there is either a US Net Loss or a Non-US Net Loss, then an amount equal to the product of the Sempra Allocation Percentage and the US Net Loss or the Non-US Net Loss (as appropriate) shall be deducted from the SG Adjusted Contribution Amount (in the case of a US Net Loss) or from the SETI Adjusted Contribution Amount (in the case of a Non-US Net Loss).

7.4.3 Where in any Financial Year there is Adjusted Global Net Income but there is either a US Net Loss or a Non-US Net Loss, then an amount equal to the product of the Sempra Allocation Percentage and the US Net Loss or the Non-US Net Loss (as appropriate) shall be added to the SG Adjusted Contribution Amount (in the case of a Non-US Net Loss) or to the SETI Adjusted Contribution Amount (in the case of a US Net Loss).

7.5 Board approval for distributions

7.5.1 The payment of distributions to Members shall be subject to a resolution of the Board approving the relevant distribution.

7.5.2 The parties intend that the Partnership will distribute, as soon as practicable following the Allocation Percentage Calculation Date and in accordance with Clause 7.2, all Adjusted Global Net Income for such Financial Year.

7.5.3 The parties intend that the Partnership will distribute the amounts described in Clause 7.7.1 at the times set forth therein. Prior to the end of each Financial Year, the Board shall consider including provisions for such distributions in the budget for the following Financial Year, and if the Board determines to make such budget provisions, such distributions shall be made in such following Financial Year without further approval of the Board; *provided* that the Board may, at any time prior to the making of any such distribution, revoke any prior authorization for such distribution. If, with respect to any Financial Year, the Board has made provisions in the budget for the distributions described in Clause 7.7.1, any distribution during such Financial Year under such Clause in excess of the amount so budgeted shall require the approval of the Board in accorda nce with Clause 7.5.1.

7.6 Preferred Return

7.6.1 To the extent that, in any Financial Year, the Sempra Member Group's Unallocated Preferred Return is greater than zero, such Sempra Member Group's Unallocated Preferred Return shall be applied in the calculation of the Allocation Percentages in accordance with Clause 7.1.1 in such Financial Year.

7.6.2 To the extent that, in any Financial Year, the RBS Member Group's Unallocated Preferred Return is greater than zero, such RBS Member Group's Unallocated Preferred Return shall be applied in the calculation of the Allocation Percentages in accordance with Clause 7.1.3 in such Financial Year.

7.7 Tax Payment Distributions

7.7.1 Subject to Clause 7.5, distributions shall be made to the US Member and the Non-US Members on a quarterly basis, to be made, for each Financial Quarter, no later than one (1) week before any estimated tax payment is due by SG, in an aggregate amount determined by multiplying the estimated net income attributable to the US Business for that Financial Quarter (in the case of each of the US Member and RBS) and the estimated net income attributable to the Non-US Business for that Financial Quarter (in the case of the Non-US Member and RBS) by an assumed effective tax rate reasonably determined by the Board. Such effective tax rate will be the highest of the marginal tax rates of any of RBS, SG and SETI for such Financial Year, calculated by taking into account all applicable U.S. federal, state, local and foreign statutory tax rates for each such Member.

7.7.2 Any amounts distributed to a Member pursuant to this Clause 7.7 in respect of any quarter will be treated as if such amounts had been distributed to such Member pursuant to Clause 7.2 for the Financial Year in which such quarter occurs, and thus will reduce, dollar for dollar, the amounts otherwise distributable to such Member pursuant to Clause 7.2.

7.7.3 If the aggregate amount distributed to any Member under this Clause 7.7 during any Financial Year exceeds the amount (determined without regard to Clause 7.5) to be distributed to such Member under Clause 7.2 in respect of such Financial Year, such Member shall promptly repay such excess to the Partnership.

7.7.4 If, in respect of any Financial Quarter, the Partnership fails to make any distribution to any Sempra Member under Clause 7.7.1 on or prior to the date required therein and such Sempra Member is required to make an estimated tax payment, the amount of such estimated tax payment shall be deemed a "**Sempra Undistributed Tax Payment**" from the last day of such Financial Quarter until the earlier of (i) the Year End Date of the Financial Year in which such Financial Quarter occurs and (ii) the date on which such distribution is made to the relevant Sempra Member.

7.8 Special Distributions

7.8.1 Whenever any member of the SET Group receives any refund of Taxes that have not been taken into account in the Final Balance Sheet attributable to a Pre-Closing Tax Period or attributable to the portion of any Straddle Period ending on the date of the Closing, the cash amount of the refund shall be distributed by the Partnership to SG (in the case of a refund of Taxes attributable to the US Business) or to SETI (in the case of a refund of Taxes attributable to the Non-US Business), within one (1) week from completion of the audit of the Accounts in any Financial Year, in each case net of all Taxes, costs and other expenses incurred as a result of the receipt of, or payment or distribution of, such refund.

7.8.2 Whenever any member of the SET Group receives any amount attributable to the resolution of any UK tax refund litigation (including, for the avoidance of doubt, advance corporation tax matters) attributable to a dispute over Taxes attributable to a Pre-Closing Tax Period or attributable to the portion of any Straddle Period ending on the date of the Closing, the amount received in excess of the amount reflected on the Final Balance Sheet for such litigation shall be distributed by the Partnership to SG (in the case of an amount attributable to the US Business) or to SETI (in the case of an amount attributable to the Non-US Business), within one (1) week from completion of the audit of the Accounts in any Financial Year, in each case, net of all Taxes, costs and other expenses incurred by RBS or the Partnership (but offset by any Tax benefit to which RBS or the Partnership is or will becom e entitled as a result) as a result of the receipt of, or payment or distribution of, such refund.

7.8.3 If there is any gain recognised under U.S. federal income tax law by any member of the Sempra Group on a sale to the Partnership (whether deemed or otherwise) of any intangible attributable to the SET Business in connection with the transactions undertaken pursuant to the Master Formation and Equity Interest Purchase Agreement (other than any gain attributable to intangibles other than goodwill and goodwill up to the maximum of $350,000,000), then in each Financial Year a cash amount equal to the product of (x) the amount of any deduction attributable to the basis of such intangible allocated to RBS pursuant to Clause 11.3 *multiplied by* (y) the highest of the marginal U.S., state and local tax rates (calculated by taking into account all applicable U.S. federal, state and local tax taxes) imposed on RBS due to the activities of the Partnership for such Financial Year, shall b e distributed to SG or SETI (as selected by Sempra Energy) within one (1) week from completion of the audit of the Accounts in

such Financial Year. If any member of the Sempra Group is required to recognise gain under U.S. federal income tax law on a sale to the Partnership (whether deemed or otherwise) of any intangible attributable to the SET Business in connection with the transactions undertaken pursuant to the Master Formation and Equity Interest Purchase Agreement pursuant to a determination by any Governmental Body in a Financial Year other than the Financial Year of the closing of the transactions undertaken pursuant to the Master Formation and Equity Interest Purchase Agreement, then SG or SETI, as appropriate, shall be entitled to a cash distribution equal to the sum of the amounts that would have been distributed to them in all Financial Years prior to the Financial Year of such determination pursuant to the immediately preceding sentence (ea ch such amount increased by an appropriate rate of interest) as soon as reasonably practicable after such determination by such Governmental Body.

7.9 Withholding

The Partnership shall deduct and withhold from any amounts distributed to any Member such amounts required to be deducted and withheld by any applicable Tax law, as reasonably determined by the tax matters partner. Any amounts so deducted and withheld shall be treated for all purposes as having been distributed to the Member from which such amounts were deducted or withheld by the Partnership, and such amounts shall be delivered by the Partnership to the applicable Governmental Body. If the Partnership was obligated to withhold from amounts distributed or allocated to any Member and the partnership did not withhold as obligated, then such Member shall be obligated to pay to the Partnership the liability imposed on the Partnership by the relevant Governmental Body due to its failure to withhold such amounts (including any interest and penalties imposed on amounts determined to be due).

8 Operating Losses

8.1 Attribution of Net Losses

8.1.1 In any Financial Year in which the Accounts do not show Adjusted Global Net Income, fifty percent (50%) of US Net Losses shall be attributable to SG, and an amount equal to the amount of such losses shall be deducted from the SG Adjusted Contribution Amount, which may cause the SG Adjusted Contribution Amount to be negative.

8.1.2 In any Financial Year in which the Accounts do not show Adjusted Global Net Income, fifty percent (50%) of Non-US Net Losses shall be attributable to SETI, and an amount equal to the amount of such losses shall be deducted from the SETI Adjusted Contribution Amount, which may cause the SETI Adjusted Contribution Amount to be negative.

8.1.3 In any Financial Year in which the Accounts show an Adjusted Global Net Loss, fifty percent (50%) of the Adjusted Global Net Losses shall be attributable to the RBS Member Group, and an amount equal to the amount of such losses shall be deducted from the RBS Adjusted Contribution Amount, which may cause the RBS Adjusted Contribution Amount to be negative.

8.2 Adjustments to Adjusted Contribution Amounts

In any Financial Year in which the Accounts do not show Adjusted Global Net Income, and there is either US Net Income or Non-US Net Income, then an amount equal to fifty percent

(50%) of the US Net Income or Non-US Net Income, as appropriate, shall be added to the SG Adjusted Contribution Amount (where there is US Net Income) or to the SETI Adjusted Contribution Amount (where there is Non-US Net Income).

9 Application of Distributions to the Adjusted Contribution Amounts

9.1 To the extent that, on the last day of any Financial Year, the Sempra Adjusted Contribution Amount (after giving effect to any contributions made pursuant to Clause 5.5) is less than the amount of both the Sempra High Water Mark and the Total FSA Regulatory Capital (the lesser of such two amounts, the "**Sempra Applicable Level**"), if the Board so directs in writing no later than five (5) Business Days following the Allocation Percentage Calculation Date for such Financial Year, (i) an amount shall be added to the Sempra Adjusted Contribution Amount equal to the lesser of (a) the S Maximum Entitlement for such Financial Year and (b) the excess, if any, of the Sempra Applicable Level over the Sempra Adjusted Contribution Amount (before giving effect to the operation of this Clause 9.1 in such Financial Year) and (ii) an amount shall be added to the RBS Adjusted Con tribution Amount equal to the lesser of (a) the amount added to the Sempra Adjusted Contribution Amount pursuant to clause (i) and (b) the RBS Maximum Entitlement for such Financial Year. Where any amount has been added to the Sempra Adjusted Contribution Amount or the RBS Adjusted Contribution Amount, as the case may be, pursuant to the immediately preceding sentence, the amount so added shall be treated as having been distributed to the applicable Member for the purposes of this Agreement. Concurrently with the additions described above, RBS shall make a Contribution to the Partnership in an amount equal to the excess, if any, of (i) the amount credited to the Sempra Adjusted Contribution Amount pursuant to the second preceding sentence over (ii) the RBS Maximum Entitlement for such Financial Year.

9.2 Any amount added to the Adjusted Contribution Amounts of the Sempra Members pursuant to Clause 9.1 shall be added to such Adjusted Contribution Amounts in proportion to the distributions that would otherwise have been received by such Members pursuant to Clause 7.2.

10 United Kingdom Tax Matters

10.1 For the purposes of United Kingdom corporation tax, any Adjusted Global Net Income shall be allocated to the Members in accordance with Clause 7 and any Adjusted Global Net Losses shall be allocated in accordance with Clause 8.

10.2 Surrender of Losses

10.2.1 To the extent that losses arising in the Partnership or any subsidiary of the Partnership cannot be surrendered by way of a claim pursuant to s.402(2) Income and Corporation Taxes Act 1988, the Partnership shall, and shall procure that a subsidiary of the Partnership shall, surrender to RBS (or any other company in the RBS group by or to which a surrender is permitted by s406 and Part X Chapter IV Income and Corporation Taxes Act 1988) any group relief which may be surrendered by way of a consortium claim pursuant to s.402(3) Income and Corporation Taxes Act 1988 and which arises from the activities of the Partnership or any subsidiary for a consideration in accordance with Clause 10.2.2 below.

10.2.2 The consideration mentioned in Clause 10.2.1 shall be equal to the amount of relief

which is surrendered, multiplied by the then prevailing rate of UK corporation tax which applies for the accounting period of the entity in which the relief arises (ignoring any lower rate of corporation tax which is levied on companies with lower levels of taxable profits), or such other amount as may be agreed between the Members from time to time. Where there is more than one rate of corporation tax for the accounting period in question, the rate shall be determined by using the rate applicable to the relevant portion of the accounting period. Such consideration is payable at the later of the date the surrender is made or twelve (12) months after the end of the accounting period of the entity in which the relief arises.

10.3 For the purposes of United Kingdom corporation tax, insofar as profits of any member of the SET Group are taken into account in determining the Adjusted Global Net Income for a Financial Year and a dividend is paid to the Partnership representing such profits in a subsequent Financial Year, such dividend shall be shared between the Members by the application of the Allocation Percentage calculated in respect of the Financial Year in which the profits were taken into account.

10.4 RBS shall be entitled to make an application to treat any member of the SET Group as a member of The Royal Bank of Scotland Group plc VAT group. If RBS determines to make such application, RBS shall indemnify the SET Group and the Sempra Members against any additional VAT liabilities for which any member of the SET Group or any Sempra Member is secondarily liable as a consequence of such VAT grouping but which is primarily the liability of a Person not belonging to the SET Group.

11 U.S. Tax Matters and Permanent Establishment Tax Matters

11.1 To the extent permitted by Applicable Law, the Sempra Members will decline to serve as, and RBS will agree to serve as, the "tax matters partner" for purposes of section 6231(a)(7) of the Code. To the extent permitted by Applicable Law, all Members agree to accept RBS as the tax matters partner. The tax matters partner shall have all of the rights, powers and obligations provided for in section 6221 through 6231 of the Code with respect to the Partnership. The Board shall take any steps necessary pursuant to Code Section 6223(a) to designate each Member as a "notice partner" (as defined in Code Section 6231(a)(8)). In addition, nothing in this Agreement is intended to waive any rights, including rights to participate in administrative and judicial proceedings, that a Member may have under Code Sections 6221 through 6233, inclusive.

11.2 The Partnership shall elect to be classified as a partnership for US federal income tax purposes by filing an election on Internal Revenue Service Form 8832 (or any successor form) and the Partnership shall also timely make all corresponding elections for US state and US local tax purposes (collectively, the "**Partnership Election**"). The Partnership Election shall be made no later than thirty (30) days after formation of the Partnership and such election shall be effective as of the date of formation. The Partnership Election may be signed by any Director of the Partnership who is authorised by the Board to sign on behalf of the Partnership, and each party to this Agreement who must sign the Internal Revenue Service Form 8832 (or any successor form) for it to be valid, and each party to this Agreement which has an affiliate that must sign the Internal Revenue Service Form 8832 (or any successor form) for it to be valid, shall sign the Internal Revenue Service Form 8832 (or any successor form) or cause it to be signed within a reasonable amount of time in order for the Partnership to comply with this

Clause 11.2. The Partnership shall not revoke or alter this election without the unanimous consent of its Members.

11.3 Capital Accounts; Book Allocations

11.3.1 There shall be established for each Member on the books of the Partnership as of the date hereof, or such later date on which such Member is admitted to the Partnership, a capital account (each being a "**Capital Account**"). The Capital Account of each Member shall be credited with the amount of any initial capital contribution made by such Member (as set forth in Clause 5.1), increased by any allocation of US Partnership Net Income, Non-US Partnership Net Income, any items in the nature of income or gain which are specifically allocated pursuant to Clause 11.3.2 or 11.3.3 and by any additional capital contributions by that Member and shall be reduced by any distribution, allocation of US Partnership Net Loss, Non-US Partnership Net Loss, and any items in the nature of expenses or losses specifically allocated pursuant to Clause 11.3.2 or 11.3.3 to that Member. C apital Accounts shall be appropriately adjusted to reflect transfers of part (but not all) of a Member's interest in the Partnership (or shall be dissolved and terminated in the case of a transfer of all of such Member's interest in the Partnership). The initial Capital Account balance of each Member shall be as set forth in Schedule 11.3.1. In all respects, the Members' Capital Accounts shall be determined in accordance with the detailed capital account rules set forth in Treasury Regulations Section 1.704-1(b)(2)(iv).

11.3.2 **General Allocations**

(i) After making the allocations as required in Clause 11.3.3 and subject to Clause 11.3.2(ii), Partnership Net Income or Partnership Net Loss shall be allocated to RBS, SG and SETI in a manner such that each of their Capital Accounts, immediately after making such allocation, is, as nearly as possible, equal (proportionately) to the distributions that each would receive if the Partnership were dissolved, its affairs wound up and its assets sold for cash equal to their fair market value (as determined under U.S. federal income tax principles) and such cash were actually distributed in accordance with the priorities of distribution set forth in Clause 16.4.1, *minus* (A) each Member's share of the Partnership's "partnership minimum gain" as that term is defined in Treasury Regulations Section 1.704-2(b)(2) and 1.704-2(d) and (B) the amount, with respec t to the partner nonrecourse debt of a Member (as that term is defined in Treasury Regulations Section 1.704-2(b)(4)) equal to the partnership minimum gain that would result if such nonrecourse debt were treated as a nonrecourse liability, determined in accordance with Treasury Regulations section 1.704-2(i)(3).

(ii) In making the allocations provided for in Clause 11.3.2(i), SG shall receive solely allocations of US Partnership Net Income or US Partnership Net Loss, as the case may be, and SETI shall receive solely allocations of Non-US Partnership Net Income or Non-US Partnership Net Loss, as the case may be. All items making up US Partnership Net Income or US Partnership Net Loss, as the case may be, shall be allocated between RBS and SG in the same proportion as Partnership Net Income or Partnership Net Loss, as applicable, is allocated between RBS, on the one hand, and the Sempra Members, on the

other hand, pursuant to Clause 11.3.2(i). All items of Non-US Partnership Net Income or Non-US Partnership Net Loss, as the case may be, shall be allocated between RBS and SETI in the same proportion as Partnership Net Income or Partnership Net Loss, as applicable, is allocated between RBS, on the one hand, and the Sempra Members, on the other hand, pursuant to Clause 11.3.2(i).

(iii) To the extent not otherwise taken into account in this Clause 11.3.2 or Clause 11.3.3, if any amount is distributed to any Member pursuant to Clause 7.3.4, an amount of US Partnership Net Income (if SG received the distribution), Non-US Partnership Net Income (if SETI received the distribution), or Partnership Net Income determined in accordance with Code section 703(a) (if RBS received the distribution) equal to the amount distributed to such Member shall be allocated to such Member, and an amount of items of loss or deduction equal to the amount of the Out of Pocket and Tax Damages paid, set off against distributions pursuant to Clause 7.3.1 or released from escrow pursuant to Clause 7.3.3(ii)(b) or (c)(x) shall be allocated to such Member who is the Indemnifying Person.

11.3.3 Special Allocations

(i) If the Partnership incurs any item of loss or deduction, where the Partnership is entitled to indemnification pursuant to Section 9.2 of the Master Formation and Equity Interest Purchase Agreement for such loss or deduction, then the item of loss or deduction shall be allocated to SG (if the item of loss or deduction is attributable to the US Business) or shall be allocated to SETI (if the item of loss or deduction is attributable to the Non-US Business).

(ii) Any deduction arising from the amortization or impairment of any goodwill, up to an amount equal to $350,000,000, shall be allocated fifty percent (50%) to SG and fifty percent (50%) to RBS.

(iii) Clause 11 is intended to comply with Section 704(b) of the Code and the Treasury Regulations thereunder, including the "alternative test for economic effect" under Treasury Regulations Section 1.704-1(b)(ii)(d). Notwithstanding Clause 11.3.2, the Partnership shall make any allocations required by such Treasury Regulations, including "qualified income offset" and "minimum gain chargeback" allocations and allocations relating to any nonrecourse debt of the Partnership, prior to making the allocations set forth in Clause 11.3.2 or in Clause 11.3.3(i) or (ii).

(iv) In the event any Member has a deficit Capital Account at the end of any Fiscal Year which is in excess of the sum of (a) the amount such Member is obligated to restore, if any, pursuant to any provision of this Agreement and (b) the amount such Member is deemed to be obligated to restore pursuant to the penultimate sentences of Treasury Regulations Section 1.704-2(g)(1) and 1.704-2(i)(5), each such Member shall be specially allocated items of Partnership income and gain in the amount of such excess as quickly as possible; provided, that an allocation pursuant to this Clause 11.3.3(iv) shall be made only if and to the extent that a Member would have a deficit Capital Account in excess of such sum after all other allocations provided for in this

Clause 11 have been tentatively made as if the second sentence in Clause 11.3.3(iii) and this Clause 11.3.3(iv) were not in this Agreement.

11.4 For U.S. federal, state and local income tax purposes, the income, gains, losses and deductions of the Partnership shall, for each taxable period, be allocated among the Members in the same manner and in the same proportion that such items have been allocated among the Members' respective Capital Accounts; *provided*, *however*, that in accordance with Section 704(c) of the Code and the Treasury Regulations thereunder, (i) income, gain, loss and deduction with respect to any property contributed to the capital of the Partnership shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Partnership for U.S. federal income tax purposes and its initial Carrying Value, and (ii) in the event the Carrying Value of any Partnership asset is adjusted as a result of any revaluations as set forth in the definition of the term "Carrying Value" in this Agreement, subsequent allocations of income, gain, loss and deduction with respect to such asset shall take into account any variation between the adjusted basis of such asset for U.S. federal income tax purposes and its Carrying Value, in each case using any method or methods permitted under Section 704(c) of the Code and the Treasury Regulations thereunder as determined by the Board.

11.5 Unless otherwise required (x) as the result of a change in Applicable Law occurring after the date hereof and with respect to which the Partnership has received an opinion from counsel, which counsel shall be reasonably acceptable to each of the Members, stating that there is no reasonable basis for continuing to treat the Partnership in the manner described below (it being agreed that Sullivan & Cromwell LLP, Simpson Thacher & Bartlett LLP and Pricewaterhouse Coopers LLP are deemed, for this purpose, to be acceptable counsel) or (y) pursuant to a "determination" pursuant to Section 1313(a) of the Code or other Applicable Law, the parties hereto agree to treat, for all U.S. federal, state, and local income tax purposes (including, without limitation, for purposes of any position taken by any party hereto on any U.S. federal, state or local income Tax Return), (i) the Partnership as a partnership and (ii) the Partnership as the owner of the trades arising from the performance of the Trading Activities (as this term is defined in the Commodities Trading Activities Master Agreement). Unless otherwise required pursuant to a "determination" pursuant to Section 1313(a) of the Code or other Applicable Law, the parties hereto agree to act in accordance with this Clause 11.5 in the filing of all U.S. federal, state or local income Tax Returns and in the course of any U.S. federal, state or local income Tax audit, U.S. federal, state or local income Tax review or U.S. federal, state or local income Tax litigation related thereto, and the parties hereto agree to take no position or action inconsistent with such treatment for any U.S. income Tax purposes. Notwithstanding any other provisions of this Agreement, the provisions of this Clause 11.5 shall survive the dissolution of the Partnership or the termination of any Member 6;s interest in the Partnership and shall remain binding on all Members for a period of time necessary to resolve with the U.S. Internal Revenue Service or any applicable state or local taxing authority all matters (including litigation) regarding the U.S. federal, state and local income taxation, as the case may be, of the Partnership or any Member with respect to the Partnership.

11.6 **Permanent Establishment**

11.6.1 Sempra Energy and the Sempra Members agree with RBS that the Sempra Members and RBS shall use all reasonable endeavours to take such steps as are necessary to file any returns or declarations or make any registrations in respect of Taxes as may be necessary or appropriate, in any jurisdictions in which either the Partnership or any

Member is or is treated under any applicable law relating to Tax as carrying on business, on the basis that either (i) the Partnership is or (ii) both SETI and RBS are carrying on business in that jurisdiction whether or not through a permanent establishment.

11.6.2 If RBS or any Sempra Member is charged or subjected to Tax in any Financial Year in respect of its permanent establishment in the relevant jurisdiction on an amount of Adjusted Global Net Income which is greater than the amount of Adjusted Global Net Income it would have been charged or subjected to Tax on if the Partnership had been treated as having a permanent establishment in the relevant jurisdiction, the parties will work together jointly to minimize such Tax and also take all reasonable steps to ensure that each party, SG, SETI and RBS, will be charged or subjected to Tax, through direct reimbursement payments among the Members, equal to the amount that would be incurred if they received their Allocation Percentages of income in respect of such jurisdiction and will, if necessary, share in any additional Tax imposed upon them as a group in excess of such amounts on a proportionate basis using the Allocation Percentages for that Financial Year.

11.6.3 Notwithstanding any other provision in this Clause 11.6, the Members shall reasonably cooperate and take commercially reasonable steps so as to minimize situations where either RBS or an Sempra Member is charged or subjected to Tax in respect of its permanent establishment in a jurisdiction on an amount of Adjusted Global Net Income which is greater than the amount of Adjusted Global Net Income calculated as attributable to such Member in accordance with the Allocation Percentage for the relevant Financial Year.

12 Board, Member Meetings and Reserved Matters

12.1 Board Constitution and Meetings

12.1.1 On or prior to the date hereof, RBS shall have delivered a written notice to the other Members naming four (4) individuals as the initial RBS Directors and the Sempra Member Group shall have delivered a written notice to the other Members naming three (3) individuals as the initial Sempra Directors.

12.1.2 The number of Directors shall at all times be seven (7) unless otherwise agreed between RBS and the Sempra Members. RBS may by written notice to the Board appoint up to four (4) Directors and the Sempra Members may by written notice to the Board appoint up to three (3) Directors. If, at any time, the Members determine, with the consent of at least one Sempra Member, to add a representative of the SET Group's management to the Board as a Director, the number of Directors shall be increased by two (2), including such representative of the SET Group's management and such additional Director as RBS may by written notice to the Board appoint, and the number of Directors that the Sempra Members are entitled to appoint shall not be affected. The Directors may, by notice to the Board in writing, appoint a proxy (whether or not a Director) to attend and vote at meetings of the Boa rd on their behalf.

12.1.3 The Board can, by majority vote and on ten (10) days prior written notice to the party that appointed the relevant Director, resolve to remove an RBS Director or an Sempra Director from the Board for Cause; *provided* that such removal shall not prejudice the

right of such Director's appointor(s) to appoint a replacement Director (who may not be the same person as the removed Director).

12.1.4 Without prejudice to reimbursement of expenses and unless otherwise agreed by the Board, the Directors shall not have any rights to remuneration by the Partnership.

12.1.5 The Board shall meet as and when required, but no less than once every three months. Any Director may convene a meeting of the Board upon the provision of reasonable written notice to the other Directors.

12.1.6 The quorum for Board meetings shall be not less than three Directors, comprising at least two RBS Directors and one Sempra Director, present in person or by audio or by video conferencing. The chairman of any Board meeting shall be determined by the Directors appointed by RBS amongst themselves at the commencement of each such meeting. If a quorum is not present within an hour of the time appointed for the meeting or ceases to be present, the Director(s) present shall adjourn the meeting to the same location at a time being 48 hours from the point at which the original scheduled meeting was not quorate. Notice of the first adjourned meeting shall be given, to the extent practicable, by the Board to each of the Directors. The quorum at any such adjourned meeting shall be at least three RBS Directors.

12.1.7 At every Board meeting, every Director present shall have one vote. All decisions of the Board shall, unless otherwise specified, be determined by a majority of the Directors present from time to time voting in favour; *provided* always that none of the Reserved Matters may be determined by the Board without the consent of at least one of the Sempra Directors. No member of the Board shall be entitled to a second or casting vote. A resolution in writing circulated to all Directors and subsequently signed as approved by all of the Directors unanimously from time to time shall be as valid and effective as a resolution passed at such a meeting. All or any of the members of the Board may participate in a meeting of the Board by means of any communication equipment which allows all persons participating in the meeting to hear each other and to address all of the other participants simulta neously. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to be counted towards the quorum and to vote. Such a meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the chairman of the meeting is present.

12.2 Management of the SET Group

12.2.1 Subject to the provisions of this Agreement and any applicable legislation, including the Act, the Board shall have exclusive responsibility for the management and control of the Business and the affairs of the Partnership on behalf of the Members and shall have the power and authority to delegate any of its powers to one or more committees of the Board (each of which shall include at least one Sempra Director, and at least one Sempra Director for every two RBS Directors on such committee) and to do all things necessary to carry out the purpose of the Partnership and shall carry on and manage the same with the assistance from time to time of the Members and of agents, servants or other employees of the Partnership as it shall deem necessary.

12.2.2 Subject to Clause 12.2.6, the Board shall have full power and authority on behalf of and at the cost of the Partnership and with the power to bind the Partnership thereby to

deal with and/or to engage on behalf of the Partnership such Person (including, for the avoidance of doubt, any Person associated with a Member) as the Board shall deem desirable to deal with all Tax affairs of the Partnership including, without limitation, the preparation and submission of any Tax Returns required to be submitted by the Partnership and the preparation of all documentation and the handling of all matters (including correspondence) and disputes relating to such Tax affairs with any relevant Tax authority; *provided* that the Board shall be obliged (i) to provide each Member with copies of any correspondence or documents relevant to that Member received by the Partnership from any Tax authority or similar agency promptly upon receipt and (ii) to provide the Members with notice of all scheduled administrative proceedings or audits, including meetings with agents or representatives of any Tax authorities, technical advice conferences and appellate hearings as soon as possible after receiving notice of the scheduling of proceedings; *provided*, *however*, that nothing in this Clause shall entitle a Member to receive information or documents that relate solely to the Tax position of other Members. Each Member shall provide all assistance as is necessary to enable the Board and any Person engaged by the Board to deal with and manage the Tax affairs of the Partnership in accordance with this Clause.

12.2.3 Following the end of each Financial Year, the Board shall use reasonable endeavours to cause the Partnership to prepare and send, or cause to be prepared and sent, within ninety (90) days of the completion of the audit for such Financial Year by the Auditors, to each Person who was a Member at any time during such Financial Year, copies of such information as may be required for applicable Tax reporting purposes, including, without limitation, such information as a Member may reasonably request for the purpose of applying for refunds of withholding taxes.

12.2.4 The day-to-day management of the SET Group shall be conducted by management appointed by the Board for such purpose and shall comply with Board directives and applicable RBS Policies and shall at all times be governed and operated in a manner consistent with this Agreement and the government and operation of other members of the RBS integrated group. RBS shall provide the Directors with copies of, or reasonable access to, the RBS Policies and any revisions thereto.

12.2.5 The following matters shall be reserved to the Board:

(i) the declaration and payment of distributions; and

(ii) each of the Reserved Matters.

12.2.6 With respect to any income or direct Tax Return of the Partnership or any other member of the SET Group, the preparation of which is controlled by the Partnership pursuant to Section 10.3(c) of the Master Formation and Equity Interest Purchase Agreement, which relates in any way to the portion of any Straddle Period for the Partnership or any other member of the SET Group which ends on the date of the Closing, the Board shall circulate to the Sempra Member Group for their review and approval a draft of such Tax Return at least thirty (30) days before such Tax Return is to be filed, and the Sempra Member Group shall provide any comments on such Tax Return to the Board at least fifteen (15) days before such Tax Return is to be filed. The Board shall not file any such Tax Return without the approval of the Sempra Member Group, which approval shall not be unreasonably withheld or delayed. If either Sempra Member objects to any items on the Tax Return which affect the Taxes of the

Partnership or any other member of the SET Group relating to a Pre-Closing Tax Period or to the portion of any Straddle Period for the Partnership or any other member of the SET Group which ends on the date of the Closing, then the Board must adopt the position of such Sempra Member unless such position may cause a material adverse Tax consequence to the Partnership or RBS. If such position may cause a material adverse Tax consequence to the Partnership or RBS but an opinion of suitable independent tax counsel, concluding that such Sempra Member's position is more likely to succeed than not, is obtained in the relevant jurisdiction at Sempra Energy's expense, then the position of such Sempra Member must be adopted by the Board.

12.2.7 Unless otherwise required (x) as the result of a change in Applicable Law occurring after the date hereof and with respect to which the Partnership has received an opinion from counsel, which counsel shall be reasonably acceptable to each of the Members, stating that there is no reasonable basis for continuing to report receipts in the manner described below (it being agreed that Sullivan & Cromwell LLP, Simpson Thacher & Bartlett LLP and PricewaterhouseCoopers LLP are deemed, for this purpose, to be acceptable counsel) or (y) pursuant to a "determination" pursuant to Section 1313(a) of the Code or other Applicable Law, the Partnership shall report receipts from physical commodities trading activities on a gross basis in preparing all U.S. federal, state and local income Tax Returns (including but not limited to U.S. Internal Revenue Form 1065, California inco me tax form 565, and any Schedules K-1 issued by the Partnership to any Member).

12.3 Member Meetings

12.3.1 Without prejudice to Clause 12.2.1 above, if the Board resolves that any decision of the Partnership should be taken at a general meeting of the Members, then it shall have the power to call such meeting at no less than seven (7) clear days' notice.

12.3.2 All Members shall be entitled to attend any general meeting of Members, but only RBS and the Sempra Members (or their permitted assignees from time to time) shall be entitled to vote. Decisions shall be made by them on a show of hands by a simple majority and, other than in relation to Reserved Matters, RBS (or its permitted assignee) shall have one more vote than the Sempra Members. No resolution concerning a Reserved Matter shall be approved without the consent of at least one of the Sempra Members.

12.3.3 The chairman and the secretary of any Member meeting shall be determined by the Board at the time such meeting is called (if called by the Board). The secretary shall record the number of votes cast in favour of or against each resolution, and such record, along with a declaration by the chairman certifying the accuracy of such record, shall be conclusive evidence of the adoption of such resolution.

12.3.4 Any consent required of a Member under this Agreement, other than any consent under Clause 12.3.2, may be given by such Member in writing, without a meeting of the Members.

12.4 Reserved Matters

12.4.1 The following shall be "**Reserved Matters**", and unless at least one of the Sempra Directors (in the case of an action by the Board) or at least one of the Sempra Members (in the case of an action by the Members) shall have consented, the

Partnership shall not, and shall not permit its subsidiaries, subject to Clause 12.4.2, to:

(i) amend, alter or waive the terms of this Agreement, the Members' interest in the Partnership or the constitutional documents of any material subsidiary of the Partnership;

(ii) wind-up or liquidate the Partnership or adopt a plan to effect any of the foregoing;

(iii) wind-up, sell, pledge, lease, assign or otherwise dispose of all or substantially all of the equity or assets of any material subsidiary of the Partnership (other than any merger, consolidation or amalgamation of, or similar transaction relating to, a wholly owned subsidiary of the Partnership with or into another wholly owned subsidiary of the Partnership that would not have an adverse Tax effect on any Member);

(iv) issue securities in respect of the Members' interests in the Partnership, including (a) puts, calls, options, stock appreciation rights or warrants in respect of, or securities convertible into, interests in the Partnership or securities thereof, (b) rights with an exercise or conversion privilege at a price related to interests in the Partnership or securities thereof, (c) derivatives contracts that have the effect of transferring the economic benefits and/or burdens of the ownership of the interests in the Partnership to a third party or (d) other rights or options to buy or sell interests in the Partnership or securities thereof;

(v) except for (a) agreements or arrangements entered into in the ordinary course of Business, (b) agreements or arrangements entered into as agent for RBS under the Commodities Trading Activities Master Agreement and (c) Trading Agreements, purchase or otherwise acquire (including by transfer from any Associated Company), other than in the ordinary course of the trading businesses of any subsidiary of the Partnership, any stock or equity interests in or of any other Person or any assets of any other Person, or any business (or a substantial part of a business), whether in one transaction or a series of related transactions, (x) for an aggregate purchase price exceeding $10,000,000, or (y) that would represent a material new line of business;

(vi) cease to operate or materially reduce the scope of the business carried on as at the date hereof by the four (4) principal business units of the SET Group, being Gas, Power, Oil and Metals, except to the extent that such cessation or reduction is the result of adverse changes in market conditions or historical performance;

(vii) incur any Indebtedness other than (a) Indebtedness that is incurred in order to operate the Business or pay distributions owing to RBS, Sempra Energy or any of their respective Associated Companies or (b) Indebtedness that is incurred in order to operate the Business and (x) is Indebtedness of the type not provided by RBS and its Associated Companies, (y) is required under Applicable Law to be incurred from Persons other than RBS and its Associated Companies or (z) prior to the Partnership incurring such Indebtedness, RBS has agreed with the Partnership or the third party from which such Indebtedness is incurred that RBS will pay the interest accruing in respect of such Indebtedness to the extent exceeding LIBOR plus fifty (50) basis points and, in the case of this clause (z),

the aggregate amount of Indebtedness of the Partnership owing to Persons other than RBS and its Associated Companies does not exceed $100,000,000 at any time outstanding;

(viii) issue any guarantees, letters of credit or other forms of credit support (other than in the ordinary course of the SET Business);

(ix) amend, alter, terminate, grant waivers or consents, fail to enforce its rights (after receipt of notice with reasonable specificity thereof from the Sempra Members) under or enter into any new agreements with respect to (a) matters substantially similar to any of the Related Agreements (other than Related Agreements to which Sempra Energy or any of its Associated Companies is a party) or (b) except to the extent such action is consistent with Clause 13.3, any material arrangement for the provision of services to the Partnership or any subsidiary of the Partnership by, or for the purchase by the Partnership or any subsidiary of the Partnership of material goods or services from, RBS or any subsidiary or affiliate of RBS;

(x) conduct any activities or business other than the SET Core Businesses and the SET Non-Exclusive Businesses;

(xi) enter into any agreement or arrangement having a term longer than two (2) years or providing for actual or potential aggregate payments by the Partnership or any subsidiary of the Partnership in excess of $10,000,000, except for (a) agreements or arrangements entered into in the ordinary course of the Business, (b) agreements or arrangements entered into as agent for RBS under the Commodities Trading Activities Master Agreement and (c) Trading Agreements;

(xii) enter into any agreement that imposes a material restriction on the conduct by the Partnership or its subsidiaries of the Business;

(xiii) cause any member of the SET Group that is not an entity organised under United States federal or state law to engage in any trade or business in the United States, to own any assets located in the United States, or to hold or acquire “United States property” as defined in Code Section 956(c);

(xiv) make any determination or distribute any amounts to the Members under Clause 5.6;

(xv) take any action with regard to the matters described in this Agreement that require the consent of at least one of the Sempra Members or Sempra Directors; or

(xvi) enter into, assume or become bound by any contract to take any action in furtherance of the above specified Reserved Matters, or otherwise attempt to take any action in furtherance of the above specified Reserved Matters, either directly or indirectly.

12.4.2 If the Partnership or RBS is compelled to take any action or engage in activity that constitutes a Reserved Matter in order to comply with Applicable Laws, and the consent of at least one of the Sempra Members has not been obtained, then, before taking any such action or engaging in any such activity, RBS or the Partnership shall

provide the Sempra Members with notice as soon as is reasonably practicable of its intent to take such action or engage in such conduct (which notice shall, if reasonably practicable, be in writing). If, upon receipt of such notice, at least one Sempra Member does not consent to the taking of such action or the engaging in such conduct, then the Partnership or RBS, as applicable, shall, to the extent reasonably practicable, consult in good faith with the Sempra Members in order to determine whether compliance with such Applicable Law can be achieved by curing any fact or circumstance that is then existing, or taking any other course of action, rather than by taking action or engaging in any activity that constitutes a Reserved Matter. Notwithstanding the foregoing, neither RBS nor the Partnership shall be deemed to be in b reach of this Clause 12.4 if, as a result of Applicable Law, RBS or the Partnership, as the case may be, is unable to either provide the notice or engage in the consultation required above because the time delay required to provide such notice or engage in such consultation would pose an immediate and significant risk to RBS or the Partnership, respectively. The Partnership or RBS, as applicable, shall provide written notice to the Sempra Members of any action taken pursuant to the preceding sentence concurrently with or immediately following the taking of any such action.

12.5 Notice Matters

12.5.1 The Partnership shall not, and shall not permit any subsidiary of the Partnership to, do any of the following without first providing notice and a reasonable opportunity to consult to the Sempra Member Group (*provided* that such requirement shall be deemed satisfied with respect to any matter that has been presented to the Board):

(i) sell, transfer, assign, hypothecate, encumber, license or sublicense any of the Partnership's or any of its subsidiary's trading models, licenses, copyrights, works that are the subject matter of copyrights, trademarks, tradenames, trade styles, trademark applications or any rights under any of the foregoing; any extensions, renewals, reissues, or configurations of the same; any trade secrets, formulae, processes, or any trade secrets or contract rights relating to computer hardware or software programs;

(ii) except as has been provided for in a capital budget approved by the Partnership and previously distributed to the Sempra Member Group, make or commit to make capital expenditures in excess of (x) $5,000,000 with respect to any individual expenditure or (y) $10,000,000 in the aggregate during any Financial Year;

(iii) enter into, materially amend or terminate any agreement with respect to a Commodity Transaction that (a) has a term longer than five (5) years and provides for aggregate payments, based on then-current prices, by or to the Partnership or any subsidiary of the Partnership in excess of $1,000,000,000 or (b) provides for aggregate payments, based on then-current prices, by or to the Partnership or any subsidiary of the Partnership in excess of $5,000,000,000. For purposes of this clause (iii), "then-current prices" means current prices determined at the time the parties thereto enter into such agreement and in the case of (1) a physical Commodity Transaction that provides for a fixed purchase or sales price, the Dollar present value of such price; (2) a physical Commodity Transaction that provides for an index purchase or sales price, the

Dollar present value of the forward prices for such index during the term of such transaction that are utilized by the relevant SET Group member to determine the mark-to-market valuation for such transaction; and (3) a Commodity Transaction that is a derivative, the net settlement amount for each settlement date during the term of such transaction, based on the Dollar present value of the applicable forward prices during the term of such transaction that are utilized by the relevant SET Group member to determine the mark-to-market valuation for such transaction;

(iv) compromise or settle any litigation or claim involving an amount in excess of $10,000,000 or any governmental audit or investigation involving an amount in excess of $1,000,000;

(v) hire, discharge or materially alter the total annual compensation of any employee who (a) was, in the most recently completed Financial Year, entitled to (x) a twenty-five percent (25%) or greater share of the Net Trading Revenue (or other revenue, income or margin metric) generated by such employee (directly or through the results of a group of employees) or (y) guaranteed total annual compensation in excess of $2,000,000 or (b) is a Senior Managing Director or an employee equivalent in stature to an employee holding such title or who, within the preceding twelve (12) months, had been employed at or above the level of Senior Managing Director or an equivalent stature; *provided* that, with regard to the hiring of an employee, the altering of an employee's compensation or the discharge of an employee for cause, the Partnership shall not be obligated, under this Clause 12.5.1, to provide the Sempra Member Group with an opportunity to consult prior to taking such action but shall remain obligated to provide the required notice; or

(vi) cease to operate or materially reduce the scope of, as a result of any adverse change in market conditions or historical performance, the business carried on as at the date hereof by the four (4) principal business units of the SET Group, being Gas, Power, Oil and Metals; *provided* that the Partnership and its subsidiaries shall only be required to provide notice and a reasonable opportunity to consult under this clause (vi) if it is reasonably practicable to do so.

12.5.2 RBS shall provide notice promptly and in no event less than one (1) Business Day following: (i) the resignation of the Auditors (or receipt by RBS or any RBS Director of an indication that the Auditors decline to be considered for re-appointment after completion of the current audit), (ii) the dismissal of the Auditor, (iii) the appointment of a new Auditor, and (iv) any disagreement between RBS or the Board, on the one hand, and the Auditors, on the other hand, regarding accounting or auditing matters or (v) the occurrence of any other event that would constitute a reportable event under US Securities and Exchange Commission Form 8-K if the Partnership were required to file such reports.

12.6 Duties of the RBS Directors and the Sempra Directors

In taking any action, making any decision or exercising any discretion with respect to the Partnership:

12.6.1 each RBS Director and each Sempra Director shall be entitled to consider such interests and factors as such Director deems appropriate, including the interests of the Member(s) entitled to appoint such Director;

12.6.2 no RBS Director nor Sempra Director shall have any duty or obligation to give any consideration to the interests of, or factors affecting, the Partnership, the Members other than the Member(s) entitled to appoint such Director; and

12.6.3 no RBS Director or Sempra Director shall have any duty or obligation, except as explicitly required herein, to abstain from participating in any vote or other action of the Partnership or any of its subsidiaries.

No RBS Director or Sempra Director shall have breached any duty or obligation to the Partnership or the Members solely as a result of any of the foregoing.

12.7 Rights Following Certain Transfers

In the event that either SG or SETI, but not both, has Transferred its interest in the Partnership pursuant to Clause 16.3.2 to a Person other than RBS or an Associated Company of RBS, then the references to "Sempra Members", "Sempra Member Group" and "Sempra Director" in this Clause 12, and the rights of the Sempra Members to appoint such directors and otherwise to exercise rights under this Clause 12, shall reside with the Member or Members that continue to be part of the Sempra Member Group. The Successor Member of the last Sempra Member to sell its interest in the Partnership shall succeed to all such rights.

13 Funding of Ongoing Operations, Cost of Funds and Agreements with Affiliates

13.1 Funding of Ongoing Operations

13.1.1 RBS covenants and agrees with the Partnership and the Sempra Members that it shall lend cash and other working capital to the SET Group as necessary to fund all of the SET Group's ongoing operating expenses, including in all events sufficient funds to pay all of the SET Group's obligations to its employees. In addition, RBS hereby affirms its intention to provide capital to the Partnership (i) to support the trading activities of the SET Group (including transactions entered into on RBS's books under the Commodities Trading Activities Master Agreement) at a minimum as reasonably necessary to support the SET Group's trading activities at the level prevailing as of the date of the Closing, (ii) to fund the then-current business plan of the Partnership and (iii) as required to support available Partnership business opportunities, in each case with th e objective of supporting the reasonable growth of the SET Business (and, in each case, taking into consideration adverse changes in market conditions, historical performance and future prospects of the SET Business).

13.1.2 If RBS has materially failed to provide capital to the Partnership for any material period in accordance with the covenants or intentions set forth in Clause 13.1.1, then the Sempra Member Group may notify RBS, and RBS shall have ten (10) Business Days to cure such failure or reach agreement with the Sempra Member Group regarding such failure.

13.1.3 If (x) RBS has failed to provide capital to the Partnership for any material period in accordance with the covenants or intentions set forth in Clause 13.1.1 and has received notice thereof pursuant to Section 13.1.2 and RBS does not cure such failure

or RBS and the Sempra Member Group are unable to reach agreement within the period specified in Clause 13.1.2 or (y) except in connection with a cessation or reduction of the scope of the business carried on as of the date hereof by the four (4) principal business units of the SET Group to the extent undertaken pursuant to Clause 12.4.1(vi) or to which the Sempra Member Group consented, RBS has suspended a material portion of the authority of the SET Group or its representatives under the Commodities Trading Activities Master Agreement (whether by suspension pursuant to Section 7.2 thereof or by any action or series of actions having a similar effect) for a period of time that has a material and adverse effect on the Business, then the Sempra Member Group shall have the following remedy (which shall be the Sempra M ember Group's sole right with respect to such failure or suspension):

(i) The Sempra Member Group shall have the option, in its sole discretion, to deliver to RBS a "**Purchase Notice**" within ninety (90) days of the Sempra Member Group's notification to RBS under Clause 13.1.2.

(ii) Upon delivery of such Purchase Notice, the Sempra Member Group shall be obligated to purchase, and the RBS Member Group shall be obligated to sell, the RBS Member Group's entire ownership interest in the Partnership for a cash price equal to (a) the consolidated membership equity of the Partnership (including any goodwill on the books of the Partnership) *plus*, without duplication, the net book value of any trading positions remaining on the books of RBS relating to the SET Business, in each case, on the closing date of the purchase and after giving effect to the termination of all contracts between RBS and the Partnership and the transfer of trading positions on the books of RBS pertaining to the SET Business, as provided in Clause 13.1.3(iv), *minus* (b) the sum of (x) the Sempra Adjusted Contribution Amount immediately prior to such purchase *plus* (y) to the extent included in the consolidated membership equity of the Partnership, any distributions payable to any Sempra Member pursuant to Clause 7.2 that have not been distributed by the Partnership to such Sempra Member (excluding distributions that have been withheld or retained pursuant to Clause 7.3 or 9.1) *plus* (c) to the extent not included in the consolidated membership equity of the Partnership, any distributions payable to the RBS Member Group pursuant to Clause 7.2 that have not been distributed by the Partnership to RBS (excluding distributions that have been withheld or retained pursuant to Clause 7.3 or 9.1) (collectively, the "**Buyback Consideration**"). The closing date of such purchase shall occur on the last day of a month, and unless otherwise stated, each amount in the preceding sentence shall be determined as of such day as though such day were the end of the Financial Year (for purposes, among others, of calculating the Allocation Percentages). The RBS Member Group will prepare an estimated consolidated and combined balance sheet of the Partnership as of the closing date of such purchase and a statement setting forth the estimated Buyback Consideration (the "**Estimated Buyback Consideration**") and deliver such balance sheet and such statement to the Sempra Members five (5) days prior to the closing date of such purchase. Any financial statements or calculations made pursuant to this Clause 13.1.3 shall be prepared in accordance with IFRS in a manner consistent with that used to prepare the Accounts.

Subject to the provisions of the next sentences, the Buyback Consideration

shall not, in any event, exceed $5,000,000,000. The provisions of the foregoing sentence are for the benefit of the RBS Member Group alone and may, within thirty (30) days of receipt of a Purchase Notice, be waived by RBS at its sole discretion (whether entirely or subject to a higher cap determined by RBS). To the extent that, at the time of such waiver, RBS or any of its holding companies remains subject to laws or regulations requiring transactions above a certain size to be approved by RBS's, or such holding company's, as the case may be, shareholders before such transactions are implemented, such waiver shall only be effective to the extent that either: (x) the waiver does not result in such a requirement being triggered or (y) the waiver does trigger such a requirement but the relevant shareholder approval i s obtained within sixty (60) days of the waiver (and the receipt of such approval or, in its absence, the expiry of such sixty (60) day period shall be a condition to the completion of such purchase). If RBS does not waive such limit on the Buyback Consideration or is unable to obtain shareholder approval for such waiver (or RBS waives such limit subject to a higher cap) and the calculation of the Buyback Consideration in accordance with the foregoing provisions of this Clause 13.1.3(ii) produces a figure which is in excess of $5,000,000,000 (or such higher cap, as applicable), the RBS Member Group shall nonetheless be obligated to sell the RBS Member Group's entire interest in the Partnership to the Sempra Member Group for a cash price equal to $5,000,000,000 (or such higher cap, as applicable).

(iii) Such purchase shall be subject to the following conditions to closing: (a) the RBS Member Group shall represent and warrant that it has unencumbered title to its interests in the Partnership, (b) all necessary regulatory approvals for such purchase shall have been obtained, (c) the closing date of such purchase shall occur not later than 120 days following the date of the Purchase Notice (unless a longer period is required (x) for the Sempra Member Group to obtain necessary financing to consummate the purchase, arrange for the transfer of trading positions on the books of RBS relating to the SET Business or arrange for credit support in favour of RBS with respect to any trading position that cannot be transferred or liquidated, (y) to obtain necessary regulatory approvals or (z) as a result of any failure by RBS to cooperate in good faith to complete such p urchase, which longer period shall not, in the case of clauses (x) and (y) only, exceed 210 days following the date of the Purchase Notice) and (d) all actions and conditions required by Clause 13.1.3(iv) to have been taken or satisfied no later than the closing date of such purchase shall have been satisfied.

(iv) Following the receipt of a Purchase Notice and prior to the closing of the purchase, the Sempra Member Group and RBS Member Group shall take such actions as are necessary to, no later than the closing date of such purchase, (x) terminate the Commodities Trading Activities Master Agreement and any contracts between the SET Group and RBS or its affiliates and Associated Companies, (y) arrange for the repayment or refinancing of all outstanding loans between RBS, or any of its Associated Companies, and any member of the SET Group and (z) with respect to all trading positions and Trading Agreements relating to the SET Business, including those that are recorded on

the books of RBS:

(a) First, provide for the assignment to or assumption by the SET Group of such trading positions and Trading Agreements and provide for the release of any guarantees or credit support provided by RBS or its Associated Companies with respect to such trading positions and Trading Agreements;

(b) Second, to the extent the assignment or assumption and release described in clause (a) is not reasonably practicable, cooperate to (i) enter into one or more mirror trades, total return swaps or other similar agreements between RBS, or any applicable Associated Company thereof, and the applicable members of the SET Group (whose obligations under such mirror trades, total return swaps or other agreements shall be supported by the credit of Sempra Energy), in a form reasonably acceptable to RBS and Sempra Energy, to (A) provide that all the economics of any such remaining trading positions and Trading Agreements are transferred to the SET Group and (B) pay a rate of return to RBS of LIBOR plus fifty (50) basis points (calculated in accordance with Clause 13.2) on the mark-to-market value of such trading positions and Trading Agreements and (ii) cause Sempra Ener gy and the Sempra Member Group to provide and maintain appropriate third party credit support in favour of RBS or any applicable Associated Company thereof, in a form reasonably acceptable to RBS and Sempra Energy, from a counterparty with a credit rating from a Ratings Agency at least equal to the then-current rating of the long-term unsecured unsubordinated debt of RBS with respect to the obligations of counterparties under such trading positions and Trading Agreements; *provided* that, for the avoidance of doubt, RBS may, at its election, cause the SET Group to liquidate any trading positions or Trading Agreements in the manner provided in clause (c) below at any time prior to the establishment of the arrangements described in this clause (b); and

(c) Third, to the extent the assignment or assumption and release described in clause (a) is not reasonably practicable and the credit support described in clause (b) cannot reasonably be provided, liquidate any such trading positions and Trading Agreements; *provided* that any aggregate net loss resulting from such liquidations shall be allocated equally between the Sempra Member Group and the RBS Member Group and any aggregate net gain resulting from liquidations shall be allocated to the Members in accordance with Clause 7.1 as though such gain were Adjusted Global Net Income, and the Buyback Consideration shall be adjusted accordingly.

If the Sempra Member Group provides third party credit support in respect of any trading positions or Trading Agreements pursuant to clause (b) above, the Sempra Member Group shall use commercially reasonable efforts to procure, as soon as is practicable following the closing of such purchase, and in any event, shall procure within one (1) year following the closing date of such purchase, that the obligations of RBS, or its Associated Companies, as the

case may be, with respect to such trading positions or Trading Agreements are assumed by the SET Group and that RBS, or its Associated Companies, as the case may be, are released therefrom, or that such trading positions or Trading Agreements are liquidated. If, at any time after the closing of such purchase, trading positions or Trading Agreements remain outstanding and RBS notifies Sempra Energy that there have been material changes in RBS's credit exposure to Sempra Energy (as a result of changes in the amount of the exposure or the credit rating of Sempra Energy) under the mirror trades, swaps and other agreements described in clause (iv)(b)(i) above, Sempra Energy and RBS shall cooperate to enter into arrangements to reduce such exposure to the level existing at the closing of such purchase and shall discuss how the c ost of managing such exposure will be divided among them.

(v) Following the receipt of a Purchase Notice and prior to the closing of the purchase, the RBS Member Group and the Sempra Member Group shall cooperate to arrange such transitional arrangements as may be reasonably available to effect an orderly transition of the Business and to further the purpose of this Clause 13.1.3.

(vi) On the closing date of such purchase, the Sempra Member Group shall pay to RBS the Estimated Buyback Consideration, and RBS shall sell, assign, transfer and deliver to the Sempra Member Group all of RBS's interest in the Partnership.

(vii) As promptly as practicable after the closing date of such purchase, but no later than ninety (90) days thereafter, the Sempra Member Group shall prepare and deliver (with assistance as requested from the Partnership and the RBS Member Group) to RBS, a statement setting forth the proposed Buyback Consideration (the "**Proposed Buyback Consideration**"), which shall be prepared as of 12:01 a.m. Eastern Standard Time on the closing date of such purchase.

(viii) RBS will have twenty (20) Business Days following delivery of the statement setting forth the Proposed Buyback Consideration during which to notify the Partnership and the Sempra Member Group in writing (the "**Notice of Objection**") of any objections to the preparation of the statement setting forth the Proposed Buyback Consideration or the calculation thereof, setting forth in reasonable detail the basis of its objections and, if practical, the U.S. dollar amount of each objection. In reviewing the statement of Proposed Buyback Consideration, RBS shall be entitled to reasonable access to all relevant books, records and personnel of the Partnership and its representatives to the extent RBS reasonably requests such information and reasonable access to complete its review of the Proposed Buyback Consideration. If RBS fails to deliver a Notice of Objection in acc ordance with this Clause 13.1.3(viii), the Proposed Buyback Consideration, together with the Sempra Member Group's calculation thereof, shall be conclusive and binding on all parties and it shall become the "**Final Buyback Consideration**". If RBS submits a Notice of Objection, then (a) for twenty (20) Business Days after the date the Sempra Member Group receives the Notice of Objection, the Sempra Member Group and RBS will use their commercially reasonable efforts to agree on the calculation of the Final

Buyback Consideration and (b) failing such agreement within twenty (20) Business Days of such Notice of Objection, the matter will be resolved in accordance with Clause 13.1.3(ix) below.

(ix) If RBS and the Sempra Member Group have not agreed on the Final Buyback Consideration within twenty (20) Business Days after delivery of a Notice of Objection, then the Sempra Member Group and RBS shall each have the right to deliver notice to the other party (the "**Accounting Dispute Notice**") of its intent to refer the matter for resolution to PricewaterhouseCoopers LLP (or such other internationally recognised accounting firm as the Members may agree in writing) (the "**Accounting Expert**"). Within ten (10) Business Days of the delivery of the Accounting Dispute Notice (or, if later, the date on which the Members select an Accounting Expert other than that named above), RBS and the Sempra Member Group will each deliver to the other and to the Accounting Expert a notice setting forth in reasonable detail their calculation of the Final Buyback Conside ration. The Members shall procure that, within fifteen (15) Business Days after receipt thereof, the Accounting Expert will determine its best estimate of the calculation of the Final Buyback Consideration and provide a written description of the basis for such determination; *provided* that, if the Accounting Expert requests a hearing before making a determination, such hearing shall be held within twenty (20) Business Days of the parties' delivery of their respective calculation notices and the determination of the Final Buyback Consideration shall be made within ten (10) Business Days of such hearing. The fees and expenses of the Accounting Expert shall be paid pro rata by RBS and the Sempra Member Group in accordance with the percentage of the disputed amounts awarded to the other party (or its subsidiaries, which for these purposes shall include the Partnership and its subsidiaries as a subsidiary of the Sempra Member Group) as a result of the Accounting Expert's decision. &nb sp;Each Party will bear the costs of its own counsel, witnesses (if any) and employees.

(x) If the Final Buyback Consideration exceeds the Estimated Buyback Consideration, the Sempra Member Group shall pay (within two (2) Business Days of determination of the Final Buyback Consideration) an amount equal to such excess by wire transfer in immediately available funds to the RBS Member Group to an account specified by the RBS Member Group. If the Final Buyback Consideration is less than the Estimated Buyback Consideration, the RBS Member Group shall pay, within two (2) Business Days of determination of the Final Buyback Consideration, an amount equal to such deficit to the Sempra Member Group by wire transfer in immediately available funds to an account specified by the Sempra Member Group.

13.1.4 RBS shall, and shall cause the SET Group to, use reasonable endeavours to make the most efficient use of the capital maintained in respect of the Business for the purposes of satisfying the requirements of the FSA and to minimize the Total FSA Regulatory Capital (to the extent possible without restricting the growth of the Business).

13.2 Cost of Funds

13.2.1 Any funding provided by RBS in respect of the SET Business (including funding

provided for activities conducted on the balance sheet of RBS as principal in respect of the SET Business) in excess of the Total FSA Regulatory Capital Attributed to the RBS Member Group (whether or not such amount has been reflected in the RBS Adjusted Contribution Amount) shall have a rate of return or bear interest at, as the case may be, a rate not to exceed LIBOR plus fifty (50) basis points. To the extent any such interest or return payable by the Partnership pursuant to this Clause 13.2.1 is paid to RBS pursuant to the Commodities Trading Activities Master Agreement or offset against fees otherwise payable to the Partnership thereunder, the Partnership shall not be obligated to make any other provision for the payment of such amounts.

13.2.2 Any amount loaned to or deposited with RBS or any of its Associated Companies by any member of the SET Group shall bear interest (i) to the extent such amount, together with all other amounts loaned to or deposited with RBS or any of its Associated Companies by any member of the SET Group, does not exceed the aggregate amount of funds loaned to, or provided for the benefit of, members of the SET Group by RBS and its Associated Companies, at a rate not to exceed LIBOR plus fifty (50) basis points and (ii) to the extent that such amount, together with all other amounts loaned to or deposited with RBS or any of its Associated Companies by any member of the SET Group, exceeds the aggregate amount of funds loaned to members of the SET Group by RBS and its Associated Companies, at a commercially reasonable rate.

13.2.3 The maturity of LIBOR for purposes of this Agreement shall be determined as follows:

(i) RBS shall use reasonable endeavours to manage the liquidity of the SET Group in accordance with the RBS Group Liquidity Policy and in compliance with the regulatory requirements of the FSA. In connection with such liquidity management, RBS shall determine, in its commercially reasonable judgement, the maturity with respect to which the relevant LIBOR shall be calculated for purposes of this Agreement. The Members intend that RBS should not, in the ordinary course, realize a net profit from borrowings and deposits in respect of the Business or the SET Business as a result of RBS's ability to determine the LIBOR maturity hereunder.

(ii) Notwithstanding clause (i), the maturity of LIBOR for purposes of clause (ii)(b) of the definition of Sempra Member Group's Preferred Return shall be overnight.

13.3 Agreements with Affiliates

No Member shall, nor shall it permit any of its respective affiliates or Associated Companies to, provide or agree to provide any goods or services to or for the benefit of any member of the SET Group, unless (i) the price to be paid by such member of the SET Group in respect of such goods or services does not exceed the cost to such Member or Associated Company of providing such goods or services, calculated on the basis set out in Schedule 13.3 and (ii) the other terms applicable thereto are generally no less favourable to such member of the SET Group than the terms on which such Member provides similar goods or services to its other similarly situated Associated Companies. Clause (i) shall not apply to any Market Price Arrangements, and neither clause (i) nor clause (ii) shall apply to the Commodities Trading Activities Master Agreement, any transactions contemplated by or entered into under the Commodities Trading Activities Master Agreement, the Transition Services Agreement or any

transaction that the Board, with the consent of at least one of the Sempra Directors, has exempted from this provision. If any Governmental Body determines that the provision of any good or service by any Member (or any affiliate or Associated Company thereof) in any particular jurisdiction at the price required by clause (i) does not comply with applicable transfer pricing and similar rules, such Member (or affiliate or Associated Company thereof) shall be permitted to provide such good or service in such jurisdiction at such greater or lesser price as will cause it to be in compliance with such rules, but such excess or shortfall shall be added to or subtracted from, as applicable, the Aggregate Transfer Pricing Adjustment for the relevant period.

14 Indemnification

14.1 Indemnity for Directors

14.1.1 Subject to the provisions of this Clause 14, the Partnership agrees to indemnify each of the Directors out of its own funds (or out of the proceeds of any insurance policy maintained by the Partnership in respect of such liabilities) against any expenses (including reasonable attorneys' fees), judgements, fines and amounts paid in settlement actually and reasonably incurred by such Director on or after the date of this Agreement as a result of such Director being made or threatened to be made a party to any threatened, pending or completed action, suit or proceedings, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a Director or is or was serving at the request of the Partnership as a director of another member of the SET Group.

14.1.2 Subject to the provisions of this Clause 14, the Partnership further agrees to indemnify each of the Directors in respect of out of pocket expenses reasonably incurred by such Director:

(i) in the ordinary and proper discharge of such Director's duties in relation to the conduct of the business of the Partnership; and

(ii) in or about anything necessarily done for the preservation of the business or property of the Partnership.

14.1.3 This indemnity shall only extend to such costs and expenses incurred by the Director in relation to the matters in respect of which he is entitled to be indemnified in this Clause 14.1.

14.2 Limitations on indemnity for Directors

14.2.1 Without prejudice to any other rights or remedies which may be available to the Director, the indemnity granted by the Partnership to the Director in Clause 14.1 shall not extend to any liability (including any costs and expenses) incurred by, or attaching to, the Director:

(i) owing to any member of the SET Group or any Members, including liabilities resulting from any claim brought against such Director by such Persons; *provided* that the Director shall be entitled to reasonable expenses (including attorneys' fees) incurred in connection with the defence of any such claim if such Director is not adjudged liable;

(ii) to pay a fine imposed in criminal proceedings or to pay a penalty imposed by any regulatory authority;

(iii) in connection with or in defending any criminal action or proceedings in which he is convicted, where such conviction is final; or

(iv) resulting from such Director's wilful misconduct.

14.2.2 The Partnership shall not be required to pay any amounts under this Clause 14 in advance of a final disposition of the relevant action, suit or proceeding unless the Partnership determines in its sole discretion (as provided in Clause 14.2.3) that such advance is reasonable and appropriate and the Director claiming indemnification has provided an undertaking to repay such amounts if the Partnership ultimately determines that such Director is not entitled to be indemnified by the Partnership.

14.2.3 Any determination by the Partnership regarding the matters described in this Clause 14 shall be made by a committee of the Board consisting of the Directors who (i) are not subject to the action, suit or proceeding giving rise to the liability for which indemnification is sought and (ii) do not otherwise have any conflict of interest. If there are no such Directors, such determination shall be made by the Members, with the consent of at least one of the Sempra Members.

14.2.4 Furthermore, the indemnity provided for in this Clause 14 shall not apply to the extent that it is prohibited by, or inconsistent with, Applicable Laws.

14.2.5 Notwithstanding anything herein to the contrary, the Partnership shall be relieved of its obligation to indemnify any Director to the extent that any loss could have been mitigated had such Director taken reasonable and apparent mitigating steps.

15 Competition with the Partnership

15.1 RBS Non-compete

15.1.1 Except for RBS Permitted Competitive Activities and except as provided in Clause 15.1.3 or 15.1.4, RBS shall not, and shall procure that its Associated Companies do not, for the duration of the Restricted Period, directly or indirectly through partnerships, joint ventures or otherwise, conduct or engage in activities comprising SET Core Businesses (including any activities resulting directly or indirectly from any investment, acquisition or merger in which RBS, or its relevant Associated Company, is the surviving entity other than any such transaction that is subject to Clause 15.1.2 or 15.1.3) unless the Sempra Member Group has granted its prior written consent. Notwithstanding the foregoing, if RBS and its Associated Companies have made good faith efforts to comply with this Clause 15.1.1, RBS and its Associated Companies shall not be deemed to have breached this C lause 15.1.1 in any Financial Year if the aggregate Net Trading Revenue of RBS and its Associated Companies during such Financial Year attributable to activities comprising SET Core Businesses is less than $5,000,000; *provided* that, if in any Financial Year the aggregate Net Trading Revenue of RBS and its Associated Companies during such Financial Year attributable to activities comprising SET Core Businesses equals or exceeds $5,000,000, RBS shall, and shall cause its Associated Companies to, payover any Net Trading Revenue in excess of $5,000,000 to the Partnership promptly following the last day of such

Financial Year, and such excess shall be treated as income of the Partnership for the purposes of calculating Adjusted Global Net Loss and Adjusted Global Net Income.

15.1.2 For the duration of the Restricted Period, RBS shall not, and shall not permit any Associated Company to, directly or indirectly, own or acquire an equity interest of more than twenty-five percent (25%) in any entity (or group of related entities or assets constituting a line of business) that, together with its subsidiaries, engages in trading activities that constitute SET Core Businesses if the Average Net Trading Revenue attributable to such trading activities represent fifty percent (50%) or more of the Average Net Trading Revenue of such entity (or group of related entities or line of business) and its subsidiaries (such entity, group of related entities or line of business, a “**Major Competitor**”).

15.1.3 For the duration of the Restricted Period, in the event that RBS or any Associated Company of RBS, directly or indirectly, acquires (x) an equity interest of more than thirty-three percent (33%) in a Public Entity, (y) an equity interest of more than forty-five percent (45%) in a Non-Public Entity or (z) the right or ability (by voting power, contract or otherwise) to elect or designate for election a majority of the board of directors (or analogous body) of a Public Entity or Non-Public Entity (or the parent company of any such entity), in each case that engages in trading activities that constitute or are competitive with the SET Core Businesses but that is not a Major Competitor (a “**Minor Competitor**”), then:

(i) RBS and Sempra Energy shall negotiate in good faith to combine such Minor Competitor’s activities with the activities of the SET Group. Such negotiations shall include the structure of the combination, the amount of additional capital, if any, to be Contributed by the Members in connection with such combination and the adjustment of the allocation of distributions to Members hereunder in order to reflect the value of such Minor Competitor; and

(ii) if RBS is unable to combine such activities with those of the SET Group, or if RBS and Sempra Energy, acting in good faith, are unable to agree to the terms of any such combination, within a period of six months from the date of the consummation of such acquisition or investment by RBS or such Associated Company, then:

(a) prior to entering into any transaction or series of related transactions with, or directing any corporate opportunity to, such Minor Competitor within the RBS Covered Areas that constitutes or is competitive with the SET Core Businesses (each such transaction, series of related transactions or corporate opportunity, an “**RBS Core Transaction**”), RBS shall, and shall procure that its Associated Companies, make a good faith effort to notify the Partnership of such RBS Core Transaction and offer to the Partnership the opportunity, within a commercially reasonable period of time, to submit an offer to RBS or such Associated Company with respect to such RBS Core Transaction; *provided* that RBS and its Associated Companies shall be free to accept or reject any offer made by the Partnership hereunder; and

(b) if, subsequent to rejecting an offer made by the Partnership pursuant to the preceding clause, RBS determines to engage in such RBS Core

Transaction with such Minor Competitor on terms more favourable to such Minor Competitor than those specified in the Partnership's offer, RBS shall, or shall cause such Associated Company to, make a good faith effort to notify the Partnership of such terms and offer to the Partnership the opportunity, within a commercially reasonable period of time, to submit a revised offer to RBS or such Associated Company with respect to such RBS Core Transaction; *provided* that RBS and its Associated Companies shall be free to accept or reject any revised offer made by the Partnership hereunder; *provided further* that, if RBS or such Associated Company rejects such revised offer, neither RBS nor such Associated Company may enter into such RBS Core Transaction with such Minor Competitor on terms that are identical in all material respects to, or more favourable to such Minor Competitor than, the terms specified in the Partnership's revised offer.

Notwithstanding the foregoing, RBS and its Associated Companies shall only be required to comply with this Clause 15.1.3(ii) with respect to any RBS Core Transaction that is reasonably expected at the time of execution to result in gross purchases and sales of at least $100,000,000 in aggregate, and only with respect to 75% of such RBS Core Transactions executed in any Financial Year.

15.1.4 Notwithstanding any other provision of this Clause 15.1, (i) RBS and its Associated Companies shall be permitted to sponsor, manage and advise private equity, hedge and other types of funds and investment vehicles (collectively, "**Funds**"), (ii) any such Fund shall be permitted to own portfolio companies or securities of other portfolio investments that engage in SET Core Businesses (whether or not competitive with the SET Group) and (iii) RBS and its Associated Companies may own general partner, managing member and other ownership interests in such Funds and the portfolio companies and other portfolio investments thereof (including without limitation through so-called "co-investment" and similar arrangements in connection with such Funds); *provided*, in each case, that at all times (x) such Fund is a bona fide investment vehicle formed to ma ke multiple investments and (y) at least two-thirds of the capital of any such Fund is invested by Persons other than RBS and its affiliates or Associated Companies.

15.1.5 For the purposes of this Clause 15.1, the SET Core Businesses shall not include Commodity Transactions in currencies and interest rates.

15.2 Sempra Non-compete

15.2.1 The parties acknowledge that Sempra Energy and its Associated Companies have in the past engaged in Commodity Transactions, including Commodity Transactions comprising SET Core Businesses, and will, in a manner consistent with this Clause 15.2.1, continue to engage in such Commodity Transactions on and after the date hereof. During the Restricted Period, prior to entering into any transaction or series of related transactions, executed by or on behalf of any of the Sempra Covered Units and comprising SET Core Businesses (each such transaction or series of related transactions, a "**Sempra Core Transaction**"), with any Third Party Commodities Trading Organisation, Sempra Energy shall, and shall procure that any relevant Associated Company of Sempra Energy shall, if feasible, make a good faith effort to

notify the Partnership of (i) such Sempra Core Transaction and (ii) the terms Sempra Energy or such Associated Company has negotiated or reasonably expects to negotiate with respect to such Sempra Core Transaction; *provided*, *however*, that this covenant shall bind Sempra Energy only with respect to any Sempra Core Transaction that is reasonably expected at the time of execution to result in gross purchases and sales of at least $100 million in aggregate, and only with respect to 75% of such Sempra Core Transactions executed in any Financial Year. The Partnership, within a reasonable time of receipt of such notice, shall have the right to engage in such Sempra Core Transaction with Sempra Energy or such Associated Company on terms identical in all material respects to, or more favourable to Sempra En ergy or such Associated Company than, those set forth in such notice. The Partnership shall exercise such right by promptly notifying Sempra Energy or such Associated Company and taking such further actions as are required to evidence such engagement and perform the terms thereof. If the Partnership fails to promptly exercise such right or, following exercise of such right, fails to promptly perform such actions as are required hereunder, neither Sempra Energy nor such Associated Company shall have any further obligation to the Partnership with regard to such transaction or series of related transactions. Notwithstanding the foregoing, neither Sempra Energy nor any Associated Company thereof shall have any obligation to comply with this Clause 15.2.1 if any resulting transaction would or is reasonably likely to violate or conflict with Sempra Energy's or such Associated Company's policies and practices concerning concentration of credit or risk exposure, which shall be determ ined by Sempra Energy or such Associated Company in its reasonable discretion.

15.2.2 For the duration of the Restricted Period, Sempra Energy shall not, and shall not permit any Associated Company to, directly or indirectly, own or acquire an equity interest of more than twenty-five percent (25%) in a Major Competitor.

15.2.3 For the duration of the Restricted Period, in the event that Sempra Energy or any Associated Company of Sempra Energy, directly or indirectly, acquires (x) an equity interest of more than thirty-three percent (33%) in a Public Entity, (y) an equity interest of more than forty-five percent (45%) in a Non-Public Entity or (z) the right or ability (by voting power, contract or otherwise) to elect or designate for election a majority of the board of directors of a Public Entity or Non-Public Entity (or the parent company of any such entity), in each case, that is a Minor Competitor, then:

(i) Sempra Energy and RBS shall negotiate in good faith to combine such Minor Competitor's activities with the activities of the SET Group. Such negotiations shall include the structure of the combination, the amount of additional capital, if any, to be Contributed by the Members in connection with such combination and the adjustment of the allocation of distributions to Members hereunder in order to reflect the value of such Minor Competitor; and

(ii) if Sempra Energy is unable to combine such activities with those of the SET Group, or if Sempra Energy and RBS, acting in good faith, are unable to agree to the terms of any such combination, within a period of six months from the date of the consummation of such acquisition or investment by Sempra Energy or such Associated Company, then:

(a) prior to entering into any Sempra Core Transaction with such Minor Competitor, Sempra Energy shall, and shall procure that its Associated

Companies, make a good faith effort to notify the Partnership of such Sempra Core Transaction and offer to the Partnership the opportunity, within a commercially reasonable period of time, to submit an offer to Sempra Energy or such Associated Company with respect to such Sempra Core Transaction; *provided* that Sempra Energy and its Associated Companies shall be free to accept or reject any offer made by the Partnership hereunder; and

(b) if, subsequent to rejecting an offer made by the Partnership pursuant to the preceding clause, Sempra Energy determines to enter into such Sempra Core Transaction with such Minor Competitor on terms more favourable to such Minor Competitor than those specified in the Partnership's offer, Sempra Energy shall, or shall cause such Associated Company to, make a good faith effort to notify the Partnership of such terms and offer to the Partnership the opportunity, within a commercially reasonable period of time, to submit a revised offer to Sempra Energy or such Associated Company with respect to such Sempra Core Transaction; *provided* that Sempra Energy and its Associated Companies shall be free to accept or reject any revised offer made by the Partnership hereunder; *provided*, *further*, that, if Sempra Energy or such Associated Company rejects such revised offer, nei ther Sempra Energy nor such Associated Company may enter into such Sempra Core Transaction with such Minor Competitor on terms that are identical in all material respects to, or more favourable to such Minor Competitor than, the terms specified in the Partnership's revised offer.

Notwithstanding the foregoing, Sempra Energy and its Associated Companies shall only be required to comply with this Clause 15.2.3(ii) with respect to any Sempra Core Transaction that is reasonably expected at the time of execution to result in gross purchases and sales of at least $100,000,000 in aggregate, and only with respect to 75% of such Sempra Core Transactions executed in any Financial Year.

15.2.4 For the avoidance of doubt, and notwithstanding any provision of this Clause 15.2 to the contrary, this Clause 15.2 shall not apply to any Sempra Utilities or any other Person now owned by Sempra Energy or any of its Associated Companies or hereafter acquired, that is subject to cost-based rate regulation and regulation as to service by any state, federal or foreign governmental regulation and owns or operates facilities used for (i) the generation, transmission, or distribution of electric energy for sale, (ii) the distribution of natural or manufactured gas for heat, light, or power or (iii) the collection, treatment and distribution of water for sale.

15.2.5 For the purposes of this Clause 15.2, the SET Core Businesses shall not include Commodity Transactions in currencies and interest rates.

15.3 Termination of Noncompetition Covenants.

In the event that either RBS or Sempra Energy is acquired by another Person, which other Person was not, prior to such acquisition, an Associated Company of such Person, the provisions of Clauses 15.1 and 15.2 shall cease to apply to both RBS and the Sempra Members.

15.4 Disputes

In the event that a dispute arises among the Members concerning whether any Member has breached the terms of Clause 15.1 or 15.2, as applicable, the parties shall resolve such dispute in accordance with the procedures set forth in Clause 19.2. If a Member admits that it has, or is determined pursuant to such procedures to have, breached the provisions of Clause 15.1 or 15.2, as applicable, such Member shall cease any such activities or operations or dispose of such activities or operations as promptly as commercially practicable and shall pay over the profits it has earned in connection with such activities or operations to the Partnership, and such Member shall have no further liability hereunder for such breach.

15.5 No Hire

15.5.1 The Sempra Members agree that they will not, at any time while any Sempra Member or Associated Company of Sempra Energy has any ownership interest in the Partnership and for a period of one year from the date on which the Sempra Member Group ceases to have any membership interest in the Partnership, solicit, endeavour to entice away, employ or offer to employ any person who is, at such time, or has been during the prior twelve (12) months, an employee, officer or manager of any member of the SET Group; *provided* that this Clause 15.5.1 shall not, except with respect to employees at or above the level of vice president (or who, within the preceding twelve (12) months, had been employed at or above the level of vice president), prohibit the general advertisement of employment opportunities not specifically targeting any employee, officer or manager of any member of the SET Group , or any resulting employment or offer of employment.

15.5.2 RBS (on behalf of the RBS Group) agrees that it will not, at any time while RBS or any Associated Company of RBS has any ownership interest in the Partnership and for a period of one year from the date on which the RBS Group ceases to have any membership interest in the Partnership, directly or indirectly, solicit, endeavour to entice away, employ or offer to employ any person who is, at such time, or has been during the prior twelve (12) months, an employee, officer or manager of any member of the SET Group; *provided* that this Clause 15.5.2 shall not, except with respect to employees at or above the level of vice president (or who, within the preceding twelve (12) months, had been employed at or above the level of vice president), prohibit the general advertisement of employment opportunities not specifically targeting any employee, officer or manager of any member of the SE T Group, or any resulting employment or offer of employment.

15.6 Invalidity

15.6.1 Each of the restrictions set forth in this Clause 15 is an entirely separate and independent restriction on each party and the validity of one restriction shall not be affected by the validity or unenforceability of another.

15.6.2 Each party considers the restrictions in this Clause 15 to be reasonable and necessary for the protection of the interests of the Business. If any such restriction shall be held to be void but would be valid if deleted in part or reduced in application, such restriction shall apply with such deletion or modification as may be necessary to make it valid and enforceable.

16 Term and Termination

16.1 Duration

Subject to the other provisions of this Agreement, this Agreement shall continue in full force and effect without limit in point of time until the parties agree in writing to terminate this Agreement. Neither RBS nor the Sempra Members shall be permitted to resign from the Partnership except as expressly provided in this Agreement, and the resignation and replacement from time to time of a Designated Member shall not affect the continuity of the Partnership between the remaining Members.

16.2 Termination

16.2.1 Termination of this Agreement shall not release a party from any liability which at the time of termination has already accrued to the other party or which thereafter may accrue in respect of any act or omission prior to such termination.

16.2.2 Clauses 1 and 17 to 19 shall survive termination of this Agreement.

16.3 Exit Rights and Tag-Along Rights

16.3.1 For the duration of the Restricted Period, no Member may Transfer its interest in the Partnership except (i) as provided in Clause 4.7 and (ii) pursuant to a bona fide pledge of or encumbrance on all or any portion of the distributions payable in connection with such interest securing any Indebtedness of such Member to an unaffiliated third party that is incurred for a purpose other than effecting the Transfer of such Member's interest in the Partnership or any part thereof.

16.3.2 In addition to each Member's right to Transfer its interest in the Partnership in accordance with Clause 16.3.1, at any time following the termination of the Restricted Period, any Sempra Member may Transfer all, but not part, of its interest in the Partnership as follows:

(i) Such Sempra Member shall notify RBS in writing (the "**Outside Transfer Notice**") of its intention to Transfer its interest in the Partnership (the "**Offered Interest**"); *provided* that, if such Sempra Member has previously delivered an Outside Transfer Notice, it may not deliver a subsequent Outside Transfer Notice for a period of two (2) years following the date on which the most recently delivered Outside Transfer Notice was delivered.

(ii) Within 180 days of receipt of the Outside Transfer Notice, RBS shall notify such Sempra Member in writing as to whether RBS desires to purchase the Offered Interest (an "**Indication Notice**"). Unless RBS has notified such Sempra Member that RBS does not desire to purchase the Offered Interest, such Sempra Member and RBS shall endeavour, during such period of 180 days, to negotiate a purchase price for the Offered Interest, which price shall not exceed an amount equal to the Exit Price Cap *plus* the amount of any distributions payable to such Sempra Member pursuant to Clause 7.2 or 7.3.4 that have not been distributed by the Partnership to such Sempra Member (other than distributions that are treated as having been distributed pursuant to Clause 7.3.1, 7.3.2 or 9.1 or that are retained pursuant to Clause 7.3.3). If at any time such Sempra Member determine s not to Transfer the Offered Interest, such Sempra Member may withdraw the Outside Transfer Notice, and thereafter,

such Sempra Member shall not have any obligation to RBS under this Clause 16.3.2 unless such Sempra Member delivers a subsequent Outside Transfer Notice; *provided* that, if such Sempra Member withdraws such Outside Transfer Notice, such Sempra Member shall not be permitted to Transfer the Offered Interest pursuant to this Clause 16.3.2 unless such Sempra Member once again delivers an Outside Transfer Notice.

(iii) If RBS and such Sempra Member determine, at any time during the period specified in clause (ii), that they will not be able to agree to a purchase price, or RBS and such Sempra Member have failed to agree to a purchase price within the period specified in clause (ii), then RBS and such Sempra Member may agree to submit to binding arbitration under Clause 19.2 (without giving effect to the sixty (60) day negotiation period described in Clause 19.2.1). If RBS is unwilling to proceed to arbitration at such time, RBS shall be deemed to have delivered an Indication Notice stating that RBS does not desire to purchase the Offered Interest. If, at the end of the period specified in clause (ii), RBS delivers a written notice to such Sempra Member stating that RBS is willing to proceed to arbitration, then such Sempra Member shall either consent to such arbitr ation or shall be deemed to have withdrawn the Outside Transfer Notice pursuant to the last sentence of clause (ii). If RBS and such Sempra Member agree to submit to arbitration, such submission shall be deemed to be a binding commitment by RBS to purchase the Offered Interest at the price determined by the arbitration panel and such arbitration shall be conducted in a manner consistent with this Clause 16.3.2(iii) and Clause 19.2; *provided* that:

(a) The arbitration panel shall be instructed to determine solely the purchase price of the Offered Interest. Such purchase price shall reflect the amount that a willing buyer not under compulsion to buy would agree with a willing seller not under compulsion to sell in an arm's length transaction and shall not include any discount or premium in respect of control.

(b) Each of RBS and such Sempra Member shall propose to the arbitration panel a purchase price for the Offered Interest not greater than the Exit Price Cap.

(c) The arbitration panel shall determine the purchase price of the Offered Interest by selecting either the proposal of RBS or the proposal of such Sempra Member and shall not consider the existence of the Exit Price Cap in making such determination. The arbitration panel shall also determine the amount of any distributions payable to such Sempra Member pursuant to Clause 7.2 or 7.3.4 that have not been distributed by the Partnership to such Sempra Member (other than distributions that are treated as having been distributed pursuant to Clause 7.3.1, 7.3.2 or 9.1 or that are retained pursuant to Clause 7.3.3), and without regard for the Exit Price Cap, such amount shall be added to the purchase price proposal selected by the arbitration panel in accordance with the preceding sentence.

(d) The arbitration panel shall render its decision no later than 180 days following the date on which RBS delivered the Arbitration Demand.

(iv) If RBS delivers an Indication Notice stating that RBS desires to purchase the Offered Interest within the period specified in clause (ii) and RBS and such Sempra Member agree to a purchase price during such period, then RBS and such Sempra Member shall use reasonable endeavours to cause such Transfer of the Offered Interest to close within 365 days of the date of such Indication Notice. If RBS and such Sempra Member agree to submit to arbitration under clause (iii), RBS shall, promptly following the rendering of a final decision by the arbitration panel, enter into a binding agreement with such Sempra Member to purchase the Offered Interest at the price determined by the arbitration panel and RBS and such Sempra Member shall use reasonable endeavours to cause such Transfer of the Offered Interest to close within 180 days of the rendering of a final decision by the arbitr ation panel.

(v) If RBS (a) does not deliver an Indication Notice within the period specified in clause (ii) (except in the case that RBS and such Sempra Member agree to submit to arbitration under clause (iii)), (b) delivers an Indication Notice stating that RBS does not desire to purchase the Offered Interest (or is deemed to have done so under clause (iii)) or (c) to the extent applicable, fails to promptly perform such actions as are required by clause (iv), then such Sempra Member shall be permitted, subject to clauses (vi) and (vii), for a period of 270 days from the earlier of the date by which RBS was required to deliver an Indication Notice and the date on which RBS delivered (or was deemed to have delivered) an Indication Notice stating that RBS does not desire to purchase the Offered Interest, to enter into a binding contract to Transfer the Offered Interest to any Person on such terms and conditions as such Sempra Member may negotiate.

(vi) Promptly upon such Sempra Member becoming entitled to Transfer the Offered Interest to a third party pursuant to clause (v), such Sempra Member shall deliver a notice to RBS setting forth the most favourable terms and conditions on which such Sempra Member was willing to Transfer the Offered Interest to RBS. If such Sempra Member determines to Transfer the Offered Interest to a third party in accordance with clause (v) on terms and conditions more favourable to such third party than the terms and conditions set forth in the notice delivered pursuant to the preceding sentence, such Sempra Member shall, prior to Transferring the Offered Interest to such third party, notify RBS in writing of the terms and conditions on which such Sempra Member proposes to Transfer the Offered Interest to such third party. RBS, within thirty (30) days of receipt of such notice, shall h ave the right to purchase the Offered Interest on terms and conditions identical in all material respects to, or more favourable to such Sempra Member than, the terms and conditions on which such Sempra Member was willing to Transfer the Offered Interest to such third party. RBS shall exercise such right by notifying such Sempra Member in writing and taking such further actions as are required to close such Transfer within 180 days of the date on with RBS exercises such right. If RBS fails to exercise such right within the thirty (30) day period specified above or, following exercise of such right, fails to promptly perform such actions as are required hereunder, such Sempra Member shall have no further obligation to RBS with regard to such Transfer and may Transfer the Offered Interest to such third party in

accordance with clause (v) on terms and conditions identical in all material respects to, or no more favourable to such third party than, the terms and conditions specified in the notice described above. Notwithstanding the foregoing, if such Sempra Member became entitled to Transfer the Offered Interest to a third party pursuant to clause (v)(c), then such Sempra Member shall not be required to comply with this clause (vi).

(vii) If such Sempra Member determines to Transfer the Offered Interest to a third party in accordance with clause (v) and such third party (i) is a bank, bank holding company, registered broker-dealer or Associated Company of any of the foregoing, (ii) is a hedge fund controlled by, or whose holding company is, either a bank, bank holding company or registered broker-dealer or (iii) has a credit rating from a Ratings Agency lower than the then-current rating of the long-term unsecured unsubordinated debt of Sempra Energy, then such third party must be acceptable to RBS, in RBS's sole discretion.

(viii) If such Sempra Member determines to Transfer the Offered Interest to a third party in accordance with clause (v), RBS and the Partnership shall, and shall cause their Associated Companies to, provide reasonable access to all relevant books, records and personnel of the Partnership and its representatives to the extent such Sempra Member or such third party reasonably requests such information and access; *provided* that RBS and the Partnership may require, prior to providing such access, that such third party agree to maintain the confidentiality of such information on terms consistent with Clause 17.

(ix) Notwithstanding any provision of this Clause 16.3.2 to the contrary:

(a) Subject to the provisions of the next sentences, if RBS agrees to purchase the Offered Interest pursuant to this Clause 16.3.2, the purchase price for such Offered Interest shall not, in any event, exceed $5,000,000,000. The provisions of the foregoing sentence are for the benefit of the RBS Member Group alone and may, within thirty (30) days of receipt of an Outside Transfer Notice or a notice pursuant to clause (vi), be waived by RBS at its sole discretion (whether entirely or subject to a higher cap determined by RBS). To the extent that, at the time of such waiver, RBS or any of its holding companies remains subject to laws or regulations requiring transactions above a certain size to be approved by RBS's, or such holding company's, as the case may be, shareholders before such transactions are implemented, such waiver shall only be effective to the extent that ei ther: (x) the waiver does not result in such a requirement being triggered or (y) the waiver does trigger such a requirement but the relevant shareholder approval is obtained within sixty (60) days of the waiver (and the receipt of such approval or, in its absence, the expiry of such sixty (60) day period shall be a condition to the completion of such purchase).

(b) Clause (ix)(a) shall not in any manner restrict such Sempra Member's right to value and negotiate for the sale of the Offered Interest at such purchase price as such Sempra Member, in its sole discretion, may determine. If as a result of clause (ix)(a), RBS (or its holding company) is required, as a condition to completing a purchase of the Offered

Interest, seek approval from its shareholders, (x) RBS shall, or shall procure that its holding company, if applicable, recommend such transaction to its shareholders and (y) if such shareholder approval is not obtained within the period of time set forth in clause (ix)(a), (A) RBS shall be deemed to have delivered an Indication Notice, on the date that such failure to satisfy the closing condition caused such purchase not to close, stating that RBS does not desire to purchase the Offered Interest, and the 270-day period specified in clause (v) shall be deemed to start (or restart) on such date and (B) all restrictions under this Agreement on any Sempra Member's (or successor's) ability to Transfer any interest in the Partnership shall cease to be applicable.

16.3.3 Any third party who purchases an interest in the Partnership from any Sempra Member (the "**Successor Member**") shall be subject to the following restrictions on Transfer of such Successor Member's interest in the Partnership.

(i) For a period of three (3) years following such Successor Member's admission to the Partnership, such Successor Member shall not be permitted to Transfer its interest in the Partnership except (i) as provided in Clause 4.7 and (ii) pursuant to a bona fide pledge of or encumbrance on all or any portion of the distributions payable in connection with such interest securing any Indebtedness of such Successor Member to an unaffiliated third party that is incurred for a purpose other than effecting the Transfer of such Successor Member's interest in the Partnership or any part thereof.

(ii) Such Successor Member shall be subject to the provisions of Clause 16.3.2, with the following modifications:

(a) each reference to a Sempra Member shall be deemed to be a reference to such Successor Member;

(b) the words "at any time following the termination of the Restricted Period" shall be deemed to be replaced with the words "at any time following the third anniversary of a Successor Member's admission to the Partnership;"

(c) any reference to Clause 16.3.1 shall be deemed to be a reference to Clause 16.3.3(i); and

(d) each reference to the Exit Price Cap shall be deemed to be a reference to the Successor Exit Price Cap.

(iii) The effectiveness of this Clause 16.3 shall cease at such time as neither RBS nor any Associated Company thereof is a Member.

16.3.4 In addition to each Member's right to Transfer its interest in the Partnership in accordance with Clause 16.3.1, at any time following the termination of the Restricted Period, RBS or any RBS Member may Transfer all, but not part, of its interest in the Partnership to a third party (the "**Acquiror**") as follows:

(i) RBS shall notify each Sempra Member of RBS's intention to Transfer such interest, and each Sempra Member shall have the right to submit to RBS an offer, within thirty (30) days, to purchase such Partnership interest. RBS shall

be free to accept or reject any offer made by any Sempra Member hereunder; *provided*, *however*, that, if RBS rejects such offer, RBS may only Transfer its interest in the Partnership to any Acquiror on terms and conditions that are no more favourable to such Acquiror than the terms and conditions specified in such Sempra Member's offer. RBS shall be permitted, for a period of 270 days from the date on which RBS notifies the Sempra Members of its intention to Transfer such Partnership Interest, to enter into a binding contract to Transfer such Partnership Interest to any Person who is reasonably acceptable to the Sempra Members on such terms and conditions as such RBS may negotiate.

(ii) RBS shall provide the Sempra Member Group with not less than thirty (30) days prior written notice of any proposed sale to an Acquiror, including the identity of the Acquiror and all of the material terms and conditions thereof. RBS shall procure that, upon receipt of such notice, the Sempra Member Group shall have the right (subject to compliance with Applicable Laws), but not the obligation, to Transfer its interest in the Partnership to the Acquiror on the same terms and conditions (to the extent reasonably applicable), and at the same time, as those on which RBS is Transferring its interest; *provided* that no Sempra Member shall be required to cause any Sempra Utility to take any action that is restricted under Applicable Law in order for the Sempra Member Group to exercise its right under this clause (ii). If the Sempra Member Group elects to Transfer its int erest in the Partnership to the Acquiror pursuant to this Clause 16.3.4(ii), the purchase price paid by such Acquiror shall be divided among the Members as follows:

first, each Member shall receive an amount equal to the book value of any trading positions relating to the SET Business that are on the books of RBS or the SET Group, but only to the extent (x) of any funding in respect of the Business or SET Business provided by such Member to the SET Group (other than the Adjusted Contribution Amounts) and (y) such funding was not assumed by the Acquiror in connection with the purchase of the Partnership;

second, each Member shall receive a portion of the purchase price equal to such Member's Adjusted Contribution Amount (or, if the purchase price is less than the aggregate Adjusted Contribution Amounts of the Members, then each Member shall receive a portion of the purchase price proportionate to such Member's Adjusted Contribution Amount as a percentage of the aggregate Adjusted Contribution Amounts of the Members);

third, any amount of the purchase price remaining shall be divided among the Members in proportion to the average, over the preceding two (2) full Financial Years, of the Sempra Maximum Entitlement or the RBS Maximum Entitlement, as applicable, as a percentage of the average, over such period, of the sum of the Sempra Maximum Entitlement and the RBS Maximum Entitlement;

in each case, determined as of the last day of the most recently completed month, as though such month end were the end of the Financial Year.

If the Sempra Member Group chooses to exercise such right, it shall provide written notice to the Acquiror and to RBS within twenty (20) days of receipt of the notice informing them of such sale and, upon receipt, all parties shall be deemed to have consented to such Transfers.

16.3.5 If, at any time, one but not both of the Sempra Members (or any Successor Member) determines to Transfer its interest in the Partnership pursuant to Clause 16.3.2 (or 16.3.3), the Sempra Members (or such Successor Member) and RBS shall negotiate in good faith to make such changes to this Agreement, and in particular to the provisions of Clause 16.3.2 (or 16.3.3), as may be necessary or desirable to (i) accommodate such Transfer by a single Sempra Member (or such Successor Member), (ii) provide for, if applicable, the admission of an additional Member that is not an Associated Company of either Sempra Energy (or, if applicable, such Successor Member) or RBS and (iii) equitably allocate any aggregate limitations applicable to the Sempra Member Group (or such Successor Member) to the individual Sempra Members (or any Successor Member).

16.4 Liquidation of the Partnership

16.4.1 The "**Sempra Liquidation Amount**" and the "**RBS Liquidation Amount**" shall equal the amounts that the Sempra Members (in the aggregate) and RBS, respectively, would receive if the Partnership were to, hypothetically, liquidate and distribute its assets in the manner set forth below.

(i) First, the Partnership shall calculate the amount of assets that would be distributed to each Member as if the following priority applied to determine how the assets of the Partnership are to be applied:

(a) first, to provide for the payment of all liabilities of the Partnership;

(b) second, to distribute to each Member any distributions payable to such Member pursuant to Clause 7.2 that have not been distributed by the Partnership to such Member (excluding distributions that have been withheld or retained pursuant to Clause 7.3 or 9.1);

(c) third, to return to each Member with a positive Adjusted Contribution Amount an amount equal to the Adjusted Contribution Amount of such Member; and

(d) fourth, to allocate (in accordance with Clause 7.1) and distribute (in accordance with Clause 7.2) to each Member as though the fair market value of such assets were Adjusted Global Net Income.

(ii) Second, if any Member has a negative Adjusted Contribution Amount immediately prior to the liquidation of the Partnership:

(a) the Partnership shall retain from any distributions otherwise payable to such Member pursuant to clause (i) assets with a fair market value equal to the lesser of (a) the absolute value of such negative Adjusted Contribution Amount and (b) the total amount of distributions otherwise payable to such Member pursuant to clause (i); and

(b) following the distribution of the other assets of the Partnership in

accordance with clause (i)(a) through (d), any assets retained pursuant to clause (ii)(a) shall then be allocated (in accordance with Clause 7.1) and distributed (in accordance with Clause 7.2) to each Member, without regard to the balance of any Member's Adjusted Contribution Amount as though the fair market value of such assets were Adjusted Global Net Income.

16.4.2 On liquidation of the Partnership, the Partnership shall calculate the Sempra Liquidation Amount and the RBS Liquidation Amount in accordance with Clause 16.4.1 and then apply the assets of the Partnership in the following priority:

(i) first, to provide for the payment of all liabilities of the Partnership;

(ii) second, to distribute, simultaneously, (a) the RBS Liquidation Amount to RBS and (b) the Sempra Liquidation Amount to SG and SETI, pro rata in proportion to their respective positive Capital Accounts.

16.4.3 On liquidation of the Partnership, the Partnership shall, to the extent available on such date, distribute only assets used in the US Business, cash or both to SG, and shall, to the extent available on such date, distribute only assets used in the Non-US Business, cash or both to SETI.

16.4.4 If either Sempra Member has a negative Capital Account on liquidation, then such Sempra Member shall have an unconditional obligation to Contribute to the Partnership (on the date on which liquidation payments are made to the Members pursuant to Clause 16.4.2(ii)) an amount of cash equal to the lesser of (i) the absolute value of such Sempra Member's Capital Account, (ii) the value of the other Sempra Member's Capital Account, if such value is equal to or greater than zero, or (iii) zero, if the other Sempra Member's Capital Account is less than zero.

17 Confidentiality

17.1 Confidential Information

Subject to Clause 17.2, each party to this Agreement (including, for purposes of this Clause 17, Sempra Energy) shall use all reasonable endeavours to keep confidential and to ensure that its Associated Companies and officers, employees, agents and professional and other advisers keep confidential any information (the "**Confidential Information**"):

17.1.1 relating to the Buyback Consideration (and related amounts), the Exit Price Cap or any bid, offer, term, condition, amount or notice to which Clause 16.3 refers;

17.1.2 relating to the terms or existence of any bid, notice or offer made in connection with Clause 15.1.3, 15.2.1 or 15.2.3;

17.1.3 relating to the Business and the SET Group and their respective clients, customers, assets or affairs which such party may have or acquire as Members of the Partnership;

17.1.4 relating to the clients, customers, business, assets or affairs of the other parties or any affiliate of such other parties which such party may have or acquire through being a Member or making appointments to the Board or through the exercise of such party's rights or performance of its obligations under this Agreement; or

17.1.5 which relates to the contents of the Master Formation and Equity Interest Purchase Agreement, the Commodities Trading Activities Master Agreement, this Agreement, the other Related Agreements or any agreement or arrangement entered into pursuant to those agreements.

17.2 Restrictions

17.2.1 No party may use for its own business purposes or disclose to any third party any Confidential Information without the consent of the other parties.

17.2.2 This Clause 17 does not apply to:

(i) information which is or becomes publicly available (other than as a result of a breach of this Clause);

(ii) information which is independently developed by the relevant party;

(iii) information which becomes available to or is acquired by the relevant party (as can be demonstrated by that party's written records or other reasonable evidence) from (a) a source which is not known by the relevant party to be bound by any obligation of confidentiality in relation to such information and (b) which has not improperly obtained it;

(iv) the disclosure by a party of Confidential Information to its directors or employees or to those of its Associated Companies who need to know that Confidential Information in its reasonable opinion for purposes relating to this Agreement but those directors and employees shall not use that Confidential Information for any other purpose;

(v) the disclosure of information to the extent required to be disclosed by Applicable Law (including Affiliate Conduct Rules and Plans) or any court of competent jurisdiction, any governmental official or regulatory authority (including the FSA, the London Stock Exchange, the New York Stock Exchange and the Panel on Takeovers and Mergers), or any binding judgement, order or requirement of any other competent authority provided that, to the extent practicable and lawful, the party required to make such disclosure shall first consult with the other parties and shall take all such action as commercially reasonable to ensure that any disclosed information is treated as confidential to the greatest extent practicable;

(vi) the disclosure of information to any Tax authority to the extent reasonably required for the purposes of the Tax affairs of the party concerned or any member of its group;

(vii) the disclosure to a party's professional advisers of information reasonably required to be disclosed for purposes relating to this Agreement; and

(viii) information relating to the tax treatment and tax structure of the transactions contemplated by the Master Formation and Equity Interest Purchase Agreement, including without limitation all material provided to any party relating to such tax treatment and tax structure.

17.2.3 Each party shall inform any officer, employee or agent or any professional or other adviser advising it in relation to matters relating to this Agreement, or to whom such

party validly provides Confidential Information, that such information is confidential and shall instruct them:

(i) to keep it confidential; and

(ii) not to disclose it to any third party (other than those persons to whom it has already been or may be disclosed in accordance with the terms of this Clause).

17.3 Damages not an adequate remedy

Without prejudice to any other rights or remedies which a party may have, the parties acknowledge and agree that damages would not be an adequate remedy for any breach of this Clause 17 and the remedies of injunction, specific performance and other equitable relief are appropriate for any threatened or actual breach of any such provision and no proof of special damages shall be necessary for the enforcement of the rights under this Clause 17.

17.4 Survival

17.4.1 The disclosing party shall remain responsible for any breach of this Clause by the person to whom that Confidential Information is disclosed.

17.4.2 The provisions of this Clause 17 shall survive the termination of this Agreement.

18 General

18.1 LLP Regulations

The default provisions set out in Part VI of the LLP Regulations (or any other such provisions as are referred to in Section 5(1)(b) of the Act) do not apply to the Partnership.

18.2 Exclusion of Section 459(1) Companies Act

The parties agree that Section 459(1) of the Companies Act shall not apply to the Partnership or this Agreement for the period of one thousand (1000) years from the date of this Agreement.

18.3 Compliance with Applicable Laws and Affiliate Conduct Rules and Plans

18.3.1 The Partnership shall, and shall cause each other member of the SET Group to, take such actions (or forebear from taking such actions) as may be reasonably required in complying with Applicable Laws (both as such laws apply directly to the SET Group and as applicable to the SET Group as a result of the identity of the Members), including laws regulating U.S. publicly traded companies and companies that own regulated businesses, and the Affiliate Conduct Rules and Plans.

18.3.2 The Partnership shall, and shall cause each other member of the SET Group to, reasonably cooperate with each Member in connection with any audit, investigation or inquiry to which such Member is subject and which relates to the Partnership and the Business, including by providing information, documents and access to personnel and facilities in accordance with Clause 6.3. In addition, with respect to any third-party claim that is subject to indemnification by Sempra Energy under Article IX of the Master Formation and Equity Interest Purchase Agreement, the Partnership shall, and shall use reasonable endeavours to procure that the members of the SET Group and the employees thereof, reasonably cooperate with Sempra Energy and each of its applicable affiliates and Associated Companies to defend against such third-party claim, including by providing information and records and appe aring for interviews,

depositions and testimony.

18.3.3 If any Governmental Body exercising jurisdiction over any member of the SET Group shall conduct, commence or give notification of intent to conduct or commence any audit or investigation of, or inquiry into the Business or activities of, the Partnership, the Board shall immediately advise the Members thereof and shall promptly provide updates to each Member regarding such audit, investigation or enquiry.

18.3.4 In connection with the Partnership's response to any audit, investigation or inquiry, the Sempra Members shall be provided the reasonable opportunity to review, comment on and propose draft filings and responses to auditors, investigators or Persons performing similar roles, and shall have the right to consult with the Partnership regarding its response to such audit, investigation or inquiry.

18.3.5 The parties acknowledge and agree that, as holders of a minority interest in the Partnership, the Sempra Members do not control the Partnership and, therefore, neither Sempra Energy nor any of its affiliates or subsidiaries is able to ensure, or shall be responsible for ensuring, that the Partnership maintains appropriate control systems, regulatory compliance procedures, controls on accounting or any other compliance procedures necessary to ensure that the Partnership complies with the provisions of this Clause 18.3 or Applicable Law generally.

18.4 No Right of Set-Off

The parties agree that all distributions and other payments owing to any Member under this Agreement shall be paid without set-off, except as expressly provided herein or with the prior written consent of such Member.

18.5 Specific performance

Without prejudice to any other rights or remedies which a party may have under this Agreement, the parties acknowledge and agree that damages may not be an adequate remedy for any breach of this Agreement and the remedies of injunction, specific performance and other non-monetary remedies (in addition to damages) are appropriate for any threatened or actual breach of any provision of this Agreement and no proof of special damage shall be necessary for the enforcement of the rights under this Clause 18.5.

18.6 Variation

No variation of this Agreement shall be effective unless in writing and signed by or on behalf of each of the parties.

18.7 Further assurance

At any time after the date of this Agreement, the parties shall, and shall use all commercially reasonable efforts to procure that any necessary third party shall, at the cost of the relevant party, execute such documents and do such acts and things as that party may reasonably require for the purpose of giving to that party the full benefit of all the provisions of this Agreement.

18.8 Waiver

No failure of either party to exercise, and no delay by it in exercising, any right, power or remedy in connection with this Agreement (each a "**Right**") shall operate as a waiver thereof,

nor shall any single or partial exercise of any Right preclude any other or further exercise of that Right or the exercise of any other Right. The Rights provided in this Agreement are cumulative and not exclusive of any other Rights (whether provided by law or otherwise). Any express waiver of any breach of this Agreement shall not be deemed to be a waiver of any subsequent breach.

18.9 Notices

18.9.1 Any notice, claim or demand in connection with this Agreement or with any arbitration under this Agreement shall be in writing in English (each a "**Notice**") and shall be sufficiently given or served if delivered or sent to the address set forth on Schedule 18.9 or, in any case, to such other address or fax number as the relevant party may have notified to the others in accordance with this Clause 18.

18.9.2 Any Notice may be delivered by hand or sent by fax with confirmation receipt followed by first-class mail posted within 24 hours, or by overnight courier. Without prejudice to the foregoing, any Notice shall be deemed to have been received on the next working day in the place to which it is sent, if sent by fax, or 72 hours from the time of posting, if sent by overnight courier, or at the time of delivery, if delivered by hand.

18.10 Third Party Rights

18.10.1 A Person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of, or enjoy any benefit under, this Agreement, except to the extent set out in this Clause 18.10.

18.10.2 The Directors from time to time may enforce and rely on Clause 14 to the same extent as if they were a party to this Agreement.

18.10.3 This Agreement may be terminated and any term may be amended or waived without the consent of the persons referred to in Clause 18.10.2 or any other person not a party to this Agreement.

18.11 Invalidity

If any provision in this Agreement shall be held to be illegal, invalid or unenforceable, in whole or in part, under any enactment or rule of law, such provision or part shall to that extent be deemed not to form part of this Agreement but the legality, validity and enforceability of the remainder of this Agreement shall not be affected.

18.12 Counterparts

This Agreement may be entered into in any number of counterparts, all of which taken together shall constitute one and the same instrument. Either party may enter into this Agreement by executing any such counterpart.

18.13 Entire Agreement

This Agreement contains the entire agreement between the parties with respect to the subject matter of this Agreement and supersedes all prior agreements and understandings, oral or written between the parties with respect to such matters which will terminate on the date of this Agreement and will cease to have effect.

18.14 Time of the essence

Time shall be of the essence of this Agreement, both as regards any dates, times and periods mentioned and as regards any dates, times and periods which may be substituted for them in accordance with this Agreement or by agreement in writing between the parties.

18.15 Miscellaneous Undertakings

18.15.1 Sempra Energy covenants and agrees that, during the term of this Agreement, SG, SETI and any subsidiary transferee acquiring any interest in the Partnership pursuant to Clause 4.7 shall continue to be wholly-owned subsidiaries of Sempra Energy unless such Person ceases to be a Member in accordance with this Agreement or RBS otherwise agrees in writing.

18.15.2 RBS covenants and agrees that, during the term of this Agreement, any subsidiary transferee acquiring any interest in the Partnership pursuant to Clause 4.7 shall continue to be a wholly-owned subsidiary of RBS unless such Person ceases to be a Member in accordance with this Agreement or Sempra Energy otherwise agrees in writing.

18.15.3 In the event of any actual or proposed change in Applicable Laws relating to Tax which has had or is likely to have a material adverse impact on any Sempra Member and RBS, the Members shall negotiate in good faith to make such changes or modifications to this Agreement, the Commodities Trading Activities Master Agreement or any other agreement entered into in furtherance of the transactions contemplated hereby or thereby as may be necessary or desirable to avoid or mitigate the above-mentioned adverse impact without altering the overall economic terms contemplated by this Agreement.

19 Governing Law and Disputes

19.1 Governing Law

This Agreement shall be governed by, and construed in accordance with, the laws of England.

19.2 Disputes

19.2.1 In the event of any disagreement, dispute, controversy or claim arising out of or relating to this Agreement, or the breach, termination or invalidity hereof, the party asserting such disagreement, dispute, controversy or claim shall deliver notice thereof to the other parties, and the parties shall use their reasonable best efforts to settle such disagreement, dispute, controversy or claim. To this effect, the parties shall consult and negotiate with each other in good faith and, recognising their mutual interest, attempt to reach a solution satisfactory to the parties. If the parties do not reach such a solution within a period of sixty (60) days, then, upon notice by either party to the others (an "**Arbitration Demand**"), all disagreements, disputes, controversies or claims arising out of or relating to this Agreement, or the breach, termination or invalidit y hereof shall be finally settled by arbitration in accordance with the International Dispute Resolution Procedures (the "**AAA Rules**") of the International Centre for Dispute Resolution of the American Arbitration Association (the "**AAA**"), subject to Clause 19.2.7.

19.2.2 Within thirty (30) days of the delivery of an Arbitration Demand, the Sempra Members, collectively, and RBS shall each simultaneously select one person to act as arbitrator, but if either the Sempra Members or RBS shall fail to appoint an arbitrator within such period, the AAA shall appoint such arbitrator. The arbitrators chosen (or deemed to be chosen) by the Sempra Members and RBS shall attempt to agree upon a third arbitrator, but if they fail to do so within fifteen (15) days after the appointment of the party-appointed arbitrators, then either the Sempra Members or RBS may request that the AAA appoint the third arbitrator. The third arbitrator (however chosen) shall be a citizen of a country other than the United Kingdom or the United States and shall preside over the arbitration proceedings. Prior to the commencement of hearings, each of the arbitrators shall pro vide an oath or undertaking of impartiality.

19.2.3 The arbitration panel selected under Clause 19.2.2 shall have full power to decide any disagreement, dispute, controversy or claim referred to in Clause 19.2.1 as well as whether such disagreement, dispute, controversy or claim is within the scope of Clause 19.2.1. All decisions of such panel shall be by majority vote. The decision of the arbitration panel shall be final and binding upon the parties to the disagreement, dispute, controversy or claim, and judgement may be enforced upon the award in any court of competent jurisdiction.

19.2.4 The place of the arbitration shall be New York, New York, and the arbitration shall be conducted in the English language.

19.2.5 The arbitration panel may apportion the costs of arbitration in its award, as provided in the AAA Rules.

19.2.6 Any party may apply to the arbitrator seeking injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Any party also may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any interim or provisional relief that is necessary to protect the rights or property of that party, prior to the constitution of the arbitration panel or pending the arbitration panel's determination of the merits of the controversy.

19.2.7 The International Bar Association Rules on the Taking of Evidence in International Commercial Arbitration ("**IBA Rules**") shall apply together with the AAA Rules, and where the IBA Rules are inconsistent with the AAA Rules, the IBA Rules shall prevail but solely as regards the presentation and reception of evidence. The arbitration panel provided for herein shall control any pre-hearing exchange of information, including, but not limited to, the right to require the parties to exchange documents or make any Person subject to their control available for deposition or interview before the hearing. The parties further agree that the parties shall have the right in advance of any hearing to take the deposition of (i) any Person who is to be called as a witness in the arbitration and (ii) upon good cause being shown to the arbitration panel provided for herein, any Person under the control of a party.

19.2.8 Each party hereto irrevocably and unconditionally, with respect to enforcement of any final decision rendered by the arbitration panel under Clause 19.2.3 and interim relief under Clause 19.2.6:

(i) submits for itself and its property in any legal action or proceeding relating to this Agreement, or for recognition and enforcement of any judgement in respect thereof, to the non-exclusive general jurisdiction of the State of New York and

England;

(ii) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(iii) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to it at its address set out in Clause 18.9;

(iv) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction;

(v) agrees that equitable remedies in any action or proceeding referred to in this Clause 19.2.8 will be acceptable and agrees that any Party shall be entitled to such remedy in respect of the enforcement of such Party's rights herein; and

(vi) waives to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Clause 19.2 any special, exemplary, or punitive damages.

[Remainder of page left blank intentionally]

In witness whereof this Agreement has been duly executed.

SIGNED BY **THE ROYAL BANK OF SCOTLAND PLC** in the presence of:

SIGNED by **Sempra Global** in the presence of:

SIGNED by **Sempra Energy Trading International, B.V.** in the presence of:

SIGNED by **RBS Sempra COMMODITIES LLP** in the presence of:

SIGNED by **Sempra Energy** (solely for the purposes of Clauses 13.1, 15.1, 15.2, 17 and 18.15) in the presence of:

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MASTER FORMATION AND EQUITY INTEREST PURCHASE AGREEMENT

by and among

SEMPRA ENERGY,

SEMPRA GLOBAL,

SEMPRA ENERGY TRADING INTERNATIONAL, B.V.,

and

THE ROYAL BANK OF SCOTLAND PLC

Dated as of July 9, 2007

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(ii)

MASTER FORMATION AND EQUITY INTEREST PURCHASE AGREEMENT

This **Master Formation and Equity Interest Purchase Agreement**, dated as of July 9, 2007, is entered into by and among Sempra Energy, a California corporation ("Sempra Energy"), Sempra Global, a California corporation and a wholly-owned subsidiary of Sempra Energy ("Sempra Global"), Sempra Energy Trading International, B.V., a company formed under the laws of the Netherlands ("SETI" and, together with Sempra Global, the "Sempra Partners", and the Sempra Partners, together with Sempra Energy, the "Sempra Parties") and The Royal Bank of Scotland plc ("RBS"), a public limited company incorporated in Scotland. The Sempra Parties and RBS may be referred to herein individually as a "Party" and collectively as the "Parties".

RECITALS

WHEREAS, the entities listed on Schedule 1 (the "SET Companies") are direct or indirect Subsidiaries of Sempra Energy and are engaged in an international energy, metals and other commodities trading and marketing business (such business, considered as a whole and as so engaged in by the SET Companies, being the "SET Business");

WHEREAS, the Parties wish to form RBS Sempra Commodities LLP (the "Partnership"), which will be a limited liability partnership constituted under the Limited Liability Partnership Act 2000 of the United Kingdom and the regulations made thereunder and which will be governed by the Limited Liability Partnership Agreement of the Partnership, to be dated as of the Closing Date, as attached hereto as Exhibit A (the "LLP Agreement");

WHEREAS, the Sempra Partners wish to sell the SET Business to the Partnership on the terms set forth in this Agreement;

NOW, THEREFORE, the Parties, in consideration of the mutual promises and intending to be legally bound, agree as follows:

ARTICLE I.
DEFINITIONS AND USAGE

Section 1.1. Definitions

For purposes of this Agreement, the following terms and variations thereof have the meanings specified or referred to in this Section 1.1:

"AAA" – as defined in Section 10.5(a).

"AAA Rules" – as defined in Section 10.5(a).

"Accounting Dispute Notice" – as defined in Section 2.6(c).

"Accounting Expert" – as defined in Section 2.6(c).

"Accrued Compensation" – the aggregate compensation of all SET Company Employees, including, without limitation, base pay, bonus and commission accrued as of the Closing Date (whether or not then payable and whether or not required to be accrued

in accordance with GAAP), but excluding termination payments under the Operating Agreement and after giving affect to the adjustments described in paragraphs (a) and (b) of the definition of Agreed Adjustments.

"Affiliate Agreements" – as defined in Section 3.17.

"Agreed Adjustments" – the following balance sheet adjustments: first, (a) all adjustments necessary to make the Closing Balance Sheet reflect the requirements of International Financial Reporting Standards, second (b) without duplication, the reversal of the effects of EITF 02-3, and (c) the addition of $350,000,000.

"Agreement" – this Master Formation and Equity Interest Purchase Agreement, as the same may be amended, restated, modified or supplemented from time to time in accordance with its terms, and the Exhibits and Schedules hereto and thereto.

"Allocation Dispute Notice" – as defined in Section 10.3(f)(iii).

"Allocation Notice of Objection" – as defined in Section 10.3(f)(ii).

"Arbitration Demand" – as defined in Section 10.5(a).

"Audited Financial Statements" – as defined in Section 3.16(a).

"Business Day" – a day other than Saturday, Sunday and any day on which banks located in the State of New York or in London are authorized or obligated to close.

"California Litigation" – the litigation set forth on Schedule 9.2(c) (the "Scheduled California Litigation"), any successor Proceeding, or any other Proceeding to the extent arising from conduct that is the same or similar to the conduct alleged as of the date hereof in the Scheduled California Litigation during the time period from May 2000 to June 2001 and within the same region as that alleged as of the date hereof in the Scheduled California Litigation.

"Cash" – all cash and cash equivalents computed in accordance with GAAP.

"Closing" – as defined in Section 2.4.

"Closing Balance Sheet" – a consolidated and combined balance sheet of the SET Companies as of the Closing Date estimated based on the balance sheets of the SET Companies as of the last day of the most recently completed month and other available data regarding the then current month and prepared by Sempra Energy in accordance with GAAP and on a basis consistent with the GAAP conventions used for the preparation of the Reference Balance Sheet, except that the Agreed Adjustments shall be made thereon and the estimated Accrued Compensation as of the Closing Date shall be reflected thereon.

"Closing Book Value" – the consolidated and combined stockholders' equity of the SET Companies on the Closing Date as shown on the Closing Balance Sheet.

"Closing Date" – as defined in Section 2.4.

"Code" – the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder, in each case as in effect from time to time. References to sections of the Code shall be construed also to refer to any successor sections.

"Commodity" – the meaning assigned to such term in the United States Commodity Exchange Act as in effect on the date of this Agreement.

"Commodity Transactions" – (i) spot, forward, futures, option, deposit, consignment, loan, lease, swap, exchange, sale, purchase and repurchase (including reverse repurchase and prepaid forward transactions) transactions, hedge transactions, allocated transactions, unallocated transactions, forward rate agreements, cap agreements, floor agreements, collar agreements, or any combination thereof or option or derivative thereon or similar transaction, in any case involving any Commodity or indices on, or comprised of, any Commodity; (ii) dealing, market-making, clearing, brokering, trading, marketing, buying, selling or distributing Commodities or transactions of the type described in clause (i) of this definition; and (iii) refining, processing, blending, tolling, otherwise altering, producing, marketing, distributing (at wholesale and retail), stor ing, shipping, transporting and generating Commodities through agreements with third parties

"Company Employees" – as defined in Section 3.6(a).

"Company Plans" – as defined in Section 7.6(d).

"Consent" – any approval, consent, ratification, waiver or other authorization.

"Contemplated Transactions" – all of the transactions expected to be consummated under Article II of this Agreement.

"Continuation Period" – as defined in Section 7.6(e).

"Contract" – any contract, Lease, license, evidence of Indebtedness, mortgage, indenture, security agreement or other commitment, undertaking or agreement (whether written or oral) that is legally binding.

"De Minimis Damages" – any single claim for Out of Pocket and Tax Damages in an amount that is equal to or less than $1,000,000.

"Determination Date" – as defined in Section 2.4.

"Disclosure Letter" – as defined in the introductory paragraph to Article III.

"Dispute Notice" – as defined in Section 10.5(a).

"EFS Investigation" – the Proceeding described on Schedule 9.2(e) (the "Scheduled EFS Investigation"), any successor Proceeding, or any other Proceeding to

the extent arising from conduct that is the same or similar to the conduct alleged as of the date hereof in the Scheduled EFS Investigation during the same time period as that alleged as of the date hereof in the Scheduled EFS Investigation.

"EITF 02-3" – the effects as at the end of the day immediately preceding the Closing consistent with historical accounting practice of the SET Companies as reflected on the Sempra Commodities Net Income and GAAP Adjustments schedule (an example of which is on Exhibit B).

"Encumbrance" – any lien, option, pledge, assessment, Lease, adverse claim, levy, charge, security interest, mortgage, right of way, easement, encroachment, servitude, right of first option, conditional sale Contract, right of first refusal or similar restriction or Contract to give any of the foregoing.

"Environmental Laws" – Legal Requirements relating to contamination, pollution or the protection of human health (as it relates to exposure to any hazardous material or substance), natural resources or the environment.

"Environmental Permits" – as defined in Section 3.15(a).

"Equity Commitment" – (a) options, warrants, convertible securities, exchangeable securities, subscription rights, conversion rights, exchange rights, or other Contracts that could require a Person to issue any of its Equity Interests or to sell any Equity Interests it owns in another Person; (b) any other securities convertible into, exchangeable or exercisable for, or representing the right to subscribe for any Equity Interest of a Person or owned by a Person; (c) statutory pre-emptive rights or pre-emptive rights granted under a Person's Governing Documents; and (d) stock appreciation rights, phantom stock, profit participation, or other similar rights with respect to a Person.

"Equity Interest" – (a) with respect to a corporation, any and all shares of capital stock; (b) with respect to a partnership, limited liability company, trust or similar Person, any and all units, interests or other partnership/limited liability company interests; and (c) any other direct or indirect equity ownership, participation or voting right or interest in a Person (including any Contract in the nature of a voting trust or similar agreement or understanding or indebtedness having general voting rights); provided that with respect to periods prior to the Closing in no event shall any rights under the Operating Agreement be deemed an Equity Interest for purposes of this Agreement.

"ERISA" – the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" – any organization which is a member of a controlled group of organizations within the meaning of Sections 414(b), (c), (m) or (o) of the Code.

"Excess Reserve Amount" – as defined in Section 2.7.

"Exchange Act" – the Securities Exchange Act of 1934 and any statute successor thereto, in each case as amended from time to time.

"FERC" – the United States Federal Energy Regulatory Commission.

"Final Allocation Schedule" – as defined in Section 10.3(f)(ii).

"Final Balance Sheet" – as defined in Section 2.6(b)

"Final Book Value" – as defined in Section 2.6(b).

"Financial Assurances" – as defined in Section 3.18.

"Financial Statements" – as defined in Section 3.16(a).

"FCPA" – the Foreign Corrupt Practices Act of 1977, 15 U.S.C. Sections 78a, 78m(b), 78dd-1, 78dd-2 and 78ff, as amended.

"Formation" – as defined in Section 2.4.

"GAAP" – U.S. generally accepted accounting principles in effect from time to time, applied on a basis consistent with the SET Companies' historic accounting principles and practices.

"Governing Documents" – with respect to any particular entity, (a) if a corporation, the articles or certificate of incorporation and the bylaws; (b) if a general partnership, the partnership agreement and any statement of partnership; (c) if a limited partnership, the limited partnership agreement and the certificate of limited partnership; (d) if a limited liability company, the certificate of formation and limited liability company agreement; (e) if another type of Person, any other charter or similar document adopted or filed in connection with the creation, formation or organization of the Person; (f) all equityholders' agreements, voting agreements, voting trust agreements or other similar agreements or documents relating to the organization, management or operation of such entity; and (g) any amendment or supplement to any of the foregoing.

"Governmental Authorization" – any Consent, license, qualification, certificate, franchise, confirmation, registration, clearance, Order or permit issued, granted, given or otherwise made available by or under the authority of any Governmental Body or pursuant to any Legal Requirement.

"Governmental Body" – any international, federal, state, local, municipal, foreign or other governmental or quasi-governmental authority or self-regulatory organization of any nature (including any agency, branch, department, board, commission, court, tribunal or other entity exercising governmental or quasi-governmental powers) or exercising, or entitled or purporting to exercise, any administrative, executive, judicial, legislative, enforcement, regulatory or taxing authority or power.

"Hazardous Materials" – all hazardous, dangerous or toxic materials or substances, including natural gas, petroleum and petroleum products (including crude oil or any fraction thereof), asbestos and asbestos-containing materials, mold, polychlorinated biphenyls, radiation, lead-containing paint and any other material that is

regulated pursuant to any Environmental Laws or that could reasonably be expected to result in Liability under any Environmental Laws.

"IBA Rules" – as defined in Section 10.5(g).

"IFRS" – the International Financial Reporting Standards promulgated by the International Accounting Standards Board (which includes standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards issued under previous constitutions), together with its pronouncements thereon from time to time, as adopted by the European Union, and applied on a consistent basis.

"Inactive Employees" – as defined in Section 7.6(a)(ii).

"Indebtedness" – with respect to any Person, any obligations of such Person (a) for borrowed money, (b) evidenced by notes, bonds, debentures or similar instruments, (c) for the deferred purchase price of goods or services (other than payables or accruals incurred in the Ordinary Course of Business, including in connection with any trades, hedges or other transactions entered into in connection with the SET Companies' trading activities), (d) under capital leases and (e) in the nature of guarantees of the obligations described in clauses (a) through (d) above of any other Person (but does not include any Cash collateral or any obligation under any credit support agreement to return any posted collateral (including Cash collateral) in each case relating to the Trading Agreements).

"Indemnified Person" – as defined in Section 9.3.

"Indemnifying Person" – as defined in Section 9.5(a).

"Intellectual Property Licenses" – the agreements with respect to the licensing of certain trade names, trademarks and co-branded marks and related matters to be entered into on the Closing Date between (i) RBS and the Partnership and (ii) Sempra Energy and the Partnership.

"Intercompany Debt" – Any indebtedness for borrowed money or for the deferred purchase price of goods or services or other payables owed (whether or not due) by any SET Company, on one hand, to Sempra Energy, its Subsidiaries or affiliates (other than any SET Company), on the other hand.

"Knowledge" – in the case of Sempra Energy, the actual knowledge of one or more of its (i) Controller, (ii) Treasurer, (iii) Vice President; Energy Risk Management, (iv) President and Chief Operating Officer and (v) Chief Financial Officer, or the knowledge that such persons have after a reasonable inquiry of persons within Sempra Energy and its Subsidiaries and the SET Companies reasonably likely to know the applicable information. Sempra Energy represents and warrants for purposes of the applicable portions of Article III that the above persons have completed such reasonable inquiry as of the date of this Agreement as appropriate in connection with giving the representations and warranties in the applicable portions of Article III.

"Lease" – any lease or rental agreement pertaining to the occupancy of any real property or any lease or rental agreement, license, Contract, right to use or installment and conditional sale agreement pertaining to the leasing or use of any Tangible Personal Property.

"Legal Requirement" – any laws, statutes, treaties, rules, regulations, ordinances, judgments, decrees, principles of common law, codes, orders and other pronouncements having the effect of law of any Governmental Bodies, including all Governmental Authorizations.

"Liability" – with respect to any Person, any Indebtedness, liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required by GAAP to be accrued on the financial statements of such Person.

"LLP Agreement" – as defined in the Recitals.

"Loans" – as defined in Section 7.6(g)(iii).

"Market Behavior Litigation" – other than the California Litigation, any Proceeding (whether known or unknown, whether or not disclosed in accordance with this Agreement, and whether or not commenced before or after the date of this Agreement) brought against any SET Company, RBS, or any of their Subsidiaries by or before a Governmental Body (excluding a federal or state court, except in connection with the appeal of any Proceeding commenced before a Governmental Body that is not a federal or state court) to the extent arising out of market manipulation, price fixing, false or improper price reporting or any other substantially similar conduct prior to the Closing Date by any SET Company or Sempra Energy or its Subsidiaries including, without limitation, the matters set forth on Schedule 9.2(d).

"Material Consents" – such of the Sempra Energy Required Consents and the RBS Required Consents the failure of which to be obtained would reasonably be expected to have a material adverse effect on the business, assets, liabilities, operations, results of operations, or financial condition of the SET Businesses taken as an entirety or on any one of the SET Core Businesses.

"Material Governmental Approvals" – the approval of (i) the Federal Reserve Board, (ii) the FERC, (iii) the United Kingdom Financial Services Authority, (iv) the London Metal Exchange, (v) LCH Clearnet Limited, and, if required, (vi) the Commission of the European Communities or, if (vi) is not required, then (vii) (a) the United Kingdom Office of Fair Trading and (b) of any other member state of the European Union, and in any case (regardless of whether the approval in clause (vi) is required), Japan and Switzerland (in each case if necessary), where the failure to obtain such approval would constitute more than an immaterial violation of a Legal

Requirement relating to competition or merger control and where the parties have been unable to implement alternative arrangements pursuant to Section 7.8(b).

"Net Trading Revenue" – for any period, the total realized gains, unrealized mark-to-market gains and fee and interest income generated by trading activities, net of interest expense and transaction fees and expenses for such period in accordance with IFRS.

"OA Termination Agreement" – as defined in Section 5.9.

"Offtake Agreement" - Third Amended and Restated Copper Concentrate Offtake Agreement, dated January 24, 2007, between Sempra Metals Concentrates Corp. and Tritton Resources Limited.

"Operating Agreement" – the Operating Agreement, dated August 6, 1997, among Steven J. Prince, David A. Messer, Todd Esse, Frank Gallipoli, Enova Corporation, Pacific Enterprises, Sempra Energy Trading Corporation (f/k/a AIG Trading Corporation), Sempra Energy (f/k/a Mineral Energy Company) and Wine Acquisition Inc.

"Order" – any order, writ, injunction, judgment, decree, ruling, assessment or arbitration award of any Governmental Body or arbitrator (in each case whether preliminary or final).

"Ordinary Course of Business" – the ordinary course of business of a Person; provided that an action taken by a Person will be deemed to have been taken in the ordinary course of business only if that action is substantially consistent with the past practices of such Person.

"Out of Pocket and Tax Damages" – any and all (i) out-of-pocket cash expenditures after Closing actually made by any Indemnified Person, the Partnership or any of the SET Companies (without duplication of any capital contribution or loan by a Partner to the Partnership made in respect of any such out-of-pocket cash expenditures by the Partnership but excluding any other capital contribution or loan by a Partner to the Partnership) in respect of any loss, liability, claim, obligation, penalty, action, judgment, suit, proceeding, damage, together with all reasonably incurred cash disbursements, costs, expenses (including costs of investigation and defense and appeal and reasonable attorneys' fees and expenses) or Taxes of any kind or nature whatsoever, whether or not involving a Third-Party Claim and, for the avoidance of doubt and without limitation on the rights of any Indemnified Persons of the Partnership and its Subsidiaries to make a claim in respect of any out of pocket cash expenditures after Closing, shall not include any diminution of value of any asset and (ii) with respect to indemnification for Taxes (including any representation or warranty with respect to Taxes), without limitation or duplication, the loss of or reduction in the amount of any relief, loss, allowance, exemption, credit, deduction or set off in respect of or from such Taxes (a "Relief") of or available to any of the Indemnified Persons, the Partnership or the SET Companies, in each case, netting such cash expenditures or loss of or reduction in the amount of any Relief against any Relief which becomes available as a direct result of such cash

expenditure or loss or reduction in the amount of Relief; provided that in the case of the SET Companies or the Partnership, a Relief shall only include a Relief which was either treated as an asset in the Closing Balance Sheet or arose or accrued to the SET Companies on or after Closing.

"Parent Plans" – as defined in Section 7.6(d).

"Partners" – the Sempra Partners and RBS, together.

"Partnership" – as defined in the Recitals.

"Party" – as defined in the preamble.

"Permissible Trading Activities" – the conduct of any aspect of the commodities-related trading businesses comprising part of the SET Business in accordance with past practices.

"Permitted Encumbrance" – (a) any Encumbrance for Taxes, assessments, government charges or levies not yet due or delinquent or being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with GAAP and reflected on the Financial Statements, (b) any statutory Encumbrance arising in the Ordinary Course of Business by operation of Legal Requirements with respect to a Liability that is not yet due or delinquent or that is being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with GAAP and reflected on the Financial Statements, (c) Encumbrances of vendors, suppliers, carriers, warehousemen, mechanics, materialmen and repairmen incurred in the Ordinary Course of Business that are not material in nature, (d) pledges or deposits to secure obligations under workers' compensation laws or similar legislation or to secure public or statutory obligations, (e) minor survey exceptions, reciprocal easement agreements and other customary encumbrances on titles to real property that (i) were not incurred in connection with any Indebtedness, (ii) do not render title to the property encumbered thereby unmarketable and (iii) do not, individually or in the aggregate, materially adversely affect the value or use of such property for its current and anticipated purposes, and (f) Encumbrances incurred in the Ordinary Course of Business to secure Indebtedness of any SET Company or any SET Company obligations under Trading Agreements incurred in the Ordinary Course of Business.

"Person" – any natural person, corporation, general partnership, limited partnership, limited liability company, joint venture, trust, union, proprietorship, Governmental Body or other entity, association or organization of any nature, however and wherever organized or constituted.

"Physical Energy Infrastructure Assets" – physical assets used for the generation, production, transmission, storage, refining, distribution or similar or related handling or processing of electricity, oil, coal, natural gas or other energy related products or commodities, including power plants, electric and gas distribution or transmission facilities, pipelines, storage fields, gas gathering and processing facilities, exploration and

production equipment, liquefied natural gas liquefaction and regasification terminals and liquefied natural gas ships and tankers.

"Policies" – as defined in Section 3.10(a).

"Pre-Closing Tax Period" – as defined in Section 9.2(j).

"Proceeding" – any action, arbitration, audit, hearing, investigation, litigation or suit (whether civil, criminal, administrative, judicial or investigative, whether public or private) commenced, brought, conducted or heard by or before any Governmental Body or arbitrator.

"Proposed Allocation Schedule" – as defined in Section 10.3(f)(ii).

"Proposed Final Balance Sheet" – as defined in Section 2.6(a).

"Proposed Final Book Value" – as defined in Section 2.6(a).

"Qualifying Subsidiary" – a Person that is a wholly-owned Subsidiary of Sempra Energy other than the SET Companies and is an entity organized under the laws of (i) the United States, any state thereof or the District of Columbia if such Person would become a member of the Partnership in place of Sempra Global or (ii) the Netherlands, or such other country as to which RBS has given its consent, if such Person would become a member of the Partnership in place of SETI, provided that, in either case, the substitution of such Subsidiary for Sempra Global or SETI, as the case may be, would not have an adverse Tax effect on the Partnership or RBS.

"RBS" – as defined in the preamble.

"RBS Governmental Licenses" – as defined in Section 7.4(a).

"RBS Material Adverse Effect" – (a) any event, change, circumstance or occurrence that, individually or together with any other event, change, circumstance or occurrence, has had or could reasonably be expected to have a material adverse effect on the ability of RBS or the Partnership, as applicable, to perform its obligations under this Agreement or the Related Agreements or to consummate the transactions contemplated hereby or thereby (without duplication of the events covered by clause (b) below); or (b) as of the Closing Date, RBS' senior unsecured long-term indebtedness (i) ceases to be rated at least "A" by Standard & Poor's and Fitch, and at least "A1" by Moody's Investor Service, Inc., or (ii) is rated "A" by either Standard & Poor's or Fitch, or rated "A1" by Moody's Investor Service, In c. and is currently subject to "negative outlook" or is on credit watch by the applicable rating agency rating such long-term indebtedness at the level specified above in this subsection (ii).

"RBS Required Consents" – as defined in Section 4.2(b).

"RBS Welfare Plans" – as defined in Section 7.6(f).

"Reference Balance Sheet" – the consolidated and combined balance sheet of the SET Companies as of December 31, 2006, prepared in accordance with GAAP as of the date of such balance sheet showing the assets, liabilities and stockholders' equity of the SET Companies as of such date, including the components thereof.

"Related Agreements" – the LLP Agreement, the Commodities Trading Activities Master Agreement, the Transition Services Agreement and the Intellectual Property Licenses.

"Representative" – with respect to a particular Person, any director, officer, manager, employee, agent, consultant, advisor, accountant, financial advisor, legal counsel or other representative of that Person.

"Schedule" – each schedule provided by Sempra Energy or RBS, as applicable, in accordance with this Agreement.

"Scheduled Matters" – the Proceedings set forth on Schedule 9.2(g) and any successor Proceeding.

"Section 9.2 Indemnified Persons" – as defined in Section 9.2.

"Section 9.3 Indemnified Persons" – as defined in Section 9.3.

"Securities Act" – the Securities Act of 1933 and any statute successor thereto, in each case as amended from time to time.

"Sempra 401(k) Plan" – as defined in Section 7.6(g)(i).

"Sempra Energy" – as defined in the preamble.

"Sempra Energy Notice of Objection" – as defined in Section 2.6(b).

"Sempra Energy Required Consents" – as defined in Section 3.2(b).

"Sempra Foreign Plan" – as defined in Section 3.6(a).

"Sempra Global" – as defined in the preamble.

"Sempra Lender" – as defined in Section 2.3.

"Sempra Parties" – as defined in the preamble.

"Sempra Partners" – as defined in the preamble.

"Sempra Plans" – as defined in Section 3.6(a).

"Sempra Portion" – for the period from and including the Closing Date to but excluding the first anniversary thereof, 80%, and, for the period from and including such first anniversary to but excluding the second anniversary of the Closing Date, 75%.

"Sempra Utilities" - the entities listed on Schedule 3 of the LLP Agreement and each of their respective subsidiaries or successors.

"SET Audited Entities" – as defined in Section 3.16(a).

"SET Business" – as defined in the Recitals.

"SET Business Material Contract" – as defined in Section 3.9(d).

"SET Companies" – as defined in the Recitals; provided that the term "SET Companies" shall refer to all of the listed entities, collectively, and the term "SET Company" shall refer to each of such entities.

"SET Company 401(k) Plan" – as defined in Section 7.6(g)(i).

"SET Company Employees" – as defined in Section 3.11(a).

"SET Company Foreign Plan" – as defined in Section 3.6(a).

"SET Company Plans" – as defined in Section 3.6(a).

"SET Core Businesses" – Commodity Transactions with respect to oil (and byproducts thereof), electricity, natural gas, liquefied natural gas, base metals, coal, liquefied petroleum gas, biofuels, carbon credits and emissions credits.

"SET Employment Agreements" – as defined in Section 3.11(a).

"SET Intellectual Property Assets" – as defined in Section 3.12(a).

"SET Material Adverse Effect" – any event, change, circumstance or occurrence that, individually or together with any other event, change, circumstance or occurrence, has had or could reasonably be expected to have a material adverse effect on (a) the business, assets, liabilities, operations, results of operations, or financial condition of the SET Companies and their Subsidiaries, taken as a whole, or (b) the ability of the Sempra Partners to perform their material obligations under this Agreement or any Related Agreement or to consummate the transactions contemplated hereby or thereby; provided, that any such effect shall, to the extent resulting from the following, be disregarded in determining whether a "SET Material Adverse Effect" has occurred or could reasonably be expected to occur: (i) any changes in Legal Requirements (or official inte rpretations thereof) that are generally applicable to commodities trading businesses or the commodities markets in general, other than any changes in Legal Requirements (or official interpretations thereof) resulting from (or otherwise arising in connection with) the actions of any Governmental Body (including any Governmental Authorization) relating to or otherwise issued in connection with the transactions contemplated by this Agreement (which changes, if any, shall not be disregarded in determining whether a "SET Material Adverse Effect" has occurred); (ii) any adverse change or event to the extent affecting the economy, commodities trading businesses or the commodities markets in general; (iii) any failure by the SET Companies to meet any estimates of

revenues or earnings for any period ending on or after the date of this Agreement and prior to the Closing, provided that the exception in this clause shall not prevent or otherwise affect a determination that any change, effect, circumstance or occurrence underlying such failure has resulted in, or contributed to, a SET Material Adverse Effect; and (iv) any adverse change or effect to the extent resulting from (A) RBS' refusal to consent to any action requiring its consent pursuant to Section 7.1 and with respect to which its consent has been requested by Sempra Energy in writing pursuant to Section 7.1 or (B) RBS' material breach of its obligations under Section 7.12.

"SETI" – as defined in the preamble.

"Straddle Period" – any taxable period that begins before and ends after the Closing Date.

"Subsidiary" – with respect to any Person, means another Person (other than a natural person), of which such first Person is entitled, directly or indirectly through one or more Subsidiaries, through the ownership or control of voting securities, other voting ownership or voting partnership interests or otherwise, to elect at least a majority of its board of directors or other managing authority or to otherwise, directly or indirectly, control the management of such Person; provided, that for purposes of this Agreement (but only prior to Closing), the SET Companies shall be deemed to be Subsidiaries of Sempra Energy.

"Tangible Personal Property" – all office equipment, computer hardware, vehicles and other similar material items of tangible personal property of every kind, together with any express or implied warranty by the Third Party manufacturers or sellers or lessors of any item or component part thereof and all maintenance records and other documents relating thereto.

"Tax" – any income, gross receipts, license, payroll, employment, excise, capital gains or corporation tax on capital gains, severance, stamp, stamp duty reserve tax, occupation, premium, property, environmental, windfall profit, customs, vehicle, airplane, boat, vessel or other title or registration, capital stock, franchise, employees' income withholding, foreign or domestic withholding, social security, unemployment, disability, real property, personal property, sales, use, transfer, documentary, value added, alternative, add on minimum and other tax, fee, assessment, levy, tariff, charge or duty of any kind whatsoever and any interest, penalty, addition or additional amount thereon imposed, assessed or collected by or under the authority of any Governmental Body or payable under any tax sharing agreement or any other Contract.

"Tax Claim" – as defined in Section 9.7(a).

"Tax Laws" – the Legal Requirements of any Governmental Body relating to any Tax.

"Tax Return" – any return (including any information return), report, statement, schedule, notice, form, declaration, or claim for refund (including any amended return, report, statement, schedule, notice, form, declaration, or claim for refund) filed with or

submitted to, or required to be filed with or submitted to, any Governmental Body with respect to Taxes.

"<u>Third Party</u>" – a Person other than Sempra Energy, RBS, the Partnership or any of their respective Subsidiaries.

"<u>Third-Party Claim</u>" – any claim against any Indemnified Person by a Third Party, whether or not involving a Proceeding.

"<u>Trading Agreement</u>" – any contract, agreement or other document (whether or not documented on an ISDA Master Agreement) to effect any Commodity Transaction to which any SET Company is party with respect to the purchase, sale, transfer of, transportation, storage, transmission, hedging with respect to, or price of, any Commodity or any similar good, article, service, right, or interest and any transaction thereunder entered into to effect any Commodity Transaction.

"<u>Transfer Date</u>" – as defined in Section 7.6(a)(ii).

"<u>Transfer Taxes</u>" – as defined in Section 10.3(e).

"<u>Transferred Companies</u>" – as defined in Section 2.2(a).

"<u>Transferred Company Interests</u>" – as defined in Section 2.2(a).

"<u>Transferred Employees</u>" – as defined in Section 7.6(a)(i).

"<u>Transition Services Agreement</u>" – as defined in Section 7.10.

"<u>Tritton</u>" – any failure of the Tritton Copper Mine to deliver copper or make payments in lieu thereof under the Offtake Agreement.

"<u>Tritton Performance Levels</u>" – the last to occur of (i) the date on which (a) the Tritton Mill is expanded to have the capacity to process at least 1.4 million metric tons per annum of ore, and is thereafter expanded to have the capacity to process at least 2 million metric tons per annum of ore, and is successfully operated at an output level of 2 million metric tons per annum for at least one calendar year, and (b) with respect to the Life of Mine Plan established for the mine, the mine achieves at least 90% of the projected results set out for it in such updated plan following the update thereof in late 2007, and the mine is projected to meet all targets after December 2009; <u>provided</u>, the 90% level will become 100% in the event there is a default under any existing credit facility with respect to the mine, and (c) an Independent Competent Person (as de fined by the latest edition of The Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (the "<u>JORC Code</u>")) confirms for two annual periods that that the deposits identified to underpin the Tritton Expansion Project are categorized as Proven or Probable Reserves (as defined in the JORC Code), with RBS agreeing, in its reasonable discretion, to the cut-off grade and cu price used in assessment (Probable Reserves to be

discounted 15% for the purposes of calculating the adequacy of reserves), and (ii) December 31, 2009.

"Unaudited Financial Statements" – as defined in Section 3.16(a).

"VAT" – Value added tax, sales, use and any similar tax imposed by any Governmental Body, including the United Kingdom.

Section 1.2. Usage

(a) Interpretation. In this Agreement, unless a clear contrary intention appears:

(i) the singular number includes the plural number and vice versa;

(ii) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are not prohibited by this Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually;

(iii) reference to either gender includes the other gender;

(iv) reference to any agreement, document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof;

(v) reference to any Legal Requirement means such Legal Requirement as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder, and reference to any section or other provision of any Legal Requirement means that provision of such Legal Requirement from time to time in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such section or other provision;

(vi) "hereunder," "hereof," "hereto," and words of similar import shall be deemed references to this Agreement as a whole and not to any particular Article, Section or other provision hereof;

(vii) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term;

(viii) with respect to the determination of any period of time, "from" means "from and including" and "to" means "to but excluding"; and

(ix) references to documents, instruments or agreements shall be deemed to refer as well to all addenda, exhibits, schedules or amendments thereto.

(b) Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with GAAP.

(c) Legal Representation of the Parties. This Agreement was negotiated by the Parties with the benefit of legal representation, and any rule of construction or interpretation otherwise requiring this Agreement to be construed or interpreted against any Party shall not apply to any construction or interpretation hereof.

ARTICLE II.
CONTRIBUTION; SALE OF BUSINESS; CLOSING

Section 2.1. Formation of the Partnership

(a) Within five (5) Business Days of the Determination Date (as defined in Section 2.4 below), RBS shall cause the incorporation of the Partnership in the United Kingdom under the Limited Liability Partnership Act 2000 of the United Kingdom and the regulations made thereunder. The name of the Partnership on incorporation shall be RBS Sempra Commodities LLP. Following incorporation, RBS shall provide the Sempra Partners with a copy of the Certificate of Incorporation of the Partnership.

(b) Upon the terms and subject to the conditions set forth in this Agreement, with effect from immediately prior to the acquisitions by the Partnership provided for in Section 2.2 below, Sempra Energy, either directly or through one or more of the Sempra Partners or its other Subsidiaries (other than the SET Companies), shall contribute to the Partnership, and RBS and Sempra Energy shall cause the Partnership to accept from Sempra Energy (directly or indirectly, as applicable), Cash in an aggregate amount of $1,300,000,000.

(c) Upon the terms and subject to the conditions set forth in this Agreement, with effect from immediately prior to the acquisitions by the Partnership provided for in Section 2.2 below, RBS shall contribute to the Partnership, and RBS and Sempra Energy shall cause the Partnership to accept from RBS, Cash in an aggregate amount of $1,355,000,000.

Section 2.2. Purchase and Sale of Equity Interests of Transferred Companies

Upon the terms and subject to the conditions set forth in this Agreement, effective as of the Closing, Sempra Energy shall (and shall cause its Subsidiaries to) sell, assign, transfer and deliver to the Partnership, and RBS and Sempra Energy shall cause the Partnership to acquire from Sempra Energy, all of Sempra Energy's and its Subsidiaries' right, title and interest in and to all of the following:

(a) 100% of the Equity Interests (the "Transferred Company Interests") in each of the SET Companies set forth on Schedule 2.2(a) hereto (the "Transferred Companies"), free and clear of any and all Encumbrances except as set forth on Schedule 2.2(a); and

(b) subject to Section 10.3(d), copies of all books and records (to the extent relating primarily to the SET Business or the SET Companies and excluding books and records relating to Taxes that do not relate exclusively to the SET Business) not held by the SET Companies.

Section 2.3. Payment for Equity Interest Purchase by the Partnership and Intercompany Debt Repayment

In exchange for the Transferred Company Interests, at the Closing RBS and Sempra Energy shall cause the Partnership to pay by wire transfer or other immediately available funds from the amounts contributed pursuant to Section 2.1(b) and (c) and (as necessary) additional funds borrowed by the Partnership from RBS: (a) to the Sempra Partners an amount equal to the aggregate of the Closing Book Value with respect to the SET Companies; and (b) the outstanding balance of all Intercompany Debt, to the respective obligees thereof, as of the Closing Date. With respect to the payment required by clause (a) of this Section, Sempra Energy shall notify the Partnership and RBS in writing of the portions of the Closing Book Value to be paid to each of SETI and Sempra Global at least two Business Days prior to the Closing. Upon the payment required by clause (b) of this Section , Sempra Energy shall (and shall cause its Subsidiaries to) settle or satisfy (including the settlement or satisfaction of all Encumbrances relating to) such Intercompany Debt. In the event that there is Intercompany Debt outstanding that cannot be repaid without additional cost or adverse consequence (including adverse tax or accounting effects), such Intercompany Debt shall be assigned to, and any obligations of Sempra Energy or any of its affiliates (other than the SET Companies) that is a lender (a "Sempra Lender") thereunder shall be assumed by the Partnership or, if there would be any withholding tax imposed on the interest received by the Partnership, then by RBS (but only if the payments to RBS would not incur withholding tax or would incur withholding tax at a lower rate than the Partnership), and RBS shall pay (in the case of an assignment to and assumption by RBS of such debt) or cause the Partnership to pay to the applicable Sempra Lenders an amount in respect of suc h assignment equal to the outstanding Intercompany Debt so assigned.

Section 2.4. Formation and Closing

The consummation of the transactions provided for in Sections 2.1(b) and (c) and 2.2 of this Agreement (the "Formation") shall be held on the first day that is both (i) the first day of a calendar month, and (ii) at least ten (10) Business Days after, each of the conditions precedent set forth in Articles V and VI has been satisfied or waived (other than conditions relating to deliveries of documentation at Closing; provided, that all conditions are also satisfied or waived at Closing) (such pre-Closing date of satisfaction or waiver, the "Determination Date"), or at such other time as Sempra Energy and RBS shall agree in writing. The consummation of the other transactions provided for in this Agreement (the "Closing") shall be held immediately following the Formation (the date of Formation and Closing, the &# 147;Closing Date"). The Formation and the Closing shall be held at the offices of Simpson Thacher & Bartlett LLP, 425 Lexington Avenue, New York, New York 10017, or at such other place as Sempra Energy and RBS shall agree in writing.

Section 2.5. Closing Obligations

In addition to any other documents to be delivered under other provisions of this Agreement, at the Closing:

(a) Sempra Energy shall deliver to the Partnership, certificates representing the Transferred Company Interests or such other agreements, certificates and other documents (including a stock power or similar instrument duly and validly executed by the transferors thereof), in form and substance reasonably acceptable to RBS, as shall be necessary to effect the sale of the Transferred Company Interests to the Partnership.

(b) Sempra Energy shall deliver to RBS and the Partnership:

(i) each Related Agreement to which it is a party, duly executed and delivered by the appropriate Sempra Parties;

(ii) evidence of the receipt of all Material Consents, if such consents are set forth on Schedule 3.2(b), and Material Governmental Approvals;

(iii) a certificate from Sempra Global in form and substance reasonably satisfactory to RBS, duly executed and acknowledged, certifying any facts that would exempt the transfer by Sempra Global of Transferred Company Interests from withholding under Section 1445 of the Code;

(iv) a certificate executed by Sempra Energy, dated as of the Closing Date, in accordance with Section 5.7; and

(v) the Closing Balance Sheet (which shall have been delivered to RBS at least two (2) Business Days prior to the Closing Date).

(c) RBS shall deliver to Sempra Energy and the Partnership:

(i) evidence of the receipt of all Material Consents, if such consents are set forth on Schedule 4.2(b), and the Material Governmental Approvals;

(ii) each Related Agreement to which it is a party, duly executed and delivered by RBS;

(iii) a certificate executed by RBS, dated as of the Closing Date, in accordance with Section 6.7; and

(iv) the indemnity agreement, substantially in the form of Exhibit C hereto.

(d) RBS and Sempra Energy shall cause the Partnership to deliver to each of RBS and Sempra Energy a copy of all of the Related Agreements to which it is a party, each duly executed and delivered by the Partnership.

Section 2.6. Final Balance Sheet; Payments; Disputes.

(a) As promptly as practicable after the Closing Date, but no later than ninety (90) days thereafter, RBS shall prepare and deliver (with assistance as requested from the Partnership and the Sempra Parties) to Sempra Energy, a consolidated and combined balance sheet of the SET Companies (the "Proposed Final Balance Sheet") as of the Closing Date. The Proposed Final Balance Sheet shall reflect the total assets, liabilities and combined stockholders' equity together with (i) the Agreed Adjustments and (ii) the Accrued Compensation (the "Proposed Final Book Value") of the SET Companies as of 12:01 a.m. Eastern Standard Time on the Closing Date and shall be prepared in accordance with GAAP on a basis consistent with the Closing Balance Sheet (but including the Agreed Adjustments and the Accrued Compensation described in clause (ii) above).

(b) Sempra Energy will have twenty (20) Business Days following delivery of the Proposed Final Balance Sheet during which to notify the Partnership and RBS in writing (the "Sempra Energy Notice of Objection") of any objections to the preparation of the Proposed Final Balance Sheet or the calculation of the Proposed Final Book Value, setting forth in reasonable detail the basis of its objections and, if practical, the U.S. dollar amount of each objection. In reviewing the Proposed Final Balance Sheet, Sempra Energy shall be entitled to reasonable access to all relevant books, records and personnel of the SET Companies and its Representatives to the extent Sempra Energy reasonably requests such information and reasonable access to complete its review of the Proposed Final Balance Sheet. If Sempra Energy fails to deliver a Sempra Energy Notice of Objection in accordance with this Secti on 2.6(b), the Proposed Final Balance Sheet, together with RBS' calculation of the Proposed Final Book Value reflected thereon, shall be conclusive and binding on all Parties and they shall become the "Final Balance Sheet" and "Final Book Value". If Sempra Energy submits a Sempra Energy Notice of Objection, then (i) for twenty (20) Business Days after the date RBS receives the Sempra Energy Notice of Objection, RBS and Sempra Energy will use their commercially reasonable efforts to agree on the calculation of the Final Book Value and (ii) failing such agreement within twenty (20) Business Days of such notice, the matter will be resolved in accordance with Section 2.6(c).

(c) If RBS and Sempra Energy have not agreed on the Final Book Value within twenty (20) Business Days after delivery of a Sempra Energy Notice of Objection, then RBS and Sempra Energy shall each have the right to deliver notice to the other Party (the "Accounting Dispute Notice") of its intent to refer the matter for resolution to PricewaterhouseCoopers LLP or such other international accounting firm as the parties shall otherwise agree (the "Accounting Expert"). Within ten (10) Business Days of the selection of the Accounting Expert, RBS and Sempra Energy will each deliver to the other and to the Accounting Expert a notice setting forth in reasonable detail their calculation of the Final Book Value. Within fifteen (15) Business Days after receipt thereof, the Accounting Expert will determine its best estimate of the calculation of the Final Book Value and provide a written description of the basis for such determination; provided, that if the Accounting Expert requests a hearing before making a determination, such hearing shall be held within twenty (20) Business Days of the Parties' delivery of their respective calculation notices and the determination of the Final Book Value shall be made within ten (10) Business Days of such hearing. The fees and expenses of the Accounting Expert shall be paid pro rata by RBS and Sempra Energy in accordance with the percentage of the disputed amounts awarded to the other Party (or its Subsidiaries, which for these purposes shall include the Partnership and its Subsidiaries as a Subsidiary of RBS) as a result of the Accounting Expert's decision. Each Party will bear the costs of its own counsel, witnesses (if any) and employees.

(d) The Parties agree that, to the extent that the Closing Balance Sheet has been prepared, and the Closing Book Value has been calculated, in accordance with GAAP using GAAP conventions that are consistent with those GAAP conventions used in the preparation of the Reference Balance Sheet (other than with respect to the making of the Agreed Adjustments and the Accrued Compensation in the Closing Balance Sheet), then the Proposed Final Balance Sheet and Proposed Final Book Value shall not reflect changes in the assets, liabilities and reserves associated with Trading Agreements, trades or trading positions as reflected in the Closing Book Value on the basis of the GAAP conventions used in the preparation of the Closing Balance Sheet other than to reflect the on-going operation of the SET Business occurring

after preparation of the Closing Balance Sheet through the Closing and actual market conditions as of the Closing Date. The parties further agree that any errors, misstatements or omissions of any type in the preparation of the Closing Balance Sheet and the calculation of Closing Book Value shall not give rise to any claim for Out of Pocket and Tax Damages or any other claim under this Agreement, other than as a result of the gross negligence or willful misconduct of Sempra Energy, the SET Companies or others acting on their behalf in each case in the preparation of the Closing Balance Sheet and the calculation of Closing Book Value, except as set forth in this Section 2.6.

(e) If the Final Book Value exceeds the Closing Book Value, RBS and Sempra Energy shall cause the Partnership to pay (within two Business Days and using funds received as capital contributions under Section 2.1 or borrowed under a credit facility provided by RBS) an amount equal to such excess by wire transfer in immediately available funds to the Sempra Partners to an account specified by the Sempra Partners. If the Final Book Value is less than the Closing Book Value, the Sempra Partners shall pay, within two Business Days of the receipt of such Final Balance Sheet, an amount equal to such deficit to the Partnership by wire transfer in immediately available funds to an account specified by the Partnership. Any payment made under this Section 2.6(e) shall be made by way of an adjustment to consideration paid by each party under Section 2.1, and such consideration shall be deemed to have been r educed or increased, as the case may be, by the amount of such payment.

Section 2.7. Additional Purchase Price Adjustment

Sempra shall deliver to RBS on and as of the date hereof and on and as of the Closing Date a schedule ("Schedule 2.7") setting forth the amount of the associated specific reserves for potential liabilities that have been established in accordance with GAAP and reflected on the Closing Balance Sheet for which Sempra has indemnification obligations under Section 9.2 (except under subsections (a) and (b) of such section). To the extent that (i) for such specific reserves, any greater amount or any portion thereof are included in the Final Balance Sheet, (ii) any matter for which such a specific reserve has been established is subsequently fully and finally resolved within the survival periods or time limits set forth in Section 9.1 or the last sentence of Section 9.4(a), as they may be extended by the Sempra Parties in writing prior to the expiration of such survival periods or time limits, as applicable, such that such reserve is no longer required to be maintained by the Partnership under IFRS and (iii) the total specific reserve for such matter included in the Final Balance Sheet shall have been in excess of the amount of the aggregate actual costs incurred or liabilities accrued by the Partnership and the SET Companies in respect of such matter following the Closing Date, then RBS shall cause the Partnership promptly to pay over such excess (the "Excess Reserve Amount") to SETI and SG, in such proportions as Sempra Energy shall specify, as an adjustment of the purchase price paid hereunder; provided, if the release of any Excess Reserve Amount occurs later than one year after the Closing Date, then such Excess Reserve Amount shall be retained by the Partnership and specially allocated and distributed to SETI and SG as provided in the LLP Agreement.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES OF SEMPRA ENERGY

Sempra Energy makes to RBS, as of the date hereof, and, unless otherwise specified, as of the Closing, each of the representations and warranties contained in this Article

III, it being agreed that disclosure of any item in any section or subsection of the disclosure letter delivered to RBS by Sempra Energy prior to the Closing (the "Disclosure Letter") shall also be deemed disclosed with respect to any other section or subsection to which the relevance of such item is readily apparent. Notwithstanding any other provision of this Agreement, Sempra Energy makes no representations or warranties with respect to the value of or Liabilities associated with any Trading Agreement or, except as set forth in Section 3.9(b)(i) and Section 3.9(b)(ii), with respect to the validity or enforceability of any such Trading Agreement.

Section 3.1. Organization and Good Standing

(a) Each of Sempra Energy and Sempra Global is a corporation duly organized, validly existing and in good standing under the laws of the State of California, with full corporate power and authority to conduct its business as it is now being conducted. SETI is a company organized and existing under the laws of the Netherlands, with full company power and authority to perform its obligations under this Agreement and the Related Agreements and to conduct its business as it is now being conducted. Each of the SET Companies is duly organized, validly existing and in good standing under the laws of the jurisdiction in which such SET Company is organized.

(b) The Sempra Partners and the SET Companies have full corporate power and authority to conduct the SET Business as it is now being conducted and to own or use the properties and assets, including the Transferred Company Interests and the properties and assets of the SET Companies, that they purport to own or use in conducting the SET Business.

Section 3.2. Enforceability; Authority; No Conflict

(a) This Agreement constitutes the legal, valid and binding obligation of the Sempra Parties enforceable against each in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer or similar laws affecting the enforcement of creditors' rights generally and general principles of equity (whether considered in a proceeding at law or in equity). Upon the execution and delivery by the Sempra Parties of the Related Agreements to which each is a party, each of such Related Agreements will constitute the legal, valid and binding obligation of such Sempra Parties, enforceable against each in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer or similar laws affecting the enforcement of creditors' rights generally and ge neral principles of equity (whether considered in a proceeding at law or in equity). Each of the Sempra Parties has the requisite right, power and authority to execute and deliver this Agreement and each of the Related Agreements to which each is a party, and to perform their obligations and consummate the Contemplated Transactions, and such action has been duly authorized by all necessary corporate action.

(b) The execution, delivery and performance (excluding for this purpose Section 7.12(b)(ii)) by each Sempra Party of this Agreement or the execution and delivery any of the Related Agreements to which each is a party, and the consummation of the Contemplated Transactions, does not and will not: (i) violate any provision of its or any of the SET Companies' Governing Documents, or any resolution adopted by its board of directors or

shareholders (or similar management group); (ii) violate or conflict with any material provisions of any Legal Requirements or any Order to which it or any of the SET Companies may be subject; (iii) except as set forth on Schedule 3.2(b), violate, conflict with, result in a material breach of, constitute (with due notice or lapse of time or both) a material default or cause any material obligation, penalty or premium to arise or accrue under any material Contract to which it or any of the SET Companies is a party or by which it or any of the SET Companies is bound or to which any of its or the SET Companies' respective properties or assets is subject; or (iv) result in the creation or imposition of any Encumbrance except Permitted Encumbrances upon any of the properties or assets of the SET Companies.

(c) Except as set forth in Schedule 3.2(c), no material consent, approval, authorization of, declaration, filing, or registration with, any Governmental Body is required to be made or obtained by any Sempra Party or any of the SET Companies in connection with the execution, delivery, and performance of this Agreement (excluding for this purpose Section 7.12(b)(ii)) or the execution and delivery of the Related Agreements or the consummation of the Contemplated Transactions.

Section 3.3. SET Company Records; Accountants Letters

(a) Sempra Energy has provided or made available to RBS true, correct and complete copies of the Governing Documents of the SET Companies, in each case as amended and in effect on the date hereof.

(b) The consolidated financial statements of Sempra Energy filed with the Securities and Exchange Commission comply in all material respects with the applicable requirements of the Securities Act, the Exchange Act and the Sarbanes-Oxley Act of 2002 and any rules and regulations promulgated thereunder applicable to such financial statements. Sempra Energy is in compliance in all material respects with the applicable listing and corporate governance rules and regulations of the New York Stock Exchange.

(c) The minute books of the SET Companies (or similar books and records kept in accordance with the Governing Documents of such SET Company) previously made available to RBS contain true, correct and materially complete records of all meetings for at least the last three (3) years prior to the date hereof, and reflect all other material action of the shareholders and board of directors or similar management group (including committees thereof) of the SET Companies during such time. The share certificate books and share transfer ledgers, or similar books and records of Equity Interests of the SET Companies, as previously made available to RBS, are true, correct and materially complete.

(d) All books and records of the SET Companies (and all other books and records of Sempra Energy, the Partnership or their Subsidiaries relating to the SET Business) are accurate and complete in all material respects and are maintained in all material respects in accordance with good business practice and all applicable Legal Requirements. The SET Companies (and Sempra Energy, the Partnership or their Subsidiaries with respect to books and records relating to the SET Business) maintain appropriate and sufficient systems of internal accounting controls.

(e) Sempra Energy has made available to RBS copies of all material audit-related letters relating to the SET Companies from independent certified public accountants to the Sempra Parties and the SET Companies delivered during the thirty-six (36) months preceding the execution of this Agreement, together with copies of all material responses thereto.

Section 3.4. Transferred Company Interests; Partnership Interests; Title; Sufficiency of Assets

(a) The Equity Interests of the Transferred Companies and each of their Subsidiaries (which represent, collectively, all of the SET Companies), are as listed in Schedule 3.4(a) and, except as set forth in Schedule 3.4(a), all of such Equity Interests (i) are issued and outstanding, (ii) have been duly authorized and are validly issued, and, if stock of a corporation, fully paid, and nonassessable, (iii) were issued in compliance with all applicable securities laws, (iv) were not issued in breach of any Equity Commitments, and (v) are held of record and owned beneficially by the Sempra Partners or the SET Companies. Except as set forth on Schedule 3.4(a), (A) no Equity Commitments of any of the SET Companies exist, (B) no Contracts exist with respect to the voting or transfer of any of the SET Companies' Equity Interests, (C) no Person is obligated to redeem or otherwise acquire a ny of the SET Companies' Equity Interests and (D) the Sempra Partners or the SET Companies have good and marketable title to the SET Companies' Equity Interests free and clear of all Encumbrances except as set forth on Schedule 3.4(a) and for Encumbrances in favor of Sempra Energy or its Affiliates that will be discharged prior to the Closing Date.

(b) The assets held by the SET Companies (other than Cash and access to credit), or to be made available to the Partnership pursuant to the Transition Services Agreement, constitute all of the material assets that are used in or otherwise necessary for the conduct of the SET Business immediately following the Closing in substantially the same manner as currently conducted by Sempra Energy and its Subsidiaries consistent with past practices.

Section 3.5. No Material Adverse Change

Except as described in Schedule 3.5, (a) since December 31, 2006 and through the date hereof, the Sempra Partners and the SET Companies, as applicable, have conducted the SET Business in the Ordinary Course of Business and, (b) since December 31, 2006 and through the date hereof, there has not been any event or circumstance in respect of the SET Business, including without limitation its financial condition, results of operations, or assets and liabilities, that, individually or in the aggregate with other known events or circumstances, has resulted in, or could reasonably be expected to result in, a SET Material Adverse Effect.

Section 3.6. Employee Benefits

(a) Schedule 3.6(a)(i) contains a true and complete list of each "employee benefit plan" (within the meaning of Section 3(3) of ERISA, including, without limitation, multiemployer plans within the meaning of Section 3(37) of ERISA), and all equity, equity incentive, severance, employment, change-in-control, fringe benefit, collective bargaining, bonus, incentive, retention, deferred compensation, employee loan and all other employee benefit plans, agreements, programs, policies or other arrangements, whether or not subject to ERISA (including any funding mechanism therefor now in effect or required in the future as a

result of the transaction contemplated by this Agreement or otherwise) under which (i) any current or former director, manager, officer, employee or consultant of the SET Companies (the "Company Employees") has any present or future right to benefits and which are contributed to, entered into, sponsored by or maintained by any of the SET Companies, the Sempra Parties or any of their respective Subsidiaries or ERISA Affiliates, or (ii) under which any of the SET Companies or any of their respective Subsidiaries has any present or future liability (actual or contingent) (the "Sempra Plans"). Schedule 3.6(a)(ii) contains a true and complete list of each Sempra Plan under which any of the SET Companies or any of their respective Subsidiaries, following the Closing Date, could have any present or future liability (actual or contingent) (all such plans, agreements, programs, policies an d arrangements shall be collectively referred to as the "SET Company Plans"). Schedules 3.6(a)(i) and (ii) separately identify Sempra Plans that are maintained outside the jurisdiction of the United States, or that cover any Company Employees residing or performing services outside the United States (each, a "Sempra Foreign Plan", and each Sempra Foreign Plan that qualifies as a SET Company Plan, a "SET Company Foreign Plan").

(b) With respect to each SET Company Plan other than the SET Employment Agreements, Sempra Energy has provided to RBS a current, accurate and complete copy (or, to the extent no such copy exists, an accurate description) thereof and, to the extent applicable: (i) any related trust agreement or other funding instrument; (ii) the most recent determination letter, if applicable; (iii) any summary plan description and other material written communications (or a description of any material oral communications) by the Sempra Parties, the SET Companies or any of their respective Subsidiaries or ERISA Affiliates to the Company Employees concerning the extent of the benefits provided under the SET Company Plan; and (iv) with respect to the SET Companies' 401(k) Savings Plan for the three most recent years (A) the Form 5500 and attached schedules, (B) audited financial statements a nd (C) actuarial valuation reports. Schedule 3.6(b) provides a complete and accurate list in all material respects of any SET Employment Agreement that (i) guarantees the payment of compensation to any employee of any SET Company in an amount in excess of $1,000,000 for periods subsequent to fiscal year 2007, or (ii) contain a change of control provision that would have a financial impact of greater than $1,000,000 on any SET Company.

(c) (i) Each Sempra Plan has been established and administered in all material respects in accordance with its terms and in substantial compliance with the applicable provisions of ERISA, the Code and other applicable laws, rules and regulations; (ii) except as set forth on Schedule 3.6(c)(ii), each SET Company Plan which is intended to be qualified within the meaning of Section 401(a) of the Code has received a favorable determination letter as to its qualification, and to the Knowledge of Sempra Energy nothing has occurred, whether by action or failure to act, that could reasonably be expected to cause the revocation of such letter or the loss of such qualification, and each SET Company Plan that is a SET Company Foreign Plan has been duly registered with the applicable Governmental Body where required by applicable Legal Requirements; (iii) for each SET Company Plan with respect to which a Form 5500 has been filed, no material change has occurred with respect to the financial condition of the SET Company Plan since the date of such Form; (iv) no notice of a "reportable event" (as such term is defined in Section 4043 of ERISA) that could reasonably be expected to result in material liability has been required to be filed for any Sempra Plan or will be required to be filed in connection with this Agreement; (v) no nonexempt "prohibited transaction" (as such term is

defined in Section 406 of ERISA and Section 4975 of the Code) that could reasonably be expected to result in a material tax or penalty or "accumulated funding deficiency" (as such term is defined in Section 302 of ERISA and Section 412 of the Code (whether or not waived)) has occurred with respect to any SET Company Plan; (vi) except as set forth on Schedule 3.6(c)(vi), none of the SET Companies has incurred any current or projected liability in respect of post-employment or post-retirement health, medical or life insurance benefits for Company Employees, except as required to avoid an excise tax under Section 4980B of the Code or otherwise except as may be required pursuant to any other applicable law; (vii) all contributions and premium payments required to be made as of the date hereof in respect of (x) each SET Company Plan and (y) each Sempra Plan, with respect to Company Em ployees, have been made, and all obligations in respect of each SET Company Plan are fully reflected on the Financial Statements of the relevant SET Company entity; (viii) all SET Company Plans that are required to be funded have been funded in all material respects in accordance with their terms and applicable Legal Requirements; and (ix) each SET Company Plan, and each Sempra Plan with respect to Company Employees, that is a "non-qualified deferred compensation plan" (as defined under Section 409A(d)(1) of the Code) has been operated and administered in compliance in all material respects with Section 409A of the Code and guidance promulgated thereunder by the Internal Revenue Service or Department of Treasury.

(d) None of the SET Company Plans is subject to Title IV of ERISA. None of the SET Companies will have any liability (direct or indirect) in respect of any employee benefit plan that is subject to Title IV of ERISA after the Closing Date.

(e) Except as disclosed on Schedule 3.6(e), with respect to any Sempra Plan: (i) no material actions, suits or claims are pending or, to the Knowledge of Sempra Energy, threatened; (ii) to the Knowledge of Sempra Energy, no facts or circumstances exist that could give rise to any such material actions, suits or claims; and (iii) no administrative investigation, audit or other administrative proceeding by the Department of Labor, the Pension Benefit Guaranty Corporation, the Internal Revenue Service or other governmental agencies are pending, threatened or in progress (including, without limitation, any routine requests for information from the Pension Benefit Guaranty Corporation).

(f) Except as disclosed on Schedule 3.6(f), no Sempra Plan exists that, as a result of the execution of this Agreement, shareholder approval of this Agreement, or the transactions contemplated by this Agreement (whether alone or in connection with any other event(s)), could

(i) result in severance pay or any increase in severance pay upon any termination of service;

(ii) accelerate the time of payment or vesting or result in any payment or funding (through a grantor trust or otherwise) of compensation or benefits under, increase the amount payable or result in any other material obligation; or

(iii) limit or restrict the right of any of the SET Companies to merge, amend or terminate any of the SET Company Plans.

(g) Except as disclosed on Schedule 3.6(g), no Sempra Plan exists, and there are no other plans, contracts, agreements or arrangements, that, as a result of the execution of this Agreement or the transactions contemplated by this Agreement (whether alone or in connection with other events), could result in any payment under any such Sempra Plan or other plan, contract, agreement or arrangement that would not be deductible under Section 280G of the Code.

(h) There has been no amendment to, written interpretation of or announcement (whether or not written) to participants relating to, or any change in employee participation or coverage under, any SET Company Plan that would increase the expense of maintaining such SET Company Plan above the level of the expense incurred in respect thereof for the most recent fiscal year ended prior to the date hereof.

Section 3.7. Compliance with Legal Requirements; Governmental Authorizations

(a) Except as set forth in Schedule 3.7(a), since the date that is two years prior to the date of this Agreement, to the Knowledge of Sempra Energy, the Sempra Parties and the SET Companies are not and have not been in material violation of any material Legal Requirements (which term for this purpose shall not include Environmental Laws or Legal Requirements relating to Taxes; but, shall include any violations resulting in a fine, penalty or the imposition of any material condition or limitation on the SET Companies or the SET Business) applicable to the ownership or operation of the SET Business.

(b) Except as set forth on Schedule 3.7(b), for the past three years, none of the Sempra Parties or SET Companies has received any written notice or, to the Knowledge of Sempra Energy, other notice, from any Governmental Body regarding any actual, alleged, possible or potential violation of, or failure to comply with, any material Legal Requirement (which term for this purpose shall not include Environmental Laws or Legal Requirements relating to Taxes and shall include any violations resulting in a fine, penalty or the imposition of any material condition or limitation on the SET Companies or the SET Business) applicable to it in connection with the conduct or operation of the SET Business.

(c) Schedule 3.7(c) contains a complete and accurate list of each material Governmental Authorization that is held by the SET Companies in connection with the SET Business. With respect to each Governmental Authorization listed or required to be listed in Schedule 3.7(c), (i) each has been issued to the holder thereof and is valid and in full force and effect except where the failure to be in full force and effect could not reasonably be expected to have a material effect on the ability to conduct the SET Core Businesses or the business of the SET Companies taken as a whole; (ii) except as set forth on Schedule 3.7(c), no Proceeding is pending or, to the Knowledge of Sempra Energy, threatened to revoke or amend any such Governmental Authorization; and (iii) the SET Companies have not received written notice or, to the Knowledge of Sempra Energy, other notice from any applicable Govern mental Body that (A) any such existing Governmental Authorization will be revoked or (B) any pending application for any such new Governmental Authorization or renewal of any existing Governmental Authorization will be denied.

Section 3.8. Legal Proceedings; Orders

(a) Except as set forth in Schedule 3.8(a), there is no pending, or, to Sempra Energy's Knowledge, threatened, material Proceeding by or against Sempra Energy or its Subsidiaries relating to the SET Business (including without limitation any Proceeding by or against any SET Company) or that could reasonably be expected to prevent, materially delay, make illegal or otherwise materially interfere with, any of the Contemplated Transactions.

(b) Except as set forth in Schedule 3.8(b), there is no Order in regard to the SET Companies (other than orders of general applicability not specific to any of the SET Companies) that, individually or in the aggregate, is material to the properties, assets or operations of the SET Companies.

Section 3.9. Contracts; No Defaults

(a) (i) Schedule 3.9(a) contains, as of the date hereof, an accurate and complete list of each SET Business Material Contract (or in the case of forms described in clause (ii), a listing of such forms) and (ii) except for multiple agreements that are substantially similar to a standard form, in which case only such form need be made available, the SET Companies have made available to RBS accurate and complete copies of each such SET Business Material Contract.

(b) Except as set forth in Schedule 3.9(b), to the Knowledge of Sempra Energy:

(i) each SET Business Material Contract and material Trading Agreement is in full force and effect and is a valid and enforceable obligation of each SET Company that is a party thereto except as such enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer or similar laws affecting the enforcement of creditors' rights generally and general principles of equity (whether considered in a proceeding at law or in equity);

(ii) no event or condition exists that constitutes or, after notice or a lapse of time or both, will constitute, a material default on the part of Sempra Energy or any of its Subsidiaries under any such SET Business Material Contract or material Trading Agreement; and

(iii) with respect to SET Business Material Contracts for outstanding Indebtedness exceeding $50,000,000 individually, there are no material prepayment penalties.

(c) Except for such of the following matters as, individually or in the aggregate, have not resulted in, and would not reasonably be expected to result in, a material effect on the ability to conduct the SET Core Businesses or the business of the SET Companies taken as a whole, and except for the matters set forth on Schedule 3.9(c), there are no renegotiations of, attempts to renegotiate or outstanding contractual or statutory rights to renegotiate any amounts paid or payable under any SET Business Material Contracts with any

Person having the contractual or statutory right to require such renegotiation and no such Person has made written demand for such renegotiation.

(d) For purposes of this Agreement, "SET Business Material Contract" shall mean any of the following Contracts of the SET Companies used by or in support of the SET Business (excluding any Contracts to be executed and delivered pursuant to this Agreement):

(i) any outstanding Indebtedness exceeding $50,000,000 individually;

(ii) any material Contract of surety, guarantee or indemnification by any SET Company outside of the Ordinary Course of Business of the SET Company;

(iii) any Contract to which any SET Company is a party containing a covenant not to compete with respect to the SET Business or any SET Company that is currently in full force and effect;

(iv) any Affiliate Agreement which will survive the Closing;

(v) any Contract guaranteeing the payment to any employee of the SET Companies total annual compensation in excess of $1,000,000 or committing to give any employee a 25% or greater share of the Net Trading Revenues (or other revenue, income or margin metric) generated by such employee (directly or through the results of a group of employees);

(vi) other than Trading Agreements, any Contract which may not be terminated by the SET Companies without penalty on 90 days or fewer notice and which could reasonably be expected either to (A) commit any SET Company to aggregate expenditures of more than $10,000,000 in any calendar year or (B) give rise to anticipated receipts of more than $10,000,000 in any calendar year;

(vii) any written Contract in respect of an equity investment or relating to on-going rights and obligations with respect to a formal written partnership agreement or a material contractual joint venture;

(viii) other than customary provisions included in Trading Agreements, agreements with respect to the sharing, allocation or indemnities of Taxes or Tax costs that will survive the Closing (other than any agreements which are described in Sections 3.9(d)(i) – (vi) or 3.9(d)(xi) – (xv), or would be so described in Section 3.9(d)(i) but for the $50,000,000 threshold, or would be so described in Section 3.9(d)(vi) but for the limitations in Section 3.9(d)(vi)(A) or (B));

(ix) other than in the Ordinary Course of Business, agreements for the sale of any material assets, property or rights or for the grant of any options or preferential rights to purchase any material assets, property or rights;

(x) documents granting any power of attorney with respect to the material affairs of any SET Company;

(xi) other than those that are not material, agreements evidencing settlement of litigation with outstanding obligations;

(xii) other than those that are not material, any Contracts not made in the Ordinary Course of Business;

(xiii) full requirements purchase or supply contracts with either (a) a remaining term of more than 36 months (or 60 months in the case of Sempra Energy Solutions) or (b) an remaining term of longer than 12 months and relating to more than 30,000 million British thermal units per day of natural gas, 2,400 megawatt hours per day of electricity, 300 metric tons of copper per month, 900 metric tons of lead per month, 50 metric tons of nickel per month, 750 metric tons of aluminum per month or 600 metric tons of zinc per month, and gas storage agreements with a remaining term of longer than 12 months;

(xiv) tolling (financial and/or physical), energy management or other similar agreements;

(xv) any Contract with respect to a Commodity Transaction that (A) has a term longer than five (5) years and provides for aggregate payments, based on then-current prices, by or to a SET Company in excess of $1,000,000,000 or (B) provides for aggregate payments, based on then-current prices, by or to an SET Company in excess of $5,000,000,000. For these purposes, “then current prices” means current prices (which, for purposes of providing the representation in this Section 3.9(d)(xv) only, were determined as of the close of business on June 21, 2007), and in the case of (1) a physical Commodity Transaction that provides for a fixed purchase or sales price, the US dollar present value of such price, (2) a physical Commodity Transaction that provides for an index purchase or sales price, the US dollar present value of the forward prices for such index dur ing the term of such transaction that are utilized by the SET Company to determine the mark-to-market valuation for such transaction, and (3) a Commodity Transaction that is a derivative, the net settlement amount for each settlement date during the term of such transaction, based on the US dollar present value of the applicable forward prices during the term of such transaction that are utilized by the SET Companies to determine the mark-to-market valuation for such transaction; and

(xvi) any material amendments, modifications, extensions or renewals of any of the foregoing.

Section 3.10. Insurance

(a) Schedule 3.10(a) sets forth a true and complete list of all current policies of property and casualty insurance (including liability, errors or omissions, and business interruption insurance) insuring the properties, assets, employees and/or operations of the SET Business (collectively, the “Policies”), along with the entities covered by such Policies, aggregate coverage amount and type of each of the Policies.

(b) All Policies are in full force and effect. None of the Sempra Energy or any of its Subsidiaries is in default under any material provisions of the Policies, and, except as set forth on Schedule 3.10(b), there is no material claim by Sempra Energy or any of its Subsidiaries or any other Person pending under any of the Policies as to which coverage has been questioned, denied or disputed by the underwriters or issuers of such Policies.

Section 3.11. Employees

(a) Schedule 3.11(a) contains a true and materially complete list of all of the employees of the SET Companies (whether full-time or part-time, actively at work or on leave) ("SET Company Employees") as of the respective dates shown on the applicable portions of the Disclosure Letter (such list to be updated within ten (10) days of the Closing Date), specifying their position, status and date of hire, together with a notation next to the name of any employee on such list who is subject to any written employment, change of control or severance agreement (aside from the collective bargaining agreements described in Schedule 3.11(b)) (the "SET Employment Agreements"). Sempra Energy has provided to RBS true, correct and complete copies of (i) the form of such SET Employment Agreements for employees residing outside of the United States and (ii) with respect to e mployees who meets the criteria outlined in Section 3.9(d)(v) of this Agreement, (x) where applicable, each SET Employment Agreement materially differing from the form provided in respect of clause (i) for such employees residing outside of the United States and (y) each SET Employment Agreement for each such United States employee. Unless otherwise indicated on Schedule 3.11(a), as of the date hereof, no SET Company Employee has given written notice, or has been given written notice by any SET Company, of an intent to terminate his or her employment with any SET Company. The SET Companies' books and records accurately reflect in all material respects employment histories of all SET Company Employees. Except as disclosed in Schedule 3.11(a), as of the date hereof, no SET Company Employee is on disability or other type of leave.

(b) Except as set forth on Schedule 3.11(b):

(i) The SET Companies are not party to or otherwise bound by any collective bargaining agreement, contract or other agreement or understanding with a labor union or labor organization, no pending representation election petition or application for certification has been received by any SET Company that names the SET Company Employees as potentially represented parties, and to Sempra Energy's Knowledge, there is no union organizing campaign or other attempt to organize or establish a labor union, employee organization or labor organization or group involving SET Company Employees, nor, as of the date hereof, are any of the SET Companies the subject of any material proceeding asserting that any of the SET Companies has committed an unfair labor practice or seeking to compel them to bargain with any labor union or labor organization, nor is there pending or, to the knowledge of the SET Compa nies, threatened, nor has there been for the past five years, any strike, walk-out, work stoppage, slow-down or lockout involving any of the SET Companies;

(ii) The SET Companies are in material compliance with all applicable laws regulating employment and labor relations. There are no claims,

controversies, investigations, legal proceedings or complaints relating to employment with any SET Companies or compliance with laws regulating employment and labor pending or, to the knowledge of the SET Companies, threatened, by any Governmental Body, any employees, any party or parties representing any of such employees, or any former employer of a current employee, against any of the SET Companies before any court, arbitrator or other tribunal that are reasonably likely to have a material effect on the ability to conduct the SET Core Businesses or the business of the SET Companies taken as a whole. There are no material charges of discrimination, wrongful termination or other similar complaints, including complaints related to unpaid wages, bonuses or other compensation or immigration laws pending against the SET Companies under any applicable federal or foreign (including international) law invol ving employees now or previously employed by the SET Companies, nor, to the knowledge of the SET Company, do any facts or circumstances exist that could provide a reasonable basis for the same; and

(iii) To the Knowledge of Sempra Energy, with respect to the SET Company Employees, the SET Companies are in material compliance with all applicable Legal Requirements.

Section 3.12. Intellectual Property Assets

(a) The term "SET Intellectual Property Assets" means all material intellectual property primarily relating to or used by or in connection with the SET Business. The applicable SET Companies are the owners of all right, title and interest in and to each of the SET Intellectual Property Assets free and clear of all Encumbrances (except Permitted Encumbrances), or the applicable SET Companies have a valid and existing license to use the SET Intellectual Property Assets.

(b) Except as set forth in Schedule 3.12(b), to Sempra Energy's Knowledge, (i) neither the use of any SET Intellectual Property Assets nor the conduct of the SET Business (as conducted by the SET Companies immediately prior to the date hereof and to the Closing consistent with past practices) infringes in any material respect on any intellectual property rights of any Third Party, and (ii) no such claims have been asserted that have not been resolved.

(c) Except as set forth in Schedule 3.12(c), to the Knowledge of Sempra Energy, (i) no Third Party is infringing in any material respect on any of the SET Intellectual Property Assets, and (ii) no such claims are pending by Sempra Energy or its Subsidiaries or threatened by Sempra Energy or its Subsidiaries against any Third Party.

(d) The execution, delivery or performance of this Agreement or any of the Related Agreements by Sempra Energy or any of its Subsidiaries or the consummation of the Contemplated Transactions will not result in the material loss or impairment of any of the SET Intellectual Property Assets and will not restrict or otherwise impair in any material respect the Partnership's or its affiliate's right to use any of the SET Intellectual Property Assets after the Closing Date without payment of any additional amounts or consideration other than ongoing

fees, royalties, or payments that would otherwise be required to be paid by Sempra Energy or its Subsidiaries had the Contemplated Transactions not occurred.

Section 3.13. Taxes

(a) Except as set forth on Schedule 3.13(a), the Sempra Parties and all of the SET Companies have filed or caused to be filed all material Tax Returns that are or were required to be filed by or with respect to the Transferred Companies, either separately or as a member of a group of corporations, pursuant to applicable Legal Requirements, and all such Tax Returns are complete and correct in all material respects to the extent they relate to the Transferred Companies. The Sempra Parties and the SET Companies have paid, or made provisions for the payment of, all material Taxes that have or may have become due pursuant to such Tax Returns or otherwise, except such Taxes, if any, as are being contested in good faith and except such Taxes that do not relate to any of the SET Companies.

(b) There are no Tax liens, charges or powers of sale in respect of Taxes upon any of the assets or properties of the SET Companies, other than with respect to Taxes not yet due and payable or Taxes being contested in good faith by appropriate proceedings.

(c) There is no tax sharing, tax allocation, indemnity, or other agreement that will require any payment by any SET Company to any Person that is not a SET Company after the Closing Date except as reflected on the Closing Balance Sheet.

(d) Schedule 3.13(d) contains a complete and accurate list of all ongoing audits, written inquiries and documented investigations of or in respect of all Tax Returns or Tax otherwise due submitted by the SET Companies and by Sempra Energy to the extent they relate to the SET Business. All material deficiencies proposed as a result of such audits have been paid, reserved against, settled, or are being contested in good faith by appropriate proceedings. Schedule 3.13(d) describes all material deficiencies proposed in writing by the IRS or any other Governmental Body relating to the Tax Returns filed or Tax otherwise due by any SET Company, Sempra Energy or by any group of corporations to the extent they relate to the SET Business for all taxable years which are not closed in respect of each entity since 2000. Except as described in Schedule 3.13(d), neither the Sempra Partne rs nor any of the SET Companies has given waivers or extensions (or is or would be subject to a waiver or extension given by any other Person) of any statute of limitations relating to the payment of Taxes of any Transferred Company or for which any Transferred Company may be liable.

(e) None of the SET Companies has engaged in any transaction that gave rise to a disclosure obligation: (i) as a “listed transaction” under Section 6011 of the Code and the regulations thereunder; (ii) pursuant to Part 7 of the Finance Act 2004 and the regulations thereunder; or (iii) any similar or equivalent provision of any other state, local or foreign law.

(f) None of the SET Companies has been either a “distributing corporation” or a “controlled corporation” in a distribution occurring during the last two years in which the parties to such distribution treated the distribution as one to which Section 355 of the Code is applicable.

(g) No closing agreement pursuant to Section 7121 of the Code (or any similar provision of any state, local or foreign law) has been entered into by or with respect to any of the SET Companies.

(h) None of the SET Companies will be required to include any material item of income in, or exclude any material item of deduction from, taxable income for any period (or portion thereof) ending after the Closing Date (where such inclusion or exclusion is not offset by a matching inclusion of an item of deduction or a matching exclusion of an item of income, respectively) as a result of any (i) change in method of accounting for a taxable period ending on or prior to the Closing Date, (ii) "closing agreement" as described in Section 7121 of the Code (or any corresponding or similar provision of state, local or foreign income Tax Law) executed on or prior to the Closing Date, (iii) installment sale or open transaction disposition made on or prior to the Closing Date, or (iv) prepaid amount received on or prior to the Closing Date, in each case, not including any items reported on the Closing Bal ance Sheet.

(i) None of the assets to be sold, conveyed, assigned, transferred and delivered by SETI to the Partnership will be United States real property interests within the meaning of Section 897 of the Code.

(j) The execution and delivery of this Agreement or any of the Related Agreements by Sempra Energy or any of its Subsidiaries or the consummation of the Contemplated Transactions will not result in any Tax becoming payable by the Transferred Companies as a result of a Transferred Company ceasing to be a member of a group as defined from time to time for any Tax purpose.

(k) Trading and Transportation Management Inc. and its Subsidiaries are entitled to claim credits under Sections 29 and 45K with respect to its synthetic fuel operations in Virginia.

(l) Subsidiaries of SETI have in their records all necessary documentation, including exemption certificates, to support any claimed "sale for resale" exemptions from sales taxes and to support exemptions from VAT, Climate Change Levy, transfer and other indirect Taxes.

(m) No Swiss social security contributions are due from any SET Company for calendar years 2002 and 2003.

(n) Except for such failures to satisfy, maintain or retain as are de minimis, each of the SET Companies has satisfied all of the statutory and procedural requirements and has maintained and retained all appropriate or necessary documents and records to support, justify or defend its position as regards any material liabilities to customs and excise duties in respect of physical movements and supplies made to or by them.

(o) Sempra Energy Trading Holding SARL does not have any liability for Swiss VAT in respect of supplies made by it, to it or any Person then associated with it in 2002 and 2003.

Section 3.14. Brokers or Finders

None of the Sempra Parties, the SET Companies, or any of their Representatives has incurred any obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payments in connection with the Contemplated Transactions for which RBS, the Partnership or the SET Companies could be liable.

Section 3.15. Environmental Compliance

Except as set forth on Schedule 3.15:

(a) (i) the SET Companies are, and for the last five years were, and insofar as it affects the SET Business, Sempra Energy and its Subsidiaries are, and during the term of applicable statutes of limitations at all prior times were, in material compliance with all applicable material Environmental Laws, (ii) Sempra Energy and its Subsidiaries insofar as it affects the SET Business, and the SET Companies and the SET Business possess, and are in material compliance with all material Governmental Authorizations under or relating to any material Environmental Law (the " Environmental Permits "), (iii) all applications necessary to renew or obtain any Environmental Permit have been made in a timely fashion so as to allow the SET Companies to continue to operate in material compliance with all applicable material Environmental Laws as the SET Business is presently conducted, (iv) Sempra Energy does not expect any new or renewed Environmental Permits to include any terms or conditions that would reasonably be expected to have an adverse impact on the SET Business to any material extent, and (v) Sempra Energy and its Subsidiaries insofar as it affects the SET Business, and the SET Companies, are in material compliance with all applicable material limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any Environmental Permit, applicable Environmental Laws or contained in any Order issued, entered, promulgated or approved thereunder by any Governmental Body.

(b) There are no pending or, to the Knowledge of Sempra Energy, threatened, material Proceedings under or relating to any Environmental Law including any seeking to revoke, modify or otherwise adversely impact any Environmental Permit or impose, or that would reasonably be expected to impose, on Sempra Energy or its Subsidiaries insofar as it affects the SET Business, or on any SET Company, any Liability arising under common law as it relates to the protection of the environment, exposure to Hazardous Materials, or under any Environmental Law (including the federal Comprehensive Environmental Response, Compensation and Liability Act) and no written communication regarding any such Proceedings, revocation, modification or other adverse impact or such Liability has been received by Sempra Energy or any of its Subsidiaries, and to the Knowledge of Sempra Energy, no event or condition has occurred or exists that would reasonably be expected to result in any such Action or Proceeding or written communication and, to the Knowledge of Sempra Energy, no event or condition has occurred that would reasonably be expected to result in any material Liability under or relating to any Environmental Law in respect of the SET Business .. None of the SET Companies, or insofar as it affects the SET Business, neither Sempra Energy nor any of its Subsidiaries, is subject to any Order or third party agreement, order, judgment, decree, directive or Encumbrance with respect to any Environmental Law or environmental Liability that materially and adversely affects the operation or business of the SET Companies.

(c) To the Knowledge of Sempra Energy, no Hazardous Material is present in a condition that would reasonably be expected to result in a material liability under Environmental Law at, and no Hazardous Material has been disposed of, arranged to be disposed of, released or threatened to be released at or from, any of the properties or facilities currently or formerly owned, leased or operated by any of the SET Companies, or by Sempra Energy or any of its Subsidiaries with respect to the SET Business, in a manner or condition that would reasonably be expected to result in material Liability to it under or relating to any Environmental Law. None of the SET Companies, nor Sempra Energy nor any of its Subsidiaries insofar as it affects the SET Business, has at any other location disposed of, arranged to dispose of, released or threatened to release any Hazardous Material in a manner or condition that, to the Kno wledge of Sempra Energy, would reasonably be expected to result in material Liability to it under or relating to any Environmental Law.

(d) None of the SET Companies, nor Sempra Energy nor any of its Subsidiaries insofar as it affects the SET Business, has assumed or provided indemnity against any material Liability of any other Person under or relating to any Environmental Laws.

Section 3.16. Financial Statements; No Undisclosed Liabilities

(a) Schedule 3.16(a) contains true and complete copies of (i) the audited balance sheet of the each of the SET Companies for which audited statements have been prepared (such entities, the "SET Audited Entities"), on a stand alone basis, as of December 31, 2006 and the related statements of operations and cash flows for the year ended December 31, 2006, including any notes thereto (the "Audited Financial Statements") and (ii) (A) the unaudited consolidated and combined statistical report data with respect to the SET Business as of December 31, 2006, (B) the columnar spreadsheet titled the Sempra Energy Trading Corp. combined and consolidated balance sheet as of December 31, 2006, and the related consolidated and combined statements of operations for the annual period ending thereon, and (C) the unaudited consolidated and combined balance sheets of the SET Companies as of March 31, 2007 and the related consolidated and combined statements of operations and cash flows for the quarterly period ending thereon, including any notes thereto, and in the case of each of the items described in clauses (A), (B) and (C), reconciled to exclude any items not related to the SET Business (the "Unaudited Financial Statements" and, together with the Audited Financial Statements, the "Financial Statements"). The Financial Statements have been prepared in conformity with GAAP (except in each case as described in the notes thereto) and fairly present, subject in the case of the Unaudited Financial Statements to normal recurring year-end audit adjustments that are not in the aggregate material in nature or amount, in all material respects, the financial condition and results of operations of each of the SET Business as of the respective dates thereof and for the respective periods indicated therein.

(b) The SET Companies do not have any Liabilities that are required by GAAP to be reflected on the Financial Statements that are not reflected thereon.

(c) Except as provided in the Related Agreements, since the date of the last Financial Statement, there has not been any (i) increase in the compensation or fringe benefits of any present or former director, manager, officer or employee of any of the SET Companies (except as set forth on Schedule 3.16(c)(i) and except for increases in the Ordinary Course of

Business that do not otherwise require the consent of Sempra Energy or its Subsidiaries (other than the SET Companies)), (ii) grant of any severance or termination pay to any present or former director, manager, officer or employee of any of the SET Companies (except for grants in the Ordinary Course of Business or as required under the Sempra Plans, that in either event do not otherwise require the consent of Sempra Energy or its Subsidiaries (other than the SET Companies)), (iii) loan or advance of money or other property to any of present or former directors, manager, officers or employees of any of the SET Companies (except for loans or advances of business expenses made in the Ordinary Course of Business pursuant to a Sempra Plan that do not otherwise require the consent of Sempra Energy or its Subsidiaries (other than the SET Companies)), (iv) establishment, adoption, entrance into, amendment or terminati on of any SET Company Plan, collective bargaining agreement (other than as may be required by the terms of an existing SET Company Plan or collective bargaining agreement, or as may be required by applicable law or in order to qualify under Sections 401 and 501 or to comply with Section 409A of the Code and except those that do not otherwise require the consent of Sempra Energy or its Subsidiaries (other than the SET Companies)), or (v) grants of any equity or equity-based awards, other than in the ordinary course consistent with past practice.

Section 3.17. Affiliate Agreements

Schedule 3.17 provides a complete list of all Contracts between (i) any SET Company and (ii) Sempra Energy or any director, officer, member or other Subsidiary or affiliate of Sempra Energy (other than another SET Company and other than Trading Agreements in respect of Commodities or securities traded on a regulated commodities or securities exchange) (each referred to herein as an "Affiliate Agreement" and together the "Affiliate Agreements") that are in effect on the date hereof.

Section 3.18. Material Financial Assurances

Schedule 3.18 contains a complete list of all of the guarantees, letters of credit, comfort letters, "keep whole" agreements, bonds or other financial security arrangements or other credit support arrangements of any type or kind whatsoever, whether or not accrued, absolute, contingent or otherwise other than with respect to Trading Agreements ("Financial Assurances") under which any SET Company or Sempra Energy is obligated or could reasonably be expected to be obligated for an amount in excess of $50,000,000, and the amount of each (including any amount drawn or used) as of May 31, 2007, in each case to the extent such Financial Assurances have been provided to or for the benefit of any creditor or counterparty of any SET Company under which Sempra Energy or any of its Subsidiaries (other than the SET Companies) are responsible or otherwise obligated; provided, that such schedule may be updated at any time before or after the Closing Date with effect from the date of such revision.

Section 3.19. FCPA

Neither Sempra Energy nor any of its Subsidiaries, nor, to the Knowledge of Sempra Energy, any officer or director thereof, has violated any provisions of the FCPA, or the rules and regulations promulgated thereunder in connection with the operation of the SET Business.

Section 3.20. Available Funds

Sempra Energy has available to it all funds necessary for its payments and contributions to the Partnership required under Article II.

Section 3.21. No Other Representation

Except for the representations and warranties contained in this Article III, neither the Sempra Parties nor any other Person acting on

behalf of the Sempra Parties makes any representation or warranty, express or implied, regarding the Sempra Parties or any of their Subsidiaries.

ARTICLE IV.
REPRESENTATIONS AND WARRANTIES OF RBS

RBS hereby makes to Sempra Energy as of the date hereof, and, unless otherwise specified, to Sempra Energy and the Partnership, as of the Closing, each of the representations and warranties contained in this Article IV.

Section 4.1. Organization and Good Standing

RBS is a company limited by shares duly organized and validly existing under the laws of Scotland, with full corporate power and authority to conduct its business as it is now being conducted.

Section 4.2. Enforceability; Authority; No Conflict

(a) This Agreement constitutes the legal, valid and binding obligation of RBS enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer or similar laws affecting the enforcement of creditors' rights generally and general principles of equity (whether considered in a proceeding at law or in equity). Upon the execution and delivery by RBS of the Related Agreements to which it is a party, each of such Related Agreements will constitute the legal, valid and binding obligation of RBS, enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer or similar laws affecting the enforcement of creditors' rights generally and general principles of equity (whether considered in a proceeding at law or in equity). RBS has the requisite right, power and authority to execute and deliver this Agreement and each of the Related Agreements to which it is a party, and to perform its obligations and consummate the Contemplated Transactions, and such action has been duly authorized by all necessary corporate action.

(b) Except as set forth on Schedule 4.2(b) (such actions listed on Schedule 4.2(b), the "RBS Required Consents"), the execution, delivery and performance by RBS of this Agreement (excluding, for this purpose, Section 7.12(b)(ii)) or any of the Related Agreements to which it is a party, and the consummation of the Contemplated Transactions, does not and will not: (i) violate any provision of the Governing Documents of RBS or its Subsidiaries, or any resolution adopted by the board of directors or shareholders (or similar management group) of RBS or its Subsidiaries; (ii) violate or conflict with any material provisions of any Legal Requirements or any Order to which RBS or its Subsidiaries may be subject; (iii) violate, conflict with, result in a material breach of, constitute (with due notice or lapse of time or both) a material default or cause any material obligation, penalty or premium to arise or accrue under any Contract to which RBS or any of its Subsidiaries is a party or by which any of them is bound or to which any of their respective properties or assets is subject; or (iv) result in the creation or imposition of any Encumbrance except Permitted Encumbrances upon any of the properties or assets of the SET Companies. RBS has all necessary corporate authorizations and approvals necessary in connection with this Agreement or the Related Agreements or the consummation of the Contemplated Transactions.

(c) Except as set forth in Schedule 4.2(c), no material consent, approval, authorization of, declaration, filing, or registration with, any Governmental Body, stockholder or other Person is required to be made or obtained by RBS or any of its Subsidiaries in connection with the execution, delivery, and performance of this Agreement (excluding, for this purpose, Section 7.12(b)(ii)) or the Related Agreements or the consummation of the Contemplated Transactions, including the conduct of the SET Business.

Section 4.3. Bank Holding Company Act Status

RBS is a financial holding company under the Bank Holding Company Act of 1956, as amended, and RBS is not aware of any contemplated or threatened change (by RBS or by any Governmental Body) to that status.

Section 4.4. Legal Proceedings

Except for such of the following matters as, individually or in the aggregate, have not resulted in, and would not reasonably be expected to result in, an RBS Material Adverse Effect, there is no pending, or, to the knowledge of RBS, threatened, Proceeding by or against RBS or that could reasonably be expected to prevent, materially delay, make illegal or otherwise materially interfere with, any of the Contemplated Transactions. Prior to the date of this Agreement, RBS has informed Sempra Energy in a true and complete manner of the progress of material discussions with FERC, the FSA and the Federal Reserve Board with respect to the transactions contemplated under this Agreement and the Related Agreements, including any material issues relating to filings to be made to, or authorizations or orders to be sought from, FERC, the FSA and the Federal Reserve Board.

Section 4.5. Brokers or Finders

None of RBS or its Subsidiaries or any of their Representatives has incurred any obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payments in connection with the Contemplated Transactions for which Sempra Energy, the Partnership or the SET Companies could be liable.

Section 4.6. Available Funds

RBS has available to it all funds necessary for its payments and contributions to the Partnership and Sempra Energy required under Article II.

Section 4.7. The Partnership

As of the Closing Date:

(a) The Partnership was duly formed and is validly existing as a limited liability partnership under the laws of the United Kingdom.

(b) Neither RBS nor the Partnership has taken any action, nor have any other steps been taken or legal proceedings been started or (to the best of the Partnership's knowledge and belief) threatened against RBS or the Partnership, for the Partnership's winding-up, dissolution, administration or reorganization or for the appointment of a custodian, receiver, administrator, administrative receiver, liquidator, trustee or similar officer of it or of any or all of its assets or revenues.

(c) The Partnership has not conducted any business prior to the Closing Date. Other than through RBS or its Subsidiaries as members, the Partnership does not have any creditors or claims (at law or in equity) with respect to its assets.

(d) Upon execution of the LLP Agreement, subject to any conditions to the execution thereof in this Agreement or any Related Agreement, the Sempra Partners will be admitted as members of the Partnership and will not have any claims or Encumbrances upon their capital account balances or other entitlements under the LLP Agreement except as reflected in the LLP Agreement.

Section 4.8. No Other Representation

Except for the representations and warranties contained in this Article IV, neither RBS nor any other Person acting on behalf of RBS makes any representation or warranty, express or implied, regarding RBS or any of its Subsidiaries.

ARTICLE V.
CONDITIONS PRECEDENT TO RBS' OBLIGATION TO CLOSE

The obligation of RBS to consummate the transactions provided for in this Agreement is subject to the satisfaction, as of the Closing, of each of the following conditions (any of which may be waived in writing by RBS, in whole or in part):

Section 5.1. Accuracy of Representations

Each of the Sempra Parties' representations and warranties in Article III of this Agreement shall be true and accurate in all respects (without regard to any express qualifier therein as to materiality or Material Adverse Effect), except for such inaccuracies that have been cured prior to Closing or that, individually or in the aggregate, have not resulted in, and would not reasonably be expected to result in, a SET Material Adverse Effect.

Section 5.2. Performance

Each of the covenants and obligations that Sempra Energy or any of its Subsidiaries, including the Sempra Parties, is required to perform or to comply with pursuant to this Agreement at or prior to the Closing shall have been duly performed or complied with in all material respects.

Section 5.3. Material Consents and Governmental Approvals

Each of the Material Consents and Material Governmental Approvals shall have been obtained and shall be in full force and effect, all such Material Governmental Approvals shall be final orders not subject to any unfulfilled conditions to their effectiveness, and none of the Material Governmental Approvals shall impose terms or conditions that, individually or in the aggregate with other terms and conditions, (a) have resulted in or would reasonably be expected to result in a SET Material Adverse Effect, or (b) are or would reasonably be expected to be unduly burdensome to any material portion of the business of RBS and its Subsidiaries (other than the Partnership or any SET Companies) including any material change in such business or portion thereof, or any requirement to dispose of or cease engaging in, owning or operating any material asset or business.

Section 5.4. Additional Documents

Sempra Energy shall have caused the documents and instruments required by Section 2.5 to be executed and delivered by the Sempra Parties, as applicable, and each such document and instrument shall be in full force and effect and shall not have been materially breached by any party thereto (other than RBS).

Section 5.5. Orders

There shall not be in effect any Order of any Governmental Body of competent jurisdiction enjoining the consummation of the Contemplated Transactions. There shall not be, at the time of Closing, any pending suit, action or proceeding before any Governmental Body seeking to restrain or prohibit the consummation of the Closing in accordance with the terms and conditions hereof, which, considering the merits of the claims, the defenses (procedural and substantive) available thereto and the likelihood that the opposing parties will ultimately prevail, is likely to have a SET Material Adverse Effect or an RBS Material Adverse Effect.

Section 5.6. Material Adverse Effect

There shall not have occurred since the date hereof and be continuing a SET Material Adverse Effect.

Section 5.7. Closing Certificate

Sempra Energy shall have delivered (or caused to be delivered) to RBS a certificate of a duly authorized officer of Sempra Energy, dated as of the Closing Date, certifying, to the Knowledge of such officer, the conditions set forth in Sections 5.1 and 5.2 have been met and satisfied.

Section 5.8. U.S. Entities Conversion

The entities listed on Schedule 7.12(c) may be reorganized and shall have been converted into entities eligible to elect to be an entity disregarded as separate from its owner within the meaning of sections 301.7701-1, 301.7701-2, and 301.7701-3 of the regulations promulgated by the U.S. Department of the Treasury pursuant to the Code, and each such entity will be treated as an entity disregarded as separate from its owner within the meaning of sections 301.7701-1, 301.7701-2, and 301.7701-3 of the regulations promulgated by the U.S. Department of the Treasury pursuant to the Code; provided that this condition is deemed satisfied if the Closing occurs on or after November 30, 2007.

Section 5.9. Operating Agreement

Sempra Energy has provided RBS with evidence of the termination of the Operating Agreement and complete payment of all “Agreed Payments” (and as defined) under the “Agreement Related to Operating Agreement dated August 6, 1997”, among the parties to the Operating Agreement, dated as of July 9, 2007 (the “OA Termination Agreement”).

ARTICLE VI.
CONDITIONS PRECEDENT TO SEMPRA ENERGY’S OBLIGATION TO CLOSE

The obligation of the Sempra Parties to sell the Transferred Company Interests and to take the other actions required to consummate the transactions provided for in this Agreement is subject to the satisfaction, as of the Closing, of each of the following conditions (any of which may be waived in writing by Sempra Energy in whole or in part):

Section 6.1. Accuracy of Representations

Each of RBS’ representations and warranties in Section IV of this Agreement shall be true and accurate in all respects (without regard to any express qualifier therein as to materiality or material adverse effect), except for such inaccuracies that, singly or in the aggregate, have not resulted in, and would not reasonably be expected to result in, an RBS Material Adverse Effect.

Section 6.2. RBS and Partnership’s Performance

Each of the covenants and obligations that RBS and the Partnership are required to perform or to comply with pursuant to

this Agreement at or prior to the Closing shall have been duly performed or complied with in all material respects.

Section 6.3. Material Consents and Governmental Approvals

Each of the Material Consents and Material Governmental Approvals shall have been obtained and shall be in full force and effect, all such Material Governmental Approvals shall be final orders not subject to any unfulfilled conditions to their effectiveness and none of the Material Consents or Material Governmental Approvals shall impose terms or conditions that, individually or in the aggregate with other terms and conditions, (a) have resulted in or would reasonably be expected to result in a SET Material Adverse Effect or (b) are or would reasonably be expected to be unduly burdensome to any material portion of the business of Sempra Energy and its Subsidiaries (other than any SET Companies) including any material change in such business or portion thereof, or any requirement to dispose of or cease engaging in, owning or operating any material asset or business.

Section 6.4. Additional Documents

RBS shall have caused the documents and instruments required by Section 2.5(c) – (d), including the Indemnity Agreement, to be executed and delivered by RBS or the Partnership, and each such document and instrument shall be in full force and effect and shall not have been materially breached by any party thereto (other than the Sempra Parties or their Subsidiaries).

Section 6.5. Orders

There shall not be in effect any Order of any Governmental Body of competent jurisdiction enjoining the consummation of the Contemplated Transactions. There shall not be, at the time of Closing, any pending suit, action or proceeding before any Governmental Body seeking to restrain or prohibit the consummation of the Closing in accordance with the terms and conditions hereof, which, considering the merits of the claims, the defenses (procedural and substantive) available thereto and the likelihood that the opposing parties will ultimately prevail, is likely to have an RBS Material Adverse Effect or a SET Material Adverse Effect.

Section 6.6. Material Adverse Effect

There shall not have occurred and be continuing an RBS Material Adverse Effect.

Section 6.7. Closing Certificate

RBS shall have delivered (or caused to be delivered) to Sempra Energy a certificate of a duly authorized officer of RBS, dated as of the Closing Date, certifying, to the Knowledge of such officer, the conditions set forth in Sections 6.1 and 6.2 have been met and satisfied.

Section 6.8. U.S. Entities Conversion

The entities listed on Schedule 7.12(c) may be reorganized and shall have been converted into entities eligible to elect to be an entity disregarded as separate from its owner within the meaning of sections 301.7701-1, 301.7701-2, and 301.7701-3 of the regulations promulgated by the U.S. Department of the Treasury pursuant to the Code, and each such entity will be treated as an entity disregarded as separate from its owner within the meaning of sections 301.7701-1, 301.7701-2, and 301.7701-3 of the regulations promulgated by the U.S. Department of the Treasury pursuant to the Code; provided that this condition is deemed satisfied if the Closing occurs on or after November 30, 2007.

ARTICLE VII.
ADDITIONAL COVENANTS

Section 7.1. Conduct of SET Companies

From and after the date hereof until the Closing, Sempra Energy shall (and shall cause its Subsidiaries to) continue to take such action necessary to operate the SET Companies and the SET Business only in the Ordinary Course of Business and to use commercially reasonable efforts to continue to maintain, in all material respects, its properties in accordance with past practices and in a condition suitable for their current use. Notwithstanding the foregoing, except as part of the reorganization contemplated by Section 6.8, any reorganization of any foreign entity into an entity eligible to be treated as a pass through entity for purposes of U.S. federal, state or local Tax law, or part of a reorganization that will allow a Qualifying Subsidiary to sell, assign and deliver to the Partnership the Transferred Companies (so long as any such reorganization has no adverse imp act on the Partnership or RBS), or required (including by virtue of being an express condition to closing) or explicitly permitted by the terms of this Agreement or the Related Agreements or with the prior written consent of RBS (such consent not to be unreasonably withheld or delayed), Sempra Energy shall (and shall cause its Subsidiaries to):

(a) not amend or otherwise alter (or propose any amendment or alteration to) the Governing Documents of any of the SET Companies;

(b) not create or issue any Equity Commitments, or redeem any Equity Interest of the SET Companies;

(c) with respect to Sempra Energy and its Subsidiaries other than the SET Companies, continue to provide all services previously provided to the SET Companies in accordance with the Ordinary Course of Business;

(d) not make any sale, assignment, transfer, abandonment, or other conveyance of any asset used in the SET Business or any Contract relating to the SET Business (other than any Trading Agreement, the proposed sale of a seat on the NYMEX, and the sale of computer trading models with respect to metals and related Commodity Transactions), in each such case unless (i) such asset or Contract is not material to the SET Companies or, if material, such transaction was in the Ordinary Course of Business or (ii) such transaction is a sale or other disposition of minority equity interests (representing less than 20% of the outstanding equity of such entity) held by any of the SET Companies for investment purposes;

(e) not consent to any action outside of the Ordinary Course of Business of Sempra Energy or its Subsidiaries (other than the SET Companies) with respect to the operations of the SET Companies;

(f) with respect to Sempra Energy and its Subsidiaries (other than solely by the SET Companies), not create or permit to be created (i) any Encumbrance on the Transferred Company Interests or (ii) any Encumbrance (other than a Permitted Encumbrance) on any asset of the SET Companies other than in the Ordinary Course of Business or that would not materially and adversely affect the ability of the Partnership or

the SET Companies to conduct the SET Business as currently conducted consistent with past practices after the Closing Date or as contemplated in this Agreement or any of the Related Agreements;

(g) not enter into or materially amend, modify, extend, renegotiate or terminate any SET Business Material Contract (as defined solely in subsections (i) through (xi) of Section 3.9(d), excluding SET Business Material Contracts as defined in Section 3.9(d)(x) that are in respect of trading authority or Trading Agreements);

(h) not change any method of accounting or accounting principle that relates to the SET Business or the SET Companies, except such changes as are required by a change in GAAP or that do not, and could not be reasonably expected to, impact the Closing Balance Sheet or the Final Balance Sheet (or any portion thereof) or restrict or have a material adverse effect in any manner on the post-Closing accounting or accounting principles of the Partnership, the SET Business or the SET Companies;

(i) not make or change any Tax election, change an annual accounting period, adopt or change any accounting method with respect to Taxes, file any amended Tax Return, settle or compromise any proceeding with respect to any Tax claim or assessment relating exclusively to the SET Companies, surrender any right to claim a refund of Taxes, consent to any extension or waiver of the limitations period applicable to any Tax claim or assessment relating exclusively to the SET Companies, or take any other similar action relating to the filing of any Tax Return or the payment of any Tax relating to the SET Companies, except with respect to any of the foregoing in this Section 7.1(i), such changes or actions that do not, and would not be reasonably expected to, materially impact the Taxes, Tax refunds, claims or assessments, or Tax accounting or reporting of the Partnership, the SET Business or the SET C ompanies, in each case solely for a taxable period that begins on or after the Closing Date or for the portion of a Straddle Period that begins on or after the Closing Date;

(j) not cease to operate any of the SET Core Businesses;

(k) not enter into any new material business line;

(l) not purchase or otherwise acquire (x) any material assets (other than in the Ordinary Course of Business or otherwise in connection with any Trading Agreements) whether in one transaction or a series of related transactions for an aggregate purchase price exceeding $10,000,000, (y) any Physical Energy Infrastructure Assets, or (z) any Equity Interest in any entity whose equity is not publicly traded other than in the Ordinary Course of Business, or a five percent or greater Equity Interest in any entity whose equity is publicly traded;

(m) not materially change the credit policies used by the SET Companies, except as consistent with past practice or as reasonably required due to changes in market conditions;

(n) not agree, consent to or otherwise permit an increase in or modification to, or grant exceptions to, the “value at risk” limits for the SET Companies in effect as of

December 31, 2006 (as set forth on Schedule 7.1(m) hereto), which individually or together constitute an increase in permitted “value at risk” limits for the SET Companies of 20% or more above those limits in effect as of December 31, 2006, except for such increase, modification or exception permitted or granted on a temporary basis consistent with past practice or as reasonably required due to changes in market conditions;

(o) except as disclosed on Schedule 7.1(o), (i) not materially alter the total compensation of any employee of the SET Companies who the SET Companies (x) have committed to pay a twenty-five percent (25%) or greater share of the Net Trading Revenue (or other revenue, income or margin metric) generated by such employee (directly or through the results of a group of employees), (y) guaranteed total annual compensation in excess of $2,000,000 or (z) is a Senior Managing Director or an employee equivalent in stature to an employee holding such title or who, within the preceding twelve (12) months, had been employed at or above the level of Senior Managing Director or an equivalent stature, (ii) not grant any severance or termination pay to any present or former director, manager, officer or employee of any of the SET Companies other than in accordance with Schedule 7.6(h)< /U>; (iii) not establish, adopt, enter into, amend or terminate any SET Company Plan or collective bargaining agreement (other than as may be required by the terms of an existing SET Company Plan or collective bargaining agreement, or as may be required by applicable law or in order to qualify under Sections 401 and 501), or (iv) not grant any equity or equity-based awards to any present or former director, manager, officer or employee of any of the SET Companies; or

(p) not enter into any Contract or take any action to do or engage (or commit to do or engage) in any of the foregoing.

Section 7.2. Information and Access

Prior to Closing, Sempra Energy shall (and shall cause its Subsidiaries to) (a) permit RBS and its Representatives to have reasonable access during normal business hours, and in a manner so as not to interfere with the normal operations, to all premises, properties, personnel, accountants, books, records, contracts and documents of or pertaining to the SET Business; and (b) furnish RBS and its Representatives with all such information and data concerning the SET Business as RBS or its Representatives reasonably may request in connection with their review of information in accordance with subsection (a) of this Section 7.2, except to the extent that such information is subject to attorney-client privilege or furnishing any such information or data would violate any Legal Requirement, Order or Contract applicable to Sempra Energy or any of its Subsidiaries or by which any of the as sets of the SET Companies are bound; provided, that Sempra Energy shall (and shall cause its Subsidiaries to) use commercially reasonable efforts to remove any limitation or restriction on access to RBS and its Representatives. Notwithstanding anything in this Section 7.2, subject to Section 10.3, Sempra Energy will not be required to permit access to or furnish Tax Returns, books, records, contract, documents, information or data relating to Taxes that do not exclusively relate to the SET Business.

Section 7.3. Notices of Certain Events

(a) Prior to the Closing, each of Sempra Energy and RBS shall (and shall cause their Subsidiaries to) promptly notify the other Party of:

(i) any written notice or other written communication from any Person alleging that the Consent of such Person is or may be required in connection with the Contemplated Transactions;

(ii) any material written notice or other material written communication to or from any Governmental Body (other than the FSA) in connection with the Contemplated Transactions;

(iii) the progress of material discussions with the FSA to be provided through updates to Sempra Energy by RBS promptly following such discussions; and

(iv) promptly after such Party's obtaining Knowledge of the same, of any material inaccuracy, or material violation or material breach by such Person, of any of its representations or warranties herein.

(b) Prior to the Closing, Sempra Energy shall (and shall cause their Subsidiaries to) promptly notify (and with respect to subsections (i) and (ii) below, consult to the extent reasonably practicable, with) RBS regarding:

(i) the resignation or termination of any employee of the SET Companies holding the position of senior managing director (or any more senior position) or any employee with annual compensation of $2,000,000 or greater;

(ii) any material disputes (including litigation or written notice threatening litigation) with counterparties to Trading Agreements involving alleged damages, or loss or diminution of Net Trading Revenue in excess of $10,000,000 per applicable Trading Agreement (or series of related Trading Agreements with the same or related counterparties); and

(iii) any SET Company entering into, materially amending, modifying, extending or renegotiating any SET Business Material Contract of the type described in subsections (xiii), (xiv) or (xv) of Section 3.9(d).

Section 7.4. Filings; Reasonable Best Efforts to Close

(a) Until the Closing Date, Sempra Energy and RBS shall (and shall cause their respective Subsidiaries to), as promptly as practicable, (i) use their reasonable best efforts (except as otherwise specified in Section 7.12(b)) to obtain all consents, approvals or actions of, make all filings with and give all notices to any Governmental Body or any other Person required of the Parties, as the case may be, to consummate the transactions contemplated hereby and by the Related Agreements to which it is a party, including all Material Governmental Approvals and the items set forth on Schedules 3.2(b), 3.2(c), 4.2(b) and 4.2(c); (ii) use their reasonable best

efforts (except as otherwise specified in Section 7.12(b)) to obtain all consents, approvals or actions of, make all filings with and give all notices to any Governmental Body or any other Person necessary for RBS to obtain Governmental Authorizations from the same Governmental Bodies and on substantially the same terms and conditions as those Governmental Authorizations set forth in Schedule 7.4(a)(ii) ("RBS Governmental Licenses"); (iii) provide such other information and communications to any such Governmental Body or other Persons as such Governmental Body or other Persons may reasonably request in connection with the activities listed in this Section 7.4; and (iv) provide reasonable cooperation to the other Party in connection with the performance of their obligations under this Section 7.4. The Parties will provide prompt notification to each other when any such consent, appr oval, action, filing or notice referred to in clauses (i) and (ii) above is obtained, taken, made or given, as applicable, will keep each other reasonably informed as to the progress of any such actions and will advise each other of any communications (and, unless precluded by any Legal Requirement, provide copies of any such communications that are in writing) with any Governmental Body or other Person regarding any of the transactions contemplated by this Agreement or any of the Related Agreements.

(b) Upon the terms and subject to the conditions set forth in this Agreement, each of Sempra Energy and RBS shall (and shall cause their respective Subsidiaries to) use their reasonable best efforts (except to the extent a different standard is expressly provided for in this Agreement) to consummate the transactions contemplated by this Agreement. Notwithstanding anything to the contrary in this Agreement, nothing contained in this Agreement shall require Sempra Energy, RBS, the Partnership or any of their respective Subsidiaries to (or to agree to) dispose of any material assets, make material change in a material portion of its business, or pay Cash or give any other material consideration to a third party (except for the incurrence of reasonable costs and expenses by the Partnership or the SET Companies that are not material in the context of the commercial objectives to be achieved by the subject effo rts of such Person) to obtain the approval, consent or other action of any Governmental Body or other Person in connection with the transactions contemplated hereby or any Related Agreements.

Section 7.5. Financial Statements

(a) From the date of this Agreement through the Closing Date, within forty-five (45) days after the end of each calendar quarter commencing with the quarter ending June 30, 2007, Sempra Energy shall provide RBS with a copy of financial statements and other materials comparable to the Unaudited Financial Statements of the SET Companies, in each case prepared in accordance with GAAP as of and for the three-month, six-month or nine-month period, as applicable, then ended, and (ii) if the applicable calendar quarter is as of the end of any calendar year, audited financial statements for the SET Audited Entities and statistical report data with respect to the SET Companies for such calendar year; provided, that to the extent necessary, Sempra Energy may provide such audited financial statements within 90 days after the end of such calendar year. In addition, the audited balance sheet of the each of the SET Companies for which audited statements are prepared, on a stand alone basis, as of December 31, 2006 and the related statements of operations and cash flows for the year ended December 31, 2006, including any notes thereto, which become available between signing and closing, will be provided promptly to RBS.

(b) From the date of this Agreement through the Closing Date, within twenty (20) days after the end of each calendar month, Sempra Energy shall provide RBS with copies of the unaudited management and operating reports of the SET Companies or relating to the SET Business prepared in accordance with past practice for each such calendar month.

Section 7.6. Employees and Employee Benefits.

(a) Employees.

(i) The Parties intend that all SET Company Employees who are actively at work on the Closing Date shall continue to be employed by the SET Companies immediately after the Closing Date (such SET Company Employees, the “Transferred Employees”); provided that neither the Partnership nor the SET Companies shall have any obligation to continue employing such SET Company Employees for any length of time thereafter.

(ii) With respect to those SET Company Employees who are not actively at work on the Closing Date because they are on approved short-term disability or long-term disability leave in accordance with the Sempra Plans (the “Inactive Employees”), from and after the Closing Date, Sempra Energy shall retain all liability and obligations in respect of such Inactive Employees, and shall continue to cover such Inactive Employees under the Sempra Plans; provided that, if any such Inactive Employee returns to active work at the conclusion of such leave, and in any case within six months following the Closing Date (or such longer period as is required by applicable law), such Inactive Employee shall become a “Transferred Employee” for purposes hereunder as of the date of such person’s return to active employment with the SET Companies (the “Transfer Dat e”).

(b) Sempra Parties' Employee Liabilities. Sempra Energy shall retain and satisfy any and all responsibility, and RBS and the Partnership shall have no liability or responsibility whatsoever, for any and all claims, liabilities and obligations, whether contingent or otherwise, except to the extent such liabilities, claims and obligations are accrued on the Closing Balance Sheet, relating to:

(i) any person who is not a Transferred Employee, including, without limitation, any unpaid salary, wages, bonuses or other compensation or severance pay, benefits or group health care coverage required by Section 4980B of the Code or Section 601 of ERISA or similar state law, whether arising on, prior to or after the Closing Date; and

(ii) the Sempra Plans and SET Company Plans that are not Company Plans (as defined below), whether arising on, prior to, or after the Closing Date.

(c) RBS Employee Liabilities. RBS shall have sole responsibility and liability, and the Sempra Parties and the Partnership shall have no responsibility or liability, for any claims or causes of action of SET Company Employees under Legal Requirements with respect to employment, wage and working condition matters that arise as a direct result of acts solely by RBS following the date hereof and prior to the Closing Date.

(d) Employee Benefits; General. Schedule 7.6(d) sets forth a list of all Sempra Plans and SET Company Plans that are sponsored exclusively by the SET Companies (and that are not sponsored by Sempra Energy or any of its other affiliates) (the "Company Plans"). As of the Closing Date, the SET Companies shall cease to be participating employers under the Sempra Plans and the SET Company Plans that are not Company Plans ("Parent Plans"). As of the Closing Date (or Transfer Date, if applicable), Transferred Employees shall cease to accrue any further benefits as active participants and shall have no rights to continue as active participants under the Parent Plans (without derogation of their rights as vested, terminated participants).

(e) Non-US Employee Benefits. For non-US-based Transferred Employees, subject to Legal Requirements, RBS will cause the SET Companies to provide such Transferred Employees (as a group), during the period beginning immediately following the Closing Date (or Transfer Date, if applicable) and ending on the first anniversary of the Closing Date (the "Continuation Period"), with employee benefits (other than equity-based plans, programs and policies) that are no less favorable in the aggregate to those employee benefits provided as of the date hereof under the Company Plans.

(f) US Welfare Benefits.

(i) For US-based Transferred Employees, RBS will cause the SET Companies to provide such Transferred Employees (as a group), during the Continuation Period, with health and welfare employee benefits (whether or not subject to ERISA) (other than equity-based plans, programs or policies) that are substantially similar in the aggregate to those employee health and welfare benefit plans, programs and policies that are maintained by RBS from time to time for the

benefit of similarly situated employees of RBS (any such employee health and welfare benefit plans of RBS in which Transferred Employees become eligible to participate after the Closing Date shall be referred hereinafter as "RBS Welfare Plans").

(ii) With respect to the RBS Welfare Plans, except to the extent otherwise required by applicable law, RBS shall cause the SET Companies to use commercially reasonable best efforts:

(1) with respect to each such plan that is a medical or health plan, to waive, or cause the waiver of, any exclusions for pre-existing conditions and waiting periods for each Transferred Employee and his/her dependents to the extent that such pre-existing condition exclusions and waiting periods were previously satisfied under the comparable Sempra Plan or SET Company Plan for the plan year that includes such transfer;

(2) with respect to each such plan that is a medical or health plan, to provide each Transferred Employee with credit for any deductibles and out-of-pocket expenses paid or incurred by such Transferred Employee prior to his or her transfer to the RBS Welfare Plan (to the same extent such credit was given under the comparable Sempra Plan or SET Company Plan) in satisfying any applicable deductible or out-of-pocket requirements under such RBS Welfare Plan for the plan year that includes such transfer; and

(3) to recognize service of the Transferred Employees credited by the Sempra Parties solely for purposes of eligibility to participate and vesting in any RBS Welfare Plan in which the Transferred Employees are eligible to participate after the Closing Date to the extent that such service was recognized for that purpose under the comparable Sempra Plan or SET Company Plan prior to such transfer;

provided, that in no event shall the Transferred Employees be entitled to any credit to the extent that it would result in a duplication of benefits with respect to the same period of service. Sempra Energy will make available to RBS employee participation data and year-to-date deductibles and out of pocket expenses as of the Closing Date.

(g) U.S. Retirement Benefits.

(i) During the Continuation Period, RBS will cause the SET Companies to continue the Sempra Energy Trading Retirement & Savings Plan and the related trust (the "SET Company 401(k) Plan") for the benefit of the US-

based Transferred Employees, and to continue to make employer matching and profit sharing contributions thereunder on substantially the same terms as are in effect on the date hereof. The SET Company 401(k) Plan will be amended to allow the immediate entry, as of immediately following the Closing Date (or Transfer Date, if applicable), of those Transferred Employees who, immediately prior to Closing, were active participants under the Sempra Energy Savings Plan (the "Sempra 401(k) Plan"). RBS shall cause the SET Companies to recognize service of the Transferred Employees credited by the Sempra Parties solely for purposes of eligibility to participate and vesting (but not for any other purpose, including benefit accruals) in the SET Company 401(k) Plan and any other RBS retirement plan in which the Transferred Employees are eligible to participate after the Closing Date to the ex tent that such service was recognized for that purpose under the comparable Sempra Plan or SET Company Plan prior to the Closing Date (or Transfer Date, if applicable); provided, however, that in no event shall the Transferred Employees be entitled to any credit to the extent that it would result in a duplication of benefits with respect to the same period of service. Sempra Energy will make available to RBS employee participation data, including service credit, as of the Closing Date.

(ii) In addition, for US-based Transferred Employees, RBS will cause the SET Companies to make special employer contributions under the SET Company 401(k) Plan (or under a non-qualified mirror savings plan to be established by RBS for this purpose, to the extent such contributions cannot be made under the SET Company Plan due to limits imposed under the Code) on behalf of each Transferred Employee who was an active participant under the Sempra Energy Cash Balance Plan immediately prior to the Closing Date. Such special employer contributions shall be determined in accordance with Schedule 7.6(g). Sempra Energy shall make contributions under the Sempra Energy Cash Balance Plan and Sempra Energy Excess Cash Balance Plan on behalf of Transferred Employees in respect of all periods through and including the Closing Date (or Transfer Date, if applicable).

(iii) Effective as of the Closing (or Transfer Date, if applicable), the Transferred Employees who have an account balance in the Sempra 401(k) Plan shall be entitled to receive a distribution of their account balance in accordance with the terms of the Sempra 401(k) Plan and shall be permitted to roll over their eligible rollover distributions, which may include promissory notes evidencing outstanding participant loans ("Loans") under the Sempra 401(k) Plan upon the same terms and conditions as in effect under the Sempra 401(k) Plan immediately prior to the rollover of such Loan. Sempra Energy and the Sempra 401(k) Plan shall not place any Transferred Employee's Loan into default so long as such employee transfers such employee's account balance under the Sempra 401(k) Plan, together with the Loan, to the SET Company 401(k) Plan through a direct rollover.

(iv) Sempra Energy shall take all action necessary to fully vest all Transferred Employees, as of the Closing Date (or Transfer Date, if applicable),

under the Sempra 401(k) Plan and the Sempra Energy Cash Balance Plan. Sempra Energy shall take all action necessary to ensure that each Transferred Employee who participates in the Sempra Energy Excess Cash Balance Plan immediately prior to the Closing Date shall receive credit (for purposes of vesting under such plan) for all service with the SET Companies following the Closing Date.

(h) Severance and Salary Protection.

(i) RBS shall cause the SET Companies to provide severance benefits to Transferred Employees who experience a qualifying termination of employment during the Continuation Period on terms no less favorable than those described in Schedule 7.6(h).

(ii) Subject to the proviso in Section 7.6(a)(i), RBS shall cause the SET Companies to provide each Transferred Employee, during any portion of the Continuation Period that such employee is a Transferred Employee employed by the SET Companies, a rate of base salary that is not less than the rate of base salary that such Transferred Employee received immediately prior to the Closing Date.

(i) Vacation, Sick Leave and Flex Days. RBS shall cause the SET Companies to honor each Transferred Employee's unused vacation, sick leave and flex days accrued to the SET Companies as of the Closing Date, under the relevant SET Company Plan.

(j) Equity Incentives Programs. Neither RBS, the Partnership nor the SET Companies shall assume or have any liability or obligation in respect of any options, warrants, stock appreciation, phantom stock, restricted stock unit or other similar rights or equity based awards with respect to any security of Sempra Energy, and all such awards shall remain the sole responsibility of Sempra Energy.

(k) Retiree Medical. With respect to those Transferred Employees who, as of the Closing Date (or Transfer Date, if applicable) were vested and eligible to enroll under the Sempra Plans (that are not SET Company Plans) that provide for retiree welfare benefits (medical, dental or life), each of whom is listed on Schedule 7.6(k), Sempra Energy shall take such action as is necessary under such Sempra Plans to provide that such Transferred Employees shall remain eligible to enroll for such benefits under such Sempra Plans as in effect from time to time following such Transferred Employee's termination of employment with the SET Companies. The Sempra Parties shall retain all retiree medical liabilities under the Sempra Plans and the SET Companies and the Partnership shall have no liability or obligation in respect of retiree welfare obligations under the Sempra Plans.

(l) Other Compensation Plans, Programs and Policies. Following the Closing Date, all other compensation plans, programs and policies not specifically addressed above, including those covering incentives, retention payments, base pay, hiring bonuses, and special awards, covering employees of the SET Companies will be administered according to the discretion and direction of the Board of the Partnership, consistent with RBS policies.

(m) No Third Party Beneficiary Rights. Nothing contained herein, whether express or implied shall be treated as an amendment or other modification of any compensation or benefit plan. This Section 7.6 shall inure exclusively to the benefit of, and be binding solely upon, the parties to this Agreement and their respective successors, permitted assigns, executors and legal representatives. Nothing in this Section 7.6, expressed or implied, shall be construed to create any third-party beneficiary rights in any present or former employee, service provider or any such Person's alternate payees, dependents or beneficiaries, whether in respect of continued employment or resumed employment, compensation, employee benefits or otherwise.

Section 7.7. Retention of and Access to Records

(a) After the Closing Date, Sempra Energy shall (and shall cause its respective Subsidiaries to) retain those books and records not primarily relating to the SET Business and not held by the SET Companies and shall provide RBS, the Partnership, their Subsidiaries and their Representatives reasonable access to such books and records relating in any manner to the SET Business (other than books and records relating to Taxes, access to which is governed exclusively by Section 10.3(d)), during normal business hours and on reasonable notice, for any reasonable business purpose, including without limitation to enable them to prepare financial statements or tax returns, deal with tax audits or as they may otherwise reasonably request.

(b) After the fifth anniversary of the Closing Date, assuming the tax years are closed with respect to such entities (or such later date as may be required under Legal Requirements applicable to RBS, the Partnership or any of their Subsidiaries), Sempra Energy or its Subsidiaries may elect to destroy any books and records described in Section 7.7(a), upon thirty days' prior written notice of such determination being given to the Partnership; provided, that at the request (made prior to the end of such thirty-day period) and expense of the Partnership, Sempra Energy or its Subsidiary (as applicable) shall deliver such books and records to the Partnership in lieu of destroying them. RBS, the Partnership and any of their Subsidiaries shall, prior to the fifth anniversary of the Closing Date or thereafter during the effective term of the requirements under this Section 7.7(b), advise Sempra Energy as to the Legal Requirements referred to in the immediately preceding sentence. Notwithstanding anything in this Section 7.7(b), Sempra Energy will only be required to deliver to the Partnership the portions of such books and records that relate to the SET Business or SET Companies and may redact any statements or other information on the portions of such books and records that do not relate to the SET Business or SET Companies.

Section 7.8. Further Assurances

(a) The Parties shall (and shall cause their respective Subsidiaries to) cooperate reasonably with each other and with their respective Representatives in connection with any steps required to be taken as part of their respective obligations under this Agreement, and shall furnish upon request to each other such further information as the other Party may reasonably request for the purpose of carrying out the intent of this Agreement and the Contemplated Transactions.

(b) The Parties shall use their reasonable best efforts to restructure the transactions contemplated by this Agreement to permit the Closing to occur prior to obtaining one or more of the approvals required by clause (vii)(b) of the definition of Material Governmental Approvals, including by deferring the transfer of all or part of the SET Business in certain jurisdictions, liquidating trading positions or other steps to avoid any delay in Closing as a result of the failure to obtain or delay in obtaining such approvals; provided, that no party shall be required to agree to take or refrain from taking any action pursuant to Section 7.8(b) that has more than an immaterial impact on the economic benefits or risks of the transactions contemplated by this Agreement to such party.

(c) Subject to the terms and conditions of this Agreement, at any time or from time to time after the date of this Agreement, at any Party's reasonable request and without further consideration, each Party shall do all acts and things as may be necessary or desirable and are within its control to carry out the intent of this Agreement and the Related Agreements, including executing and delivering further instruments of sale, transfer, conveyance, assignment, novation, confirmation or other documents that may be reasonably required and providing additional materials and information.

Section 7.9. No Shop

Sempra Energy agrees that, between the date of this Agreement and the date this Agreement is terminated, it shall not, directly or indirectly, through any Subsidiary, affiliate, representative, consortium or otherwise, initiate, solicit or encourage, participate in discussions, or enter into negotiations of any type, directly or indirectly, or enter into a confidentiality agreement, letter of intent or purchase agreement or other similar agreement with respect to any sale, lease or other transfer (in whole or part) of any interest in the SET Business or the SET Companies other than pursuant to Permissible Trading Activities (including the granting of Encumbrances described in clause (f) of the definition of "Permitted Encumbrances" made in connection with Permissible Trading Activities) or any merger, consolidation or business combination involving the SET Business or t he SET Companies other than any such transactions among and with respect to Sempra Energy and its Subsidiaries and affiliates, or the purchase of all or any substantial portion of the assets used in the conduct of the SET Business, or any similar extraordinary transaction with respect to the SET Business or the SET Companies.

Section 7.10. Transition Services Agreement

On the Closing Date, RBS and Sempra Energy shall cause the Partnership or some or all of the SET Companies, as appropriate, to enter into one or more agreements for the use of assets and provision of services at a cost-based price in accordance with the same methodology as provided in Section 13.1 of the LLP Agreement and on other terms no less favorable to the SET Companies and the Partnership than the terms on which Sempra Energy provides similar goods and services to other Sempra Energy affiliated companies ("Transition Services Agreement") providing for (a) the shared use by the Partnership of certain assets not owned or held by the SET Companies but used in connection with the SET Business, and (b) the provision of services currently provided by Sempra Energy or any Subsidiary of Sempra Energy other than the SET Companies in connection with the SET Bu siness, including corporate secretary/legal, regulatory, shared contracts/license, tax, audit, IT and accounting services.

Section 7.11. Other Agreements

Effective as of the Closing Date, RBS, Sempra Energy and their Subsidiaries, as applicable, will enter into each of the Related Agreements substantially in accordance with the attached form agreements or term sheets.

Section 7.12. Transition Plans; Novation

(a) Within 15 days after the execution date of this Agreement, Sempra Energy and RBS shall form one or more joint transition teams (including, as appropriate, members selected from the SET Companies) to plan for and perform various activities set forth in this Section 7.12, as well as other activities to be performed between the date of this Agreement and Closing.

(b) From the date of this Agreement until the actions and events contemplated by clauses (i) through (iii) below are completed, Sempra Energy and RBS shall (and Sempra Energy shall cause its Subsidiaries to) use their commercially reasonable efforts to cooperate in good faith and take all reasonable steps necessary to (and without unreasonable disruptions to):

(i) prior to Closing, conduct a program to secure the execution by Third Parties of all Consents and conveyance documents regarding the Contemplated Transactions as required to satisfy the conditions set forth in Sections 5.3 and 6.3;

(ii) conduct a program to secure consents, if any are required, from Third Parties to the Trading Agreements and the SET Business Material Contracts in order for RBS to assume all rights and obligations under these contractual arrangements as soon as possible after Closing, either by assignment of the Contracts or by RBS entering into new agreements with the Third Parties; and

(iii) cause Sempra Energy and its Subsidiaries to be released from any guarantee, credit support or other financial arrangement for the benefit of the customers and creditors of the SET Companies, including obtaining waivers and consents from any applicable Persons to replace any such credit support with appropriate credit support from RBS.

(c) On or before the Closing, Sempra Energy shall convert the entities listed on Schedule 7.12(c) to entities eligible to elect to be an entity disregarded as separate from its owner within the meaning of sections 301.7701-1, 301.7701-2, and 301.7701-3 of the regulations promulgated by the U.S. Department of the Treasury pursuant to the Code, and each such entity shall have elected to be an entity disregarded as separate from its owner within the meaning of sections 301.7701-1, 301.7701-2, and 301.7701-3 of the regulations promulgated by the U.S. Department of the Treasury pursuant to the Code and shall take such other corporate reorganization steps as are necessary or desirable to achieve the intended tax effects of such conversions.

Section 7.13. Termination of Certain Agreements

(a) From and after the date hereof until completed, Sempra Energy shall, and shall cause its Subsidiaries to, terminate (without any default, charge, cost or penalty of any kind

to RBS or its Subsidiaries or the SET Companies) all of the Affiliate Agreements (including for this purpose, Trading Agreements with Affiliates) other than those set forth on Schedule 7.13(a) (which schedule, for the avoidance of doubt, may be updated at any time from the date hereof up to the Closing Date), with effect as of the Closing Date.

(b) On or before the Closing, RBS shall terminate its joint venture with Macquarie Bank Limited and its affiliates relating to commodities trading activities; provided that RBS and its Subsidiaries may continue to hold trades made prior to the Closing by such joint venture until such trades expire, are sold or are otherwise liquidated; provided, however, RBS shall not, and shall not permit any of its Subsidiaries to, renew or materially amend, modify, extend or renegotiate any such trade.

(c) With effect as of immediately prior to the Closing, Sempra Energy hereby releases and waives, solely for the benefit of the Partnership, and shall cause all of its Subsidiaries (other than the SET Companies and the Sempra Utilities) to release and waive, all rights and remedies of Sempra Energy and its Subsidiaries (other than the SET Companies) (whether now existing or hereafter arising and including all common law, tort, contractual, equitable and statutory rights and remedies) against the SET Companies, each of their Subsidiaries, and their respective employees, agents and anyone else acting on any of their behalf in connection with the SET Business, except (i) claims arising under the Affiliate Agreements set forth on Schedule 7.13(a) (which schedule, for the avoidance of doubt, may be updated at any time from the date hereof up to the Closing Date), subrogation rights under any guarantee or other finan cial assurance and rights and remedies under this Agreement, any of the Related Agreements or any Trading Agreements, (ii) with respect to claims of fraud or misappropriation of material funds or assets, or (iii) to the extent that RBS otherwise consents in writing in its reasonable discretion following the date hereof with respect to the pursuit of any such rights or remedies against employees or other agents of the SET Companies for conduct by such persons occurring prior to the date hereof; provided that, in connection with any Proceedings brought against Sempra Energy or its Subsidiaries, the foregoing release and waiver shall in no way limit the ability of Sempra Energy or its Subsidiaries to raise any defenses or counterclaims related to such Proceedings.

(d) With effect as of immediately prior to the Closing, the Parties on behalf of the SET Companies hereby releases and waives, and shall cause the SET Companies to release and waive, all rights and remedies of the SET Companies (whether now existing or hereafter arising and including all common law, tort, contractual, equitable and statutory rights and remedies) against Sempra and its Subsidiaries (other than the SET Companies), and their respective employees, agents and anyone else acting on any of their behalf in connection with the business of Sempra and its Subsidiaries (other than the SET Business), except (i) claims arising under the Affiliate Agreements set forth on Schedule 7.13(a) (which schedule, for the avoidance of doubt, may be updated at any time from the date hereof up to the Closing Date) (which shall not include any claim whatsoever of any employees, agents, officers or directors of the SET Companies), subrogation rights under any guarantee or other financial assurance, and rights and remedies under this Agreement, any of the Related Agreements or any Trading Agreements, (ii) with respect to claims of fraud or misappropriation of material funds or assets, or (iii) to the extent that Sempra otherwise consents in writing in its reasonable discretion following the date hereof with respect to the pursuit of any such rights or remedies against employees or other

agents of Sempra for conduct by such persons occurring prior to the date hereof; provided that, in connection with any Proceedings brought against the SET Companies, the foregoing release and waiver shall in no way limit the ability of the SET Companies to raise any defenses or counterclaims related to such Proceedings.

Section 7.14. Insurance

(a) For all periods through the Closing Date, Sempra Energy will, and will cause its Subsidiaries to, maintain in effect policies of insurance of a nature, in an amount, and against such risks as are substantially consistent with past practice.

(b) To the extent that coverage under certain Policies has, prior to the Closing, been maintained or provided by Sempra Energy or its Subsidiaries (other than solely by the SET Companies), then from and after the Closing, Sempra Energy shall (and shall cause its Subsidiaries to) use reasonable best efforts (except to the extent a different standard is expressly provided for in this Agreement) to take all action necessary to permit the SET Companies to make any claims under such Policies (including directors and officers insurance) with respect to Out of Pocket and Tax Damages relating to activities occurring on or before the Closing, and shall immediately remit to the Partnership any payments related to such claims received by Sempra Energy and its Subsidiaries.

ARTICLE VIII.
TERMINATION

Section 8.1. Termination

This Agreement may be terminated at any time prior to the Closing solely as follows:

(a) by mutual written consent of Sempra Energy and RBS; or

(b) after June 30, 2008, by Sempra Energy or RBS by notice to the other (if none of such terminating Party is then in material breach of this Agreement which breach has caused the Closing not to occur prior to such date), if the Closing has not occurred on or before the date such notice is given.

Section 8.2. Effect of Termination

In the event this Agreement is terminated pursuant to Section 8.1, all further obligations of the Parties hereunder shall terminate and this agreement shall become null and void and of no further force and effect, except for the obligations set forth in Section 10.5, this Section 8.2 and Article IX, and except that such termination shall not relieve any Party of any Liability for any knowing breach of this Agreement or fraud prior to such termination.

ARTICLE IX.
INDEMNIFICATION

Section 9.1. Survival

All covenants and other agreements in this Agreement to be performed after the Closing shall survive the Closing and the consummation of the Contemplated Transactions until so performed. All representations and warranties in this Agreement shall survive the Closing and the consummation of the Contemplated Transactions

for a period of eighteen (18) months from the Closing Date, except that the representations and warranties contained in Sections 3.1, 3.2, 3.4(a), 3.14, 4.1, 4.2, and 4.5 shall survive indefinitely and the representations and warranties contained in Section 3.13 shall survive until thirty (30) days after the expiration of the applicable statute of limitations; provided that, for the avoidance of doubt, no Section 9.2 Indemnified Person (as defined below) shall be entitled to an indemnity under Section 9.2(a) if such Section 9.2 Indemnified Person is actually indemnified under any other clause in Section 9.2. The right to indemnification, reimbursement or other remedy based upon such representations, warranties, covenants and agreements shall not be affected by any investigation conducted with respect to, or any Knowledge actually acquired at any time, whether before or after the execution and delivery of this Agr eement or the Closing Date, with respect to the accuracy or inaccuracy of or compliance with any such representation, warranty, covenant or agreement, except that the right to indemnification with respect to Knowledge acquired prior to Closing shall exist if and only if the party acquiring such Knowledge notified the other parties hereto in writing prior to the Closing Date.

Section 9.2. Indemnification and Reimbursement by Sempra Energy

Subject to the limitations set forth in Section 9.4, Sempra Energy will indemnify and hold harmless, without duplication, RBS and its Subsidiaries, and each of their members, officers, agents, employees and other Representatives (collectively, the "Section 9.2 Indemnified Persons"), from and against any and all Out of Pocket and Tax Damages, including any Out of Pocket and Tax Damages to the Partnership and its Subsidiaries, but excluding in the case of clauses (a) and (d) only, De Minimis Damages, resulting from:

(a) any breach of any representation or warranty made by Sempra Energy in Article III of this Agreement;

(b) any material breach of or failure to perform or comply with any covenant or agreement of Sempra Energy in this Agreement other than the first sentence of Section 7.1 and Section 7.1(e);

(c) the California Litigation;

(d) the Market Behavior Litigation;

(e) any monetary fines, monetary penalties imposed on the SET Companies by any Governmental Body, and, if such fines or penalties exceed $1,000,000, the associated legal costs and expenses of the SET Companies with respect to the EFS Investigation;

(f) Tritton;

(g) the Scheduled Matters;

(h) any Taxes, fines or penalties imposed under the United Kingdom Legal Requirements and Orders relating to Climate Change Levy, and any associated legal and other professional costs and expenses, as may be applied to the SET Business as conducted on or before the Closing Date;

(i) the termination of the Operating Agreement, and any and all claims made against RBS, the SET Companies or the Partnership in respect of termination payments (or payments made in lieu of termination payments) pursuant to the OA Termination Agreement, and Taxes (including those arising under Section 409A and 280G of the Code) with respect to any payments under any of the foregoing agreements;

(j) any income and direct Taxes (including, for the avoidance of doubt, capital gains or corporation tax on capital gains) and withholding Taxes with respect to any taxable period of the Transferred Companies for all taxable periods ending on or before the Closing Date ("Pre-Closing Tax Period") and, for a period of two years following the Closing Date, the Sempra Portion of any other Taxes with respect to the Pre-Closing Tax Period, and in each case with respect to any Straddle Period, for the portion thereof ending on the Closing Date;

(k) any income Taxes imposed as a result of Treasury Regulation Section 1.1502-6 or comparable provisions of state or local law of the Transferred Companies or any other Person (other than the Transferred Companies) which is or has ever been affiliated with any of the Transferred Companies or with whom any of the Transferred Companies otherwise joins or has ever joined (or is or has ever been required to join) in filing any consolidated, combined, group, unitary or aggregate Tax Return, prior to the Closing Date;

(l) any payments required to be made after the Closing Date to any Person that is not a SET Company under any Tax sharing, Tax indemnity, Tax allocation or similar contracts (whether or not written) to which any of the SET Companies are obligated, or were a party, on or prior to the Closing Date;

(m) any income Taxes or withholding taxes with respect to income resulting from the conversion of the entities (or failure to convert such entities) listed on Schedule 7.12(c) to entities eligible to elect to be an entity disregarded as separate from its owner within the meaning of sections 301.7701-1, 301.7701-2, and 301.7701-3 of the regulations promulgated by the U.S. Department of the Treasury pursuant to the Code;

(n) any Tax to which RBS or its subsidiaries is charged or subjected in respect of distribution(s) by the SET Companies of its fifty-one percent (51%) share of any previously undistributed profits earned, accrued or arising on or before the Closing Date as reflected in the balance sheets of the SET Companies used for preparing the Closing Balance Sheet; provided, however, that (x) any Tax for which an indemnity is provided pursuant to this Section 9.2(n) shall be netted against any tax credits or other Tax benefit (including for these purposes any eligible unrelieved foreign tax that arises to RBS as a direct result of the distribution of such profits and which RBS actually utilizes) and (y) RBS and Sempra shall use commercially reasonable efforts and shall reasonably cooperate to defer the distribution of such profits until RBS has determined, in its sole judgment exercised in g ood faith, that it will not incur a Tax cost as a result of such distribution; provided, further, that such deferral shall in no event extend for a period longer than forty-eight (48) months; or

(o) if, as a result of a "determination" under Section 1313(a) of the Code or other Legal Requirement which effects a change in the allocations of Partnership Net Income and Partnership Net Loss of the Partnership solely as between Sempra Global and SETI, RBS or the Partnership incurs a Tax, Sempra Energy or the relevant Sempra Affiliates that are members of the Partnership, as appropriate, will pay to RBS or the Partnership, as the case may be, an amount equal to such Tax. RBS shall provide notice to the Sempra Members of a claim under this provision within 30 days of receiving written information from a Governmental Body that such a claim is being asserted pursuant to the provisions of Section 9.7 of this Agreement and the provisions of Section 9.7 shall govern the administration of such claim; provided, however, that neither Sempra nor any Sempra Member shall be obli gated to make a payment under this Section 9.2(o) to the extent the Tax incurred by RBS or the Partnership is related to or caused by Section 482 of the Code, or other transfer pricing or similar provisions of similar laws.

Section 9.3. Indemnification and Reimbursement by RBS

Subject to the limitations set forth in Section 9.4, RBS will indemnify and hold harmless Sempra Energy and its Subsidiaries, and each of their members, officers, agents, employees and other Representatives (collectively, the "Section 9.3 Indemnified Persons" and, together with the Section 9.2 Indemnified Persons, the "Indemnified Persons") from and against any Out of Pocket and Tax Damages, including any Out of Pocket and Tax Damages to the Partnership and its Subsidiaries, but excluding, with respect to clause (a) only, De Minimis Damages, relating to:

(a) any breach of any representation or warranty made by RBS in Article IV of this Agreement;

(b) any material breach of or failure to perform or comply with, any covenant or obligation of RBS in this Agreement; or

(c) any failure to perform or comply with its obligations under the indemnity agreement attached hereto as Exhibit C.

Section 9.4. Limitations; Exclusive Remedy

(a) Sempra Energy shall have no liability with respect to claims under Section 9.2(a), or claims under Section 9.2(b) based on a breach of or failure to perform or comply with any covenant or agreement of Sempra Energy in Section 7.1, until the total of all Out of Pocket and Tax Damages other than De Minimis Damages with respect to such matters exceeds fifty million dollars ($50,000,000) and then only for the amount by which such Out of Pocket and Tax Damages (other than De Minimis Damages) exceed twenty-five million dollars ($25,000,000); provided that such limitations shall not apply to claims for any breach of the representations or warranties in Section 3.6(c)(ix). Sempra Energy shall have no liability with respect to claims under Section 9.2(f) upon satisfaction or achievement by the SET Companies or their applicable Subsidiaries and Affiliates of the Tritton Performance Levels. In no ev ent shall Sempra Energy's liability for indemnification under Sections 9.2(a), (b) and (d) exceed $1 billion; provided that such limitations shall not apply to claims for any breach of the representations or warranties in Section 3.6(c)(ix). Sempra Energy will have liability under Section 9.2(a) and Section 9.2(b), only if Sempra Energy receives notice of any claim for Out of Pocket and Tax Damages from the

Indemnified Person, specifying the factual basis of the claim in reasonable detail and specifying the amount claimed, within the applicable survival period as defined in Section 9.1 or with respect to Section 7.1 within eighteen (18) months after the Closing Date. Sempra Energy will have liability under Section 9.2(d) only if Sempra Energy receives notice of any claim for Out of Pocket and Tax Damages from the Indemnified Person, specifying the factual basis of the claim in reasonable detail and specifying the amount claimed, on or before the date that is three years from the Closing Date.

(b) RBS shall have no liability with respect to claims under Section 9.3(a) until the total of all Out of Pocket and Tax Damages other than De Minimis Damages with respect to such matters exceeds fifty million dollars ($50,000,000) and then only for the amount by which such Out of Pocket and Tax Damages (other than De Minimis Damages) exceed twenty-five million dollars ($25,000,000). In no event shall RBS' liability for indemnification under Section 9.3(a) exceed $1 billion. RBS will have liability under Section 9.3(a) only if RBS receives notice of any claim for Out of Pocket and Tax Damages from the Indemnified Person, specifying the factual basis of the claim in reasonable detail and specifying the amount claimed, within the applicable survival period as defined in Section 9.1.

(c) Solely for purposes of calculating Out of Pocket and Tax Damages for which an indemnity obligation arises under this Article IX with respect of any breach of any covenant or obligation, or any representation or warranty, contained in this Agreement, any express qualifications or limitations set forth in such covenant or obligation, or representation or warranty, as to materiality or "Material Adverse Effect" contained therein shall be disregarded.

(d) Notwithstanding anything herein to the contrary, no Indemnified Person shall be entitled to indemnification or reimbursement under any provision of this Agreement for any amount to the extent such person or its affiliate has been indemnified or reimbursed for such amount under any other provision of this Agreement or any Related Agreement.

(e) Except in the case of fraud, the exclusive remedy for any Indemnified Person for Out of Pocket and Tax Damages or other monetary damages arising from a breach of this Agreement shall be the indemnification provided under this Article IX. There shall be no remedy at law for De Minimis Damages arising out of the events or circumstances described in Sections 9.2(a), 9.2(d), and 9.3(a).

(f) In no event shall Out of Pocket and Tax Damages be subject to indemnification under Section 9.2 or 9.3 to the extent such Out of Pocket and Tax Damages were included as liabilities (including any reserve) in the Final Balance Sheet; provided that any Out of Pocket and Tax Damages in excess of the amounts so included as liabilities (including any reserve) in the Final Balance Sheet shall be subject to indemnification hereunder in accordance with and subject to the terms, conditions and limitations of this Article IX.

(g) NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, IN NO EVENT SHALL AN INDEMNIFYING PERSON BE LIABLE FOR ANY EXEMPLARY, PUNITIVE, SPECIAL, INDIRECT, CONSEQUENTIAL, REMOTE OR SPECULATIVE DAMAGES; provided, however, that if an Indemnified Person is held liable to a third party for any such Out of Pocket and Tax Damages and the applicable indemnifying party

is obligated to indemnify such Indemnified Person for the matter that gave rise to such Out of Pocket and Tax Damages, then such indemnifying party shall be liable for, and obligated to reimburse such Indemnified Person for such Out of Pocket and Tax Damages.

Section 9.5. Third-Party Claims

(a) Promptly (and in any event within 30 days) after receipt by a Person entitled to indemnity under Section 9.2 or 9.3 of notice of the assertion of a Third-Party Claim against it or the Partnership, such Indemnified Person shall give notice to the Person obligated to indemnify under such Section (each, an "Indemnifying Person") of the assertion of such Third-Party Claim; provided, that the failure to notify the Indemnifying Person will not relieve the Indemnifying Person of any liability that it may have to any Indemnified Person, except to the extent that the Indemnifying Person demonstrates that the defense of such Third-Party Claim is actually and materially prejudiced by the Indemnified Person's failure to give such notice.

(b) If an Indemnified Person gives notice to the Indemnifying Person pursuant to Section 9.5(a) of the assertion of a Third-Party Claim, the Indemnifying Person shall be entitled to participate in the defense of such Third-Party Claim and, to the extent that it wishes (unless (x) the Indemnifying Person is also a Person against whom the Third-Party Claim is made and the Indemnified Person determines in good faith that joint representation would be inappropriate, (y) greater than 50% of the Out of Pocket and Tax Damages are reasonably anticipated to be incurred by the Indemnified Person because such Out of Pocket and Tax Damages exceed the applicable maximum limit (if any) for indemnification contained in Section 9.4, or (z) material equitable or other non-monetary relief is sought from any Indemnified Person pursuant to such Third-Party Claim) to assume the defense of such Third-Party Claim. After notice from the Indemnifying Person to the Indemnified Person of its election to assume the defense of such Third-Party Claim, the Indemnifying Person shall not, so long as it diligently conducts such defense, be liable to the Indemnified Person under this Article IX for any fees of other counsel or any other expenses with respect to the defense of such Third-Party Claim, in each case subsequently incurred by the Indemnified Person in connection with the defense of such Third-Party Claim, other than reasonable costs of investigation. If the Indemnifying Person assumes the defense of a Third-Party Claim, (i) such assumption will, unless additional information at the time of the assumption emerges to change this conclusion, conclusively establish for purposes of this Agreement that the claims made in that Third-Party Claim are within the scope of and subject to indemnification (but no such assumption shall affect the applicability of any limit on indemnification contained in Section 9.4), and (ii) no compromise or se ttlement of such Third-Party Claims may be effected by the Indemnifying Person without the Indemnified Person's consent (which consent shall not be unreasonably withheld or delayed) unless (A) there is no finding or admission of any material violation of Legal Requirement and (B) the sole relief provided is monetary damages that are paid in full by the Indemnifying Person. The Indemnified Person shall have no liability with respect to any compromise or settlement of such Third-Party Claims effected without its consent if required pursuant to the immediately preceding sentence. If notice is given to an Indemnifying Person of the assertion of any Third-Party Claim and the Indemnifying Person does not, within twenty (20) days after the Indemnified Person's notice is given, give notice to the Indemnified Person of its election to assume the defense of such Third-Party Claim, the Indemnifying Person will be bound by any

determination made in such Third-Party Claim or any compromise or settlement effected by the Indemnified Person.

(c) With respect to any Third-Party Claim subject to indemnification under this Article IX: (i) both the Indemnified Person and the Indemnifying Person, as the case may be, shall keep the other Person reasonably informed of the status of such Third-Party Claim and any related Proceedings at all stages thereof where such Person is not represented by its own counsel, and (ii) the Parties agree (each at its own expense) to render to each other such assistance as they may reasonably require of each other and to cooperate in good faith with each other in order to ensure the proper and adequate defense of any Third-Party Claim.

(d) The provisions of this Section 9.5 shall not govern any Tax Claims, and the procedures set out in Section 9.7 shall govern for all Tax Claims (except as set forth in Section 9.7(b)).

Section 9.6. Other Claims

A claim for indemnification to the extent not resulting from a Third-Party Claim may be asserted by notice to the Party from whom indemnification is sought and, unless disputed within 90 days after receipt by the Indemnifying Person of such notice, in which case the provisions of Section 10.5 shall apply thereto, shall be paid promptly after such notice.

Section 9.7. Tax Provisions

(a) If a claim shall be made by any taxing authority, which, if successful, might result in an indemnity payment to an indemnified party pursuant to Section 9.2, then such indemnified party shall give notice to the indemnifying party in writing of such claim and of any counterclaim the indemnified party proposes to assert (a "Tax Claim"); provided, however, the failure to give such notice shall not affect the indemnification provided hereunder except to the extent the indemnifying party has been materially prejudiced as a result of such failure.

(b) (i) With respect to any Tax Claim relating to a Pre-Closing Tax Period or (ii) with respect to any other Tax Claim not included in clause (i) for which Sempra Energy is the Indemnifying Party (and for these purposes has, subject to any conditions, agreed to assume the defense of such Tax Claim (and such assumption will, unless additional information at the time of the assumption emerges to change this conclusion, conclusively establish for purposes of this Agreement that the claims made in that Tax Claim are within the scope of and subject to indemnification (but no such assumption shall affect the applicability of any limit on indemnification contained in Section 9.4))), Sempra Energy shall, solely at its own cost and expense, control all proceedings and may make all decisions taken in connection with such Tax Claim (including selection of counsel) and, without limiting the foregoing, may in its sole discr etion pursue or forego any and all administrative appeals, proceedings, hearings and conferences with any taxing authority with respect thereto, and may, in its sole discretion, either pay the Tax claimed and sue for a refund where applicable law permits such refund suits or contest the Tax Claim in any permissible manner; provided, that, with respect to Tax Claims described in Section 9.7(b)(ii) above, (x) Sempra Energy must regularly consult with, and accept the reasonable comments of, RBS relating to such Tax Claim and (y) Sempra Energy may not settle such Tax Claim without the consent of RBS, such consent not to be unreasonably withheld,

other than, with respect to both (x) and (y), any Tax Claim, any issue arising from any Tax Claim or any settlement of a Tax Claim where the Tax Claim, issue, or settlement does not, and would not be reasonably expected to, materially impact the Taxes, Tax refunds, claims or assessments, or Tax accounting or reporting of the Partnership, the SET Business or the SET Companies, in each case solely for a taxable period that begins on or after the Closing Date or for the portion of a Straddle Period that begins on or after the Closing Date.

(c) The Partnership shall control all proceedings with respect to any Tax Claim relating to Taxes of the SET Companies for any Straddle Period (other than Tax Claims to which Section 9.7(b) is applicable). The Sempra Parties shall have no right to participate in the conduct of any such proceeding, other than as set forth in the LLP Agreement.

(d) The Partnership shall control all proceedings with respect to any Tax Claim relating to a taxable period or portion thereof beginning after the Closing Date (other than Tax Claims to which Section 9.7(b) is applicable). Sempra Energy shall have no right to participate in the conduct of any such proceedings, other than as set forth in the LLP Agreement.

(e) This Section 9.7, and not Section 9.5, shall govern the procedures for any Tax Claim.

(f) The Parties agree to treat any payment made to the Partnership or its Subsidiaries pursuant to Section 9.8 as a capital contribution to the Partnership for all Tax purposes, unless otherwise required pursuant to a "determination" pursuant to Section 1313(a) of the Code. The Parties agree to treat any payment made pursuant to Section 9.8 to any entity other than the Partnership or any of its Subsidiaries as an adjustment to the amount paid to the Sempra Partners pursuant to Section 2.3(a) and an adjustment to the amount of cash contributed by RBS to the Partnership pursuant to Section 2.1(c) for all Tax purposes, unless otherwise required pursuant to a "determination" pursuant to Section 1313(a) of the Code.

Section 9.8. Indemnification Payments; Netting Option

(a) Unless the Indemnifying Person makes an election pursuant to Section 9.8(b) to defer payment, with respect to any Out of Pocket and Tax Damages due and payable under Section 9.2 or Section 9.3 by any Indemnifying Person incurred directly by the Partnership or its Subsidiaries (as opposed to directly by RBS, Sempra Energy or their Subsidiaries, other than the Partnership and its Subsidiaries), such Indemnifying Person shall satisfy its payment obligations by paying the full amount of such Out of Pocket and Tax Damages to the Partnership. With respect to any Out of Pocket and Tax Damages due and payable under Section 9.2 or Section 9.3 by any Indemnifying Person incurred directly by RBS, Sempra Energy or their Subsidiaries, other than the Partnership and its Subsidiaries, such Indemnifying Person shall satisfy its payment obligations by paying the full amount of such Out of Pocket and Tax Damages d irectly to the applicable Indemnified Person.

(b) With respect to any Out of Pocket and Tax Damages due and payable under Section 9.2 or Section 9.3 by any Indemnifying Person incurred directly by the Partnership or its Subsidiaries (as opposed to directly by RBS, Sempra Energy or their Subsidiaries, other than the Partnership and its Subsidiaries), at the option of the Indemnifying Person, such

Indemnifying Person may defer the immediate payment of such amounts to the Partnership to the extent that such amounts are reasonably expected to be set off in their entirety by the Partnership in accordance with Clause 7.3.1 or 7.3.2 of the LLP Agreement on the date of the next distribution of income (under the terms of the LLP Agreement) otherwise payable to such Indemnifying Person (or its affiliates that are partners of the Partnership, in the case of Sempra Energy) and paid to the Indemnified Person in accordance with the procedures set forth in the LLP Agreement.

ARTICLE X.
GENERAL PROVISIONS

Section 10.1. Expenses

Except as otherwise expressly provided in this Agreement, the Partnership shall bear all costs and expenses in connection with the preparation, negotiation and execution of this Agreement and the Related Agreements and the consummation of the Contemplated Transactions; provided that, to the extent that this Agreement is terminated prior to the Closing Date, Sempra Energy and its Subsidiaries on one hand and RBS and its Subsidiaries on the other hand shall each bear their own costs and expenses.

Section 10.2. Public Announcements and Confidentiality

None of the Parties nor their respective Subsidiaries or affiliates shall issue or cause the publication of this Agreement, any Related Agreement or any press release or other public announcement or communication with respect to the Contemplated Transactions without the prior written consent of the other Party hereto, which consent shall not be unreasonably withheld or withdrawn, except to the extent a Party’s counsel deems necessary or advisable in order to comply with the requirements of any Legal Requirement or the regulations or policies of any securities exchange or other similar regulatory body (in which case the disclosing Party shall give the other Party notice as is reasonably practicable of any required disclosure), shall limit such disclosure to the information required to comply with such Legal Requirement or regulations, and shall use reasonable efforts to accom modate any suggested changes to such disclosure from the other Party to the extent reasonably practicable.

Section 10.3. Tax Matters

(a) For any Pre-Closing Tax Period of any Transferred Company, Sempra Energy shall prepare or cause to be prepared, and file or cause to be filed (in a manner consistent with past practices) with the appropriate taxing authorities all Tax Returns required to be filed, and shall pay all Taxes due with respect to such Tax Returns to the extent such returns relate to the Transferred Companies; provided, that Sempra Energy shall permit the Partnership to review and comment upon such Tax Returns, to the extent such Tax Returns relate to any Transferred Company, prior to the filing thereof, such comments to be considered in good faith by Sempra Energy.

(b) RBS and Sempra Energy shall cause the Partnership or the Transferred Companies, as applicable, to prepare (or cause to be prepared) and file or cause to be filed when due all Tax Returns that are required to be filed by or with respect to the Transferred Companies

for taxable years or periods beginning after the Closing Date and shall cause the Partnership or the Transferred Companies, as applicable, to remit any Taxes due in respect of such Tax Returns.

(c) For any Straddle Period of the Transferred Companies, RBS and Sempra Energy shall cause the Partnership or the Transferred Companies, as applicable, to timely prepare or cause to be prepared, and file or cause to be filed, all Tax Returns required to be filed and shall pay all Taxes due with respect to such Tax Returns; provided, that Sempra Energy shall reimburse the Partnership and RBS (in accordance with the procedures set forth in Sections 9.2 and 9.6) for any amount owed by Sempra Energy pursuant to Section 9.2(j) with respect to the taxable periods covered by such Tax Returns.

(d) The SET Companies, Sempra Energy, and RBS shall cooperate fully, as and to the extent reasonably requested by any other party, in connection with the filing of Tax Returns and any audit, litigation or other proceeding with respect to Taxes. Such cooperation shall include the retention and (upon such other party's request) the provision of records and information reasonably relevant to any such audit, litigation, or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. The SET Companies, Sempra Energy, and RBS agree (i) to retain all books and records with respect to Tax matters pertinent to the Transferred Company Interests relating to any taxable period beginning before the Closing Date until expiration of the statute of limitations (and, to the extent notified by SET Companies, S empra Energy, or RBS, as applicable, any extensions thereof) of the respective taxable periods, and to abide by all record retention agreements entered into with any taxing authority, and (ii) to give each other party reasonable written notice prior to transferring, destroying or discarding any such books and records and, if such other party so requests, the SET Companies or Sempra Energy, as the case may be, shall allow such other party to take possession of such books and records. Notwithstanding anything in this Section 10.3(d), Sempra Energy will only be required to deliver to the Partnership the portions of such books and records that relate to the SET Business or SET Companies and may redact any statements or other information on the portions of such books and records that do not relate to the SET Business or SET Companies. In addition to the foregoing, Sempra Energy also shall cooperate fully with RBS, as and to the extent reasonably requested by RBS, in connection with RBS's filing o f its Tax Returns and any audits, litigation or other Proceeding with respect to RBS and its Taxes.

(e) Notwithstanding any provision of this Agreement to the contrary, all Transfer Taxes incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Partnership. Sempra Energy and RBS shall, and RBS and Sempra Energy shall cause the Partnership to, cooperate in timely making all filings, Tax Returns, reports and forms as may be required to comply with the provisions of such Tax Laws. For purposes of this Agreement, "Transfer Taxes" shall mean all transfer, stamp duty, stamp duty reserve tax, documentary, registration and other such taxes (including all applicable real estate transfer taxes).

(f) (i) The amounts paid by the Partnership pursuant to clause (a) of Section 2.3 shall be allocated among the shares of the SET Companies acquired in accordance with the fair market value of such shares and, for United States federal income tax purposes, among the assets of the SET Companies in accordance with the fair market

values of such assets to the extent the SET Companies are entities disregarded for United States federal income tax purposes. To the extent that any amount paid by the Partnership is allocated to goodwill, the Parties agree to allocate this goodwill to the assets and the business transferred by Sempra Global.

(ii) As promptly as practicable after the Closing Date, but no later than ninety (90) days thereafter, RBS shall prepare and deliver (with assistance as requested from the Partnership) to Sempra Energy, an allocation schedule allocating all such amounts as provided herein (the "Proposed Allocation Schedule"). Sempra Energy will have twenty (20) Business Days following delivery of the Proposed Allocation Schedule during which to notify the Partnership and RBS in writing (an "Allocation Notice of Objection") of any objections to the Proposed Allocation Schedule, setting forth in reasonable detail the basis of its objections. In reviewing the Proposed Allocation Schedule, Sempra Energy shall be entitled to reasonable access to all relevant books, records and personnel of the SET Companies and its Representatives to the extent Sempra Energy reasonably r equests such information and reasonable access to complete its review of the Proposed Allocation Schedule. If Sempra Energy fails to deliver an Allocation Notice of Objection in accordance with this Section 10.3(f)(ii), the Proposed Allocation Schedule shall be conclusive and binding on all Parties and shall become the "Final Allocation Schedule". If Sempra Energy submits an Allocation Notice of Objection, then (A) for twenty (20) Business Days after the date RBS receives the Allocation Notice of Objection, RBS and Sempra Energy will use their commercially reasonable efforts to agree on the allocations and (B) failing such agreement within twenty (20) Business Days of such notice, the matter will be resolved in accordance with Section 10.3(f)(iii).

(iii) If RBS and Sempra Energy have not agreed on the Final Allocation Schedule within twenty (20) Business Days after delivery of an Allocation Notice of Objection, then RBS and Sempra Energy shall each have the right to deliver notice to the other Party (the "Allocation Dispute Notice") of its intent to refer the matter for resolution to the Accounting Expert. RBS and Sempra Energy will each deliver to the other and to the Accounting Expert a notice setting forth in reasonable detail their proposed allocations. Within thirty (30) Business Days after receipt thereof, the Accounting Expert will deliver the Final Allocation Schedule and provide a written description of the basis for its determination of the allocations therein; provided, that if the Accounting Expert requests a hearing before making a determination, such hearing shall be held within twenty (20) Business Days of the Parties' delivery of their respective proposed allocations and the delivery of the Final Allocation Schedule shall be made within ten (10) Business Days of such hearing. The fees and expenses of the Accounting Expert shall be apportioned among RBS and Sempra Energy as the Accounting Expert shall determine. Each Party will bear the costs of its own counsel, witnesses (if any) and employees.

(iv) The Parties agree to act in accordance with the Final Allocation Schedule for all Tax purposes (including for purposes of the filing of any Tax Return). The Parties will revise the Final Allocation Schedule to the extent necessary to reflect any payment made pursuant to Section 2.6(e). In the case of any such payment, RBS shall prepare and deliver (with assistance as requested from the Partnership) to Sempra Energy a revised

Final Allocation Schedule, and the parties hereto shall follow the procedures outlined above with respect to review, dispute and resolution in respect of such revision.

Section 10.4. Notices

All notices, Consents, waivers and other communications required or permitted by this Agreement shall be in writing and shall be deemed given to a Party when (a) delivered to the appropriate address by hand or by nationally recognized overnight courier service (costs prepaid), (b) sent by facsimile or e-mail with confirmation of transmission by the transmitting equipment, or (c) received or rejected by the addressee, if sent by certified mail, return receipt requested, in each case to the following addresses, facsimile numbers or e-mail addresses and marked to the attention of the person (by name or title) designated below (or to such other address, facsimile number, e-mail address or person as a Party may designate by notice to the other Parties):

If to Sempra Energy:

Sempra Energy
101 Ash Street
San Diego, California 92101
Attention: Mark Snell, Chief Financial Officer
Telephone: (619) 696-4694
Facsimile: (619) 696-4611

With copies to:

Sempra Energy
101 Ash Street
San Diego, California 92101
Attention: Javade Chaudhri, General Counsel
Telephone: (619) 696-4641
Facsimile: (619) 696-6878

Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004
Attention: Robert S. Risoleo
Joseph B. Frumkin
Telephone: (212) 558-4000
Facsimile: (212) 558-3588

If to Sempra Global:

Sempra Global
101 Ash Street
San Diego, California 92101
Attention: Charles McMonagle, Chief Financial Officer

Telephone: (619) 696-4512
Facsimile: (619) 696-4577

With copies to:

Sempra Global
101 Ash Street
San Diego, California 92101
Attention: Kevin C. Sagara, General Counsel
Telephone: (619) 696-4345
Facsimile: (619) 696-4310

Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004
Attention: Robert S. Risoleo
Joseph B. Frumkin
Telephone: (212) 558-4000
Facsimile: (212) 558-3588

If to SETI:

RCS Management B.V.
Olympic Plaza
Fred. Roeskestraat 123
1076 EE Amsterdam, the Netherlands
Telephone: 31(0)20 6422415
Facsimile: 31(0)20 5771170
Attention: Andre G.M. Nagelmaker, Managing Director B

With a copy to:

Sempra Energy
101 Ash Street
San Diego, California 92101
Attention: Javade Chaudhri, General Counsel
Telephone: (619) 696-4641
Facsimile: (619) 696-6878

If to RBS:

The Royal Bank of Scotland plc
c/o RBS Greenwich Capital
600 Steamboat Road
Greenwich, Connecticut 06830
Attention: Carol Mathis
Telephone: (203) 618-2585
Facsimile: (203) 422-4585

with copies to:

The Royal Bank of Scotland plc
c/o RBS Greenwich Capital
600 Steamboat Road
Greenwich, Connecticut 06830
Attention: Sheldon Goldfarb
Telephone: (203) 625-6065
Facsimile: (203) 422-4065

Simpson Thacher & Barlett
425 Lexington Avenue
New York, New York 10017
Attention: John Walker
Michael Nathan
Telephone: (212) 455-2000
Facsimile: (212) 455-2502

Section 10.5. Disputes

(a) In the event of any disagreement, dispute, controversy or claim arising out of or relating to this Agreement (other than pursuant to Section 2.6 or 10.3(f) hereof), or the breach, termination or invalidity hereof, the Party asserting such disagreement, dispute, controversy or claim shall deliver notice thereof to the other Parties (a "Dispute Notice"), and the Parties shall use their reasonable best efforts (except to the extent a different standard is expressly provided for in this Agreement) to settle such disagreement, dispute, controversy or claim. To this effect, the Parties shall consult and negotiate with each other in good faith and, recognizing their mutual interest, attempt to reach a solution satisfactory to the Parties. If the Parties do not reach such a solution within a period of 60 days, then, upon notice by either Party to the others (an "Arbitration Dema nd"), all disagreements, disputes, controversies or claims arising out of or relating to this Agreement, or the breach, termination or invalidity hereof shall be finally settled by arbitration in accordance with the International Dispute Resolution Procedures (the "AAA Rules") of the International Centre for Dispute Resolution of the American Arbitration Association (the "AAA"), subject to Section 10.5(g). Notwithstanding any provision of this Section 10.5, any disagreement, dispute, controversy or claim (i) relating to the

Proposed Final Book Value or Final Book Value shall be resolved exclusively in accordance with Section 2.6 hereof and (ii) relating to the Proposed Allocation Schedule or Final Allocation Schedule shall be resolved exclusively in accordance with Section 10.3(f) hereof.

(b) Within 30 days of the delivery of an Arbitration Demand, the Sempra Parties, collectively, and RBS shall each simultaneously select one person to act as arbitrator, but if either the Sempra Parties or RBS shall fail to appoint an arbitrator within such period, the AAA shall appoint such arbitrator. The arbitrators chosen (or deemed to be chosen) by the Sempra Parties and RBS shall attempt to agree upon a third arbitrator, but if they fail to do so within 15 days after the appointment of the party-appointed arbitrators, then either the Sempra Parties or RBS may request that the AAA appoint the third arbitrator. The third arbitrator (however chosen) shall be a citizen of a country other than the United Kingdom or the United States and shall preside over the arbitration proceedings. Prior to the commencement of hearings, each of the arbitrators shall provide an oath or undertaking of impartia lity.

(c) The arbitration panel selected under Section 10.5(b) shall have full power to decide any disagreement, dispute, controversy or claim referred to in Section 10.5(a) as well as whether such disagreement, dispute, controversy or claim is within the scope of Section 10.5(a). All decisions of such panel shall be by majority vote. The decision of the arbitration panel shall be final and binding upon the Parties to the disagreement, dispute, controversy or claim, and judgment may be enforced upon the award in any court of competent jurisdiction.

(d) The place of the arbitration shall be New York, New York, and the arbitration shall be conducted in the English language.

(e) The arbitration panel may apportion the costs of arbitration in its award, as provided in the AAA Rules.

(f) Any Party may apply to the arbitrator seeking injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Any Party also may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any interim or provisional relief that is necessary to protect the rights or property of that party, prior to the constitution of the arbitration panel or pending the arbitration panel's determination of the merits of the controversy.

(g) The International Bar Association Rules on the Taking of Evidence in International Commercial Arbitration ("IBA Rules") shall apply together with the AAA Rules, and where the IBA Rules are inconsistent with the AAA Rules, the IBA Rules shall prevail but solely as regards the presentation and reception of evidence. The arbitration panel provided for herein shall control any pre-hearing exchange of information, including, but not limited to, the right to require the Parties to exchange documents or make any Person subject to their control available for deposition or interview before the hearing. The Parties further agree that the Parties shall have the right in advance of any hearing to take the deposition of (i) any Person who is to be called as a witness in the arbitration and (ii) upon good cause being shown to the arbitration panel provided for herein, any Person under the con trol of a Party.

(h) Each Party hereto irrevocably and unconditionally, with respect to enforcement of any final decision rendered by the arbitration panel under Section 10.5(c) and interim relief under Section 10.5(f):

(i) submits for itself and its property in any legal action or proceeding relating to this Agreement, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the State of New York and England;

(ii) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(iii) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to it at its address set forth in Section 10.4;

(iv) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction;

(v) agrees that equitable remedies in any action or proceeding referred to in this Section 10.5(h) will be acceptable and agrees that any Party shall be entitled to such remedy in respect of the enforcement of such Party's rights herein; and

(vi) except as set forth in connection with Third-Party Claims, waives to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section 10.5 any special, exemplary, or punitive damages.

Section 10.6. Waiver; Remedies Cumulative

The rights and remedies of the Parties to this Agreement are cumulative and not alternative. Neither any failure nor any delay by any Party in exercising any right, power or privilege under this Agreement or any of the documents referred to in this Agreement will operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. To the maximum extent permitted by applicable law, (a) no claim or right arising out of this Agreement or any of the documents referred to in this Agreement can be discharged by one Party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other Party; (b) no waiver that may be given by a Party will be applicable except in the specific instance for which it is given; and (c) no notice to or demand on one Party will be deemed to be a waiver of any obligation of that Party or of the right of the Party giving such notice or demand to take further action without notice or demand as provided in this Agreement or the documents referred to in this Agreement.

Section 10.7. Entire Agreement and Modification

This Agreement supersedes all prior agreements, whether written or oral, between the Parties with respect to its subject matter (including any letter of intent between the Parties related to the subject matter of this Agreement) and constitutes (along with the Schedules, Exhibits and other documents delivered pursuant to this Agreement) a complete and exclusive statement of the terms of the agreement between the Parties with respect to its subject matter; provided, that this Section 10.7 shall not apply to any confidentiality agreement between the Parties related to the subject matter of this Agreement, which shall remain in full force and effect in accordance with its terms. This Agreement may not be amended, supplemented, or otherwise modified except by a written agreement executed by all Parties.

Section 10.8. Assignments, Successors and no Third-Party Rights

No Party may, in whole or in part, assign any of its rights or interests or delegate any of its obligations under this Agreement without the prior written consent of both RBS and Sempra Energy, and any attempt to do so will be void; provided, that without prior written consent either RBS or Sempra Energy may assign any of its or its Subsidiaries' rights or interests or delegate any of its obligations under this Agreement to any Subsidiary so long as the assigning or delegating Party retains its obligations under this Agreement. Subject to the preceding sentence, and except as otherwise expressly provided in Sections 9.2 and 9.3, this Agreement will apply to, be binding in all respects upon and inure to the benefit of the successors and permitted assigns of the Parties. Nothing expressed or referred to in this Agreement will be construed to give any Person other than the Parties to this Agreement any legal or equitable right, remedy or claim under or with respect to this Agreement or any provision of this Agreement, except such rights as shall inure to a successor or permitted assignee pursuant to this Section 10.8.

Section 10.9. Severability

If any provision (or part thereof) of this Agreement is held illegal, invalid or unenforceable under any present or future Legal Requirement, and if the rights or obligations of any Party hereto under this Agreement will not be materially and adversely affected thereby, (a) such provision (or part thereof) will be fully severable, (b) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision (or part thereof) had never comprised a part hereof, and (c) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision (or part thereof) or by its severance herefrom.

Section 10.10. Construction

The headings of Articles and Sections in this Agreement are provided for convenience only and will not affect its construction or interpretation. All references to "Articles," "Sections" and "Schedules" refer to the corresponding Articles, Sections and Schedules of this Agreement.

Section 10.11. Governing Law

This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

Section 10.12. Execution of Agreement

This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement. The exchange of copies of this Agreement and of signature pages by facsimile transmission shall constitute effective execution and delivery of this Agreement as to the Parties and may be used in

lieu of the original Agreement for all purposes. Signatures of the Parties transmitted by facsimile shall be deemed to be their original signatures for all purposes.

Section 10.13. Specific Performance

Without intending to limit the remedies available to the Parties hereunder, each Party acknowledges that a breach of, conflict with, or failure to perform or comply with, any of the covenants contained in this Agreement may result in material irreparable injury to the other Party or its Affiliates for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such a breach or threat thereof, to the fullest extent permitted by any Legal Requirement, each Party shall be entitled to seek a temporary restraining order and/or a preliminary or permanent injunction restraining the activities prohibited hereby or such other relief as may be required to specifically enforce any of the covenants contained herein, and to the fullest extent permitted by law, such Party agrees not to oppose the granting of su ch injunctive relief on the basis that monetary damages are an adequate remedy. Each Party hereby agrees and consents that such injunctive relief may be sought in the courts in the State of New York, or in any other court having competent jurisdiction.

Section 10.14. Netting and Set-Off on the Closing Date

With respect to payments due on the Closing Date with respect to Formation and Closing only, each of the Parties and the Partnership may net and set off any payment due from it to another Person (including the Partnership) from and against any payment due to it at the same time and in the same currency from such Person.

Section 10.15. Gross-up

Where any payment is made (including by way of set off) to a Party under this Agreement pursuant to an indemnity, compensation or reimbursement provision and that sum is subject to a charge to Tax in the hands of the recipient, the sum payable shall be increased to such sum as will ensure that after payment of such Tax (and after giving credit for any tax relief received by or available to the recipient in respect of the matter giving rise to the payment) the recipient shall be left with a sum equal to the sum that it would have received in the absence of such a charge to Tax; provided, however, that this Section shall not apply to any payments to the Sempra Parties under Article II.

Section 10.16. Reimbursement

Where any sum constituting an indemnity, compensation or reimbursement to any Party is paid to a person other than the Party but is treated as taxable in the hands of the Party, the payer shall promptly pay to the Party such sum as shall reimburse the Party for all Tax suffered by it in respect of the payment (after giving credit for any tax relief received by or available to the Party in respect of the matter giving rise to the payment).

Section 10.17. Indemnity

Where under the terms of this Agreement one Party is liable to indemnify or reimburse another Party in respect of any costs, charges or expenses, the payment shall include in addition thereto an amount equal to any VAT chargeable on the supply to which the relevant costs, charges or expenses related and not otherwise recoverable by the other Party, subject to that Party using all reasonable endeavors to recover such amount of VAT as may be practicable.

Section 10.18. VAT

If any payment under this Agreement constitutes the consideration for a taxable supply for VAT purposes, then in addition to that payment the payer shall pay an amount equal to the VAT chargeable on that supply.

IN WITNESS WHEREOF, the Parties have executed this Agreement, all as of the date first above written.

SEMPRA ENERGY

By: /S/ Mark A. Snell
Name: Mark A. Snell
Title: Executive Vice President and Chief Financial Officer

SEMPRA GLOBAL

By: /S/ Mark A. Snell
Name: Mark A. Snell
Title: President

SEMPRA ENERGY TRADING INTERNATIONAL, B.V.

By: /S/ Joseph Allan Householder
Mr. Joseph Allan Householder
Title: Managing Director A

By: /S/ Andreas Gerardus Maria Nagelmaker
Mr. Andreas Gerardus Maria Nagelmaker
Title: Managing Director B

THE ROYAL BANK OF SCOTLAND PLC

By: /S/ Mr. J. A. N. Cameron
Name: Mr. J. A. N. Cameron
Title: Director, Chief Executive, Corporate Markets

FORM OF

INDEMNITY AGREEMENT

INDEMNITY AGREEMENT (this "**Agreement**"), dated as of [●], 2007, is made and entered into by and among Sempra Energy, a California corporation ("**Sempra**") and The Royal Bank of Scotland plc, a Scottish company limited by shares (the "**Indemnitor**"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Formation Agreement (as defined below).

RECITALS

WHEREAS, Sempra, the Indemnitor, Sempra Global, a California corporation, and Sempra Energy Trading International, B.V., a company formed under the laws of the Netherlands (together with Sempra and Sempra Global, the "**Sempra Parties**"), are parties to the Master Formation and Equity Interest Purchase Agreement, dated as of [●], 2007 (the "**Formation Agreement**");

WHEREAS, pursuant to the Formation Agreement, the parties thereto have agreed to form, and provide initial capital to, the RBS Sempra Commodities LLP, an English limited liability partnership (the "**Partnership**"), and the Sempra Parties have agreed to sell the SET Companies to the Partnership on the terms and subject to the conditions set forth therein;

WHEREAS, the SET Companies engage in trading and other activities, and in connection with such activities, Sempra and its Subsidiaries other than the SET Companies (collectively, the "**Indemnified Parties**")[1] have, from time to time, provided guarantees, letters of credit, indemnities, surety instruments, performance bonds, and other forms of credit support and financial arrangements for the benefit of the customers and creditors of the SET Companies (collectively, the "**Financial Assurances**");

WHEREAS, pursuant to Section 7.12(b)(iii) of the Formation Agreement, the parties thereto intended to use their commercially reasonable efforts to cause the novation (substituting the Indemnitor for the relevant Indemnified Party) or termination, to the greatest extent possible, of the outstanding Financial Assurances prior to the Closing Date;

WHEREAS, the parties acknowledge that certain Financial Assurances continue to be outstanding on and after the Closing Date;

WHEREAS, the parties have agreed that, on and after the Closing Date, the Indemnitor, rather than Sempra or its Subsidiaries, will provide credit support to the Partnership and its Subsidiaries and, in connection therewith, the Indemnitor will assume the responsibility for, and indemnify the Indemnified Parties against, any liabilities arising in connection with the Financial Assurances outstanding on and after the Closing Date; and

WHEREAS, in order to induce the Sempra Parties to consummate the closing under the Formation Agreement, the Indemnitor has agreed to enter into this Agreement to indemnify the Indemnified Parties against Losses (as defined below) arising in connection with the Financial Assurances.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

RELEASE OF LIABILITY AND INDEMNIFICATION

1.01 Indemnification. The Indemnitor agrees to indemnify and hold harmless the Indemnified Parties for any and all out-of-pocket cash expenditures after Closing actually made by any of the Indemnified Parties in respect of any loss, liability, claim, obligation, penalty, action, judgment, suit, proceeding, damage, together with all reasonably incurred disbursements, costs, expenses (including costs of investigation and defense and appeal and reasonable attorneys' fees and expenses) or Taxes of any kind or nature whatsoever and, for avoidance of doubt and without limitation on the rights of any of the Indemnified Parties to make a claim in respect of any out of pocket expenditures after Closing, shall not include any diminution of assets (collectively, "**Losses**"), in respect of Financial Assurances listed in Schedule I hereto ("**Financial Assurance Payments**"). Sempra agrees that Schedule I hereto includes each Financial Assurance to be covered by this Agreement, and that Sempra has listed with respect to each such Financial Assurance on Schedule I the following information: (i) the type of Financial Assurance provided; (ii) the identity of the applicable contract or other agreement evidencing the Financial Assurance, including the parties thereto; and (iii) whether the Financial Assurance is a limited or unlimited obligation and, if it is a limited obligation, identify the applicable limit; provided that, (a) from and after the date hereof, Sempra shall be permitted to update Schedule I to include any Financial Assurances with respect to Trading Agreements entered into by the SET Companies at any time and (b) on the Closing Date, Sempra shall be permitted to update Schedule I to include any Financial Assurances with respect to Indebtedness and Leases of the SET Companies; provided further that, any such update shall be ma de in writing to the Indemnitor prior to any Third Party Claim (as defined below) being made in respect of any such additional Financial Assurances.

1.02 Indemnification Procedures. The indemnification obligations and liabilities of the Indemnitor under this Agreement shall be governed by the following additional terms and conditions:

(a) If any Indemnified Party shall receive notice of any demand for payment or other obligation (a "**Third Party Claim**") from a third party under any Financial Assurance, the relevant Indemnified Party shall give the Indemnitor notice of such demand for payment or other obligation, stating with reasonable specificity, if available, the amount of the payment or other obligation that it expects to make under the Financial Assurances, and method of computation thereof, and containing a copy of and reference to the provisions of the Financial Assurance in respect of which such payment or other obligation has arisen or to which it relates and any other pertinent facts and circumstances relating to such payment or other obligation,

within 5 days, of the receipt by the Indemnified Parties of such notice of any demand for payment or other obligation; *provided* that failure to notify or delay in notifying the Indemnitor shall not release their obligations under this Agreement except to the extent such failure or delay actually harms the Indemnitor.

(b) After receipt by the Indemnitor of the notice set forth in Section 1.02(a), the Indemnitor shall either advise the Indemnified Parties to make payment and provide immediately available funds for such purpose or shall indemnify the Indemnified Parties hereunder against any Losses that may result from non-payment of such payment or other obligation, including Losses arising from the refusal to pay; provided, that if the Indemnitor provides immediately available funds for such purpose and the Indemnified Parties fail to make the relevant payment, the Indemnitor shall have no obligation in respect of any Losses that may result from non-payment of such payment or obligation, including Losses arising from the refusal to pay.

(c) The Indemnified Parties will make payment under such Financial Assurance only if and to the extent instructed to do so by the Indemnitor; it being understood that in no event shall the Indemnitor be liable to indemnify, defend, reimburse and hold harmless the Indemnified Parties under this Agreement for any Losses in respect of a Financial Assurance in excess of the Losses actually suffered by the Indemnified Parties (including any Losses as described under subsection (b) above).

(d) To the extent the Indemnitor pays in full any Third Party Claim pursuant to this Agreement, the Indemnitor shall be subrogated to and shall stand in the place of the Indemnified Parties as to any events or circumstances in respect of which the Indemnified Parties may have any right or claim relating to such Third Party Claim against any claimant or plaintiff asserting such Third Party Claim or against any other Person. The Indemnified Parties shall reasonably cooperate with the Indemnitor in prosecuting any subrogated right or claim.

(e) The Indemnitor shall have the opportunity to assume all the relevant rights, if any, of the Indemnified Parties under the agreements for which the payment or other obligation has been made as well as assume and control the defense of any claims arising out of such payment or other obligation at its expense and using counsel reasonably satisfactory to the Indemnified Parties.

(f) Nothing herein shall require the Indemnified Parties to delay payment beyond the date due under the applicable Financial Assurance.

1.03 Reinstatement. To the extent any reimbursement or payment upon subrogation, or any part thereof, from the SET Companies in respect of any Financial Assurances is, pursuant to any Legal Requirement, rescinded or reduced in amount, or must otherwise be restored or returned by any Indemnified Party, whether as a “voidable preference”, “fraudulent conveyance”, or otherwise, Indemnitor’s obligations under this Agreement shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

1.04 Recharacterization. Each of the parties hereto intends for this Agreement to be an indemnity agreement. To the extent, however, that this Agreement is treated as being a guarantee or creating a suretyship obligation, the Indemnitor agrees that:

(a) the Indemnitor's obligations hereunder shall not be affected by the existence, validity, enforceability, perfection, or extent of any collateral for any Financial Assurance;

(b) the Indemnified Parties shall not be obligated to file any claim relating to the obligations of the Indemnitor hereunder;

(c) in the event that the Indemnitor becomes subject to a bankruptcy, reorganization or similar proceeding, and the failure of the Indemnified Parties so to file shall not affect the Indemnitor's obligations hereunder. In the event that any payment by the Indemnified Parties in respect of any Financial Assurance is rescinded or must otherwise be returned for any reason whatsoever, the Indemnitor shall remain liable hereunder in respect of such Financial Assurance as if such payment had not been made; and

(d) the Indemnitor reserves the right to assert defenses which the Indemnified Parties may have to the making of any payment under Financial Assurance, other than defenses expressly waived hereby.

1.05 Consents, Waivers and Renewals. The Indemnitor agrees that the Indemnified Parties may at any time and from time to time, upon prior written consent of the Indemnitor (which consent shall be made in the Indemnitor's sole discretion), extend the time of payment of, exchange or surrender any collateral for, or renew any of the Financial Assurance, and may also, subject to such consent of the Indemnitor, make any agreement for the extension, renewal, payment, compromise, discharge or release of the Financial Assurance, in whole or in part, or for any modification of the terms thereof or of any agreement between Indemnified Parties and the beneficiaries of the Financial Assurance, without in any way impairing or affecting the Indemnitor's obligations hereunder. The Indemnitor shall make payments hereunder without any reduction on account of any counterclaim, set off, or defe nse Indemnitor may have against any Indemnified Party or any other Person. The Indemnitor unconditionally waives, to the greatest extent permitted by Applicable Law, each of the following rights, remedies and notices: (a) any and all notice of the renewal, extension or accrual of any of the obligations under this Agreement and notice of or proof of reliance by any Indemnified Party upon this Agreement, or acceptance of this Agreement, and the obligations under this Agreement, (b) subject to Section 1.02(c), any requirement that any Indemnified Party exhaust any right or take any action against the SET Companies, the Indemnitor or any other Person or any collateral, (c) any and all rights which Indemnitor may have or which at any time hereafter may be conferred upon it, by statute (including but not limited to any statute of limitations), regulation or otherwise, to terminate or cancel this Agreement except in accordance with its terms, (d) all notices which may be required by statute, rule of law or ot herwise to preserve any rights against the Indemnitor hereunder, including, without limitation, any demand, presentment, protest, proof or notice of nonpayment of any amounts payable under or in respect of the Financial Assurances, and notice of any failure on the part of SET Companies to perform and comply with any term or condition of any Financial Assurance except as may be required thereby, (e) any rights in respect of the failure of the Indemnified Parties to assert rights to the

enforcement, assertion or exercise of any right, remedy, power or privilege under or in respect of any of the Financial Assurances except as otherwise set forth herein, (f) any requirement of diligence and (g) notice of acceptance of this Agreement.

ARTICLE II

GENERAL PROVISIONS

2.01 Representations and Warranties. Each party hereto represents and warrants as follows: (i) it is a corporation or company, as the case may be, duly authorized and validly existing under the jurisdiction of its organization, with full corporate power and authority, and has secured all necessary approvals necessary, to enter into and perform its obligations under this Agreement; (ii) it has taken all necessary corporate action to authorize the execution, delivery and performance of this Agreement; (iii) this Agreement has been duly executed and delivered by such party and is a legal, valid and binding obligation of such party, enforceable against it in accordance with its terms; and (iv) the execution, delivery and performance of this Agreement will not cause such party to be in violation of any agreement or law, regulation, order or court process or by which it or its properti es are bound or affected.

2.02 Access to Information.

(a) The Indemnified Parties shall, and shall cause their officers, directors, employees, agents, representatives, accountants and counsel to, afford the officers, employees and authorized agents, accountants, counsel, financing sources and representatives of the Indemnitor reasonable access, during normal business hours, to the books and records of the Indemnified Parties reasonably necessary for the Indemnitor to enforce any rights it may have under this Agreement, including, without limitation, information and data regarding all Financial Assurances, and access to those officers, directors, employees, agents, accountants and counsel (provided that no such counsel shall be required to divulge information deemed privileged by such counsel in such counsel's judgment after prior consultation with counsel for the Indemnitor) of the Indemnified Parties who have any knowledge relating to the same.

(b) The Indemnitor shall cause the Partnership and its Subsidiaries and their officers, directors, employees, agents, representatives, accountants and counsel to, afford the officers, employees and authorized agents, accountants, counsel, financing sources and representatives of the Indemnified Parties reasonable access, during normal business hours, to the books and records of the Partnership and its Subsidiaries reasonably necessary for the Indemnified Parties to enforce any rights it may have under any Financial Assurance, including, without limitation, information and data in respect of such Financial Assurances, and access to those officers, directors, employees, agents, accountants and counsel (provided that no such counsel shall be required to divulge information deemed privileged by such counsel in such counsel's judgment after prior consultation with counsel for the Indemnified Parti es) of the Partnership and its Subsidiaries who have any knowledge relating to the same.

2.03 No Modification of Agreements. Until the later of (a) one year following the Closing Date and (b) 18 months following the date of the Formation Agreement (such date, the "**Novation Deadline**"), the Indemnitor and its Subsidiaries (including the Partnership) may enter into or amend, modify, extend or renegotiate any agreement, contract or other instrument or

document with respect to which any obligations are guaranteed or otherwise secured by any Financial Assurance, notwithstanding that such actions may reasonably be expected to give rise to, or increase the potential exposure of any Indemnified Person to, any Losses in connection with such Financial Assurance; provided that the Indemnified Parties shall be entitled to indemnification by the Indemnitor hereunder with respect to such Financial Assurances as if such new, amended, modified, extended or renegotiated agreements, contracts or other instruments or documents were in effect as of the date hereof. Following the Novation Deadline, the Indemnitor shall not, and shall cause its Subsidiaries (including the Partnership) not to, take any of the actions described in the preceding sentence without the prior written consent of Sempra.

2.04 Entire Agreement; Assignment; No Third Party Rights. This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof, and any attempt to assign this Agreement will be void; provided, however, that upon a merger or consolidation of the Indemnitor or any of the Indemnified Parties, the rights and obligations of the Indemnitor or any Indemnified Party, as applicable, hereunder shall automatically be assigned and assumed by the surviving entity by operation of law or otherwise without the written consent of the other parties hereto. Neither the Indemnitor nor Sempra may, in whole or in part, assign any of its rights or interests or delegate any of its obligations under this Agreement wit hout the prior written consent of both Sempra and the Indemnitor, and any attempt to do so will be void. Subject to the preceding sentence, this Agreement will apply to, be binding in all respects upon and inure to the benefit of the successors and permitted assigns of Sempra and the Indemnitor. Nothing expressed or referred to in this Agreement will be construed to give any person other than Sempra and the Indemnitor any legal or equitable right, remedy or claim under or with respect to this Agreement or any provision of this Agreement, except such rights as shall inure to a successor or permitted assignee pursuant to this Section 2.04.

2.05 Gross-up. Where any payment is made (including by way of set off) to an Indemnified Party under this Agreement and that sum is subject to a charge to Tax in the hands of the recipient, the sum payable shall be increased to such sum as will ensure that after payment of such Tax (and after giving credit for any tax relief received by or available to the recipient in respect of the matter giving rise to the payment) the recipient shall be left with a sum equal to the sum that it would have received in the absence of such a charge to Tax.

2.06 Survival. Notwithstanding any termination of this Agreement, Section 1 shall survive and remain in full force and effect.

2.07 Severability. If any provision (or part thereof) of this Agreement is held illegal, invalid or unenforceable under any present or future Legal Requirement, and if the rights or obligations of any party hereto under this Agreement will not be materially and adversely affected thereby, (a) such provision (or part thereof) will be fully severable, (b) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision (or part thereof) had never comprised a part hereof, and (c) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision (or part thereof) or by its severance herefrom.

2.08 Notices. The provisions of Section 10.4 of the Formation Agreement with respect to Sempra and the Indemnitor are incorporated herein by reference as if set out in full herein.

2.09 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

2.10 Disputes.

(a) In the event of any disagreement, dispute, controversy or claim arising out of or relating to this Agreement, or the breach, termination or invalidity hereof, the party asserting such disagreement, dispute, controversy or claim shall deliver notice thereof to the other party (a "**Dispute Notice**"), and the parties shall use their reasonable best efforts (except to the extent a different standard is expressly provided for in this Agreement) to settle such disagreement, dispute, controversy or claim. To this effect, the parties shall consult and negotiate with each other in good faith and, recognizing their mutual interest, attempt to reach a solution satisfactory to the parties. If the parties do not reach such a solution within a period of 60 days, then, upon notice by either party to the others (an "**Arbitration Demand**"), all disagreements, disputes, controversies or claims arising out of or relating to this Agreement, or the breach, termination or invalidity hereof shall be finally settled by arbitration in accordance with the International Dispute Resolution Procedures (the "**AAA Rules**") of the International Centre for Dispute Resolution of the American Arbitration Association (the "**AAA**"), subject to Section 2.10(g).

(b) Within 30 days of the delivery of an Arbitration Demand, each of Sempra and the Indemnitor shall simultaneously select one person to act as arbitrator, but if any of Sempra or the Indemnitor shall fail to appoint an arbitrator within such period, the AAA shall appoint such arbitrator. The arbitrators chosen (or deemed to be chosen) by Sempra and the Indemnitor shall attempt to agree upon a third arbitrator, but if they fail to do so within 15 days after the appointment of the party-appointed arbitrators, then either Sempra or the Indemnitor may request that the AAA appoint the third arbitrator. The third arbitrator (however chosen) shall be a citizen of a country other than the United Kingdom or the United States and shall preside over the arbitration proceedings. Prior to the commencement of hearings, each of the arbitrators shall provide an oath or undertaking of impartiali ty.

(c) The arbitration panel selected under Section 2.10(b) shall have full power to decide any disagreement, dispute, controversy or claim referred to in Section 2.10(a) as well as whether such disagreement, dispute, controversy or claim is within the scope of Section 2.10(a). All decisions of such panel shall be by majority vote. The decision of the arbitration panel shall be final and binding upon the parties to the disagreement, dispute, controversy or claim, and judgment may be enforced upon the award in any court of competent jurisdiction.

(d) The place of the arbitration shall be New York, New York, and the arbitration shall be conducted in the English language.

(e) The arbitration panel may apportion the costs of arbitration in its award, as provided in the AAA Rules.

(f) Any party may apply to the arbitrator seeking injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Any party also may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any interim or provisional relief that is necessary to protect the rights or property of that party, prior to the constitution of the arbitration panel or pending the arbitration panel's determination of the merits of the controversy.

(g) The International Bar Association Rules on the Taking of Evidence in International Commercial Arbitration ("**IBA Rules**") shall apply together with the AAA Rules, and where the IBA Rules are inconsistent with the AAA Rules, the IBA Rules shall prevail but solely as regards the presentation and reception of evidence. The arbitration panel provided for herein shall control any pre-hearing exchange of information, including, but not limited to, the right to require the parties to exchange documents or make any Person subject to their control available for deposition or interview before the hearing. The parties further agree that the parties shall have the right in advance of any hearing to take the deposition of (i) any Person who is to be called as a witness in the arbitration and (ii) upon good cause being shown to the arbitration panel provided for herein, any Person under the control of a party.

(h) Each party hereto irrevocably and unconditionally, with respect to enforcement of any final decision rendered by the arbitration panel under Section 2.10(c) and interim relief under Section 2.10(f):

(i) submits for itself and its property in any legal action or proceeding relating to this Agreement, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the State of New York and England;

(ii) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(iii) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to it at its address set forth in Section 10.4 of the Formation Agreement;

(iv) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction;

(v) agrees that equitable remedies in any action or proceeding referred to in this Section 2.10(h) will be acceptable and agrees that any Party shall be entitled to such remedy in respect of the enforcement of such Party's rights herein; and

(vi) except as set forth in connection with Third Party Claims, waives to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section 2.10 any special, exemplary, or punitive damages.

2.11 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement. The exchange of copies of this Agreement and of signature pages by facsimile transmission shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original Agreement for all purposes. Signatures of the parties transmitted by facsimile shall be deemed to be their original signatures for all purposes.

2.12 Modification. This Agreement may not be amended, supplemented, or otherwise modified except by a written agreement executed by all parties.

2.13 Nonwaiver. The failure of any party to assert or enforce any right arising under this Agreement shall not constitute a waiver of such right, or any other right arising hereunder. No waiver of any of the provisions hereof shall be effective unless in writing and signed by the party charged with such waivers.

2.14 Headings. Any headings or captions appearing in this Agreement are intended solely for convenience of reference and shall not constitute a part of this Agreement or define or limit any of the terms and conditions hereof.

2.15 Further Assurances. From time to time after the date hereof, each party shall, and shall cause its affiliates, promptly to execute, acknowledge and deliver any other assurances or documents reasonably requested by the other party and necessary for the requesting party to satisfy its obligations hereunder or to obtain the benefits of the transactions contemplated hereby, including any additional instruments or documents reasonably considered necessary by such requesting party to cause the provisions of this Agreement, including Section 1.01, to be, become or remain valid and effective in accordance with its terms.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officer of each party hereto as of the date first above written.

SEMPRA ENERGY

By: ______________________________

Name:

Title:

THE ROYAL BANK OF SCOTLAND PLC

By: ______________________________

Name:

Title:

Footnotes

1 If any Financial Assurance listed on Schedule I immediately prior to the Closing Date is provided by a Subsidiary of Sempra, that Subsidiary will be added as a party to this Agreement prior to its execution and delivery.