

GUARANTEE AGREEMENT

This Guarantee Agreement (this “**Guarantee**”), dated as of June 30, 2006, is made and entered into by Mirant Corporation (the “**Guarantor**”).

WITNESSETH:

WHEREAS, Mirant Bowline, LLC and Hudson Valley Gas Corporation (collectively or individually, the “**Company**”) have entered or will enter into (i) a Lease Agreement dated as of June 30, 2006 (the “**Lease Agreement**”) with the County of Rockland Industrial Development Agency (the “**Agency**”); (ii) a Payment In-Lieu Of Taxes Agreement dated as of June 30, 2006 with the Town of Haverstraw, Village of Haverstraw, Village of West Haverstraw, Haverstraw-Stony Point Central School District, County of Rockland and the Agency (the “**PILOT Agreement**”); (iii) an ADA Indemnification Agreement dated as of June 30, 2006 with the Agency (the “**ADA Indemnity**”); and (iv) an Indemnity Agreement Regarding Hazardous Materials dated as of June 30, 2006 with the Agency (the “**Hazardous Materials Indemnity**” and together with the Lease Agreement, the PILOT Agreement, and the ADA Indemnity (the “**Agreements**”); and

WHEREAS, the Guarantor will directly or indirectly benefit from the Agreements.

NOW THEREFORE, in consideration of the Agency entering into the Agreements, the Guarantor hereby covenants and agrees as follows:

1. **GUARANTEE**. Subject to the provisions and limitations set forth herein, the Guarantor hereby irrevocably guarantees the timely performance of the following obligations of the Company to the Agency:

- (a) The payment of any retention amounts arising under any insurance policy pursuant to Section 4.4(a) of the Lease Agreement;
- (b) The indemnification obligations arising under Sections 4.5 and 6.2 of the Lease Agreement;
- (c) The indemnification obligations arising under Section 3 of the Hazardous Materials Indemnity;
- (d) The indemnification obligations arising under the ADA Indemnity;
- (e) The payment of any expenses or costs incurred by the Agency, including attorneys’ fees, disbursements, and expenses pursuant to Section 7.6 of the Lease Agreement, Section 3.11 of the PILOT Agreement, and the enforcement of this Guarantee Agreement; and
- (f) The indemnification obligations set forth in Section 6.3 of the PILOT Agreement; provided, however, that this Guarantee shall not extend to any payment the Company may be required to make under Article III of the PILOT Agreement.

(each of (a) - (f) an “**Obligation**”, and collectively, the “**Obligations**”).

2. **LIMITATIONS.** Except with respect to Section 1(e) herein, the Guarantor's liability under the Guarantee shall be subject to the following:

- (a) The Guarantor shall be required to perform hereunder if, and only if, the Agency's liability with respect to such Obligation has been established by:
 - (i) A final, non-appealable order entered by a court of competent jurisdiction; or
 - (ii) A settlement agreement between the Agency and a third party entered into as a result of an arms' length negotiation; provided, however, that the Guarantor shall be entitled to participate in such negotiations;
- (b) The Company has failed to pay any Obligation when due;
- (c) This Guarantee is specific in nature and is not intended to be, nor shall it be construed to constitute a general guarantee of the Company's performance under any or all of the Agreements; and
- (d) This Guarantee shall constitute a guarantee of payment and not of collection.

3. **ACKNOWLEDGEMENT OF INSURANCE.** The Guarantor and the Agency acknowledge that during the term of the Lease Agreement, the Agency shall be an "Additional Insured" (as that term is customarily defined and used in the commercial insurance industry) under the Company's general liability insurance policy. Further, the Agency acknowledges that the Company's general liability insurance policy in existence as of June 30, 2006 is a reimbursement policy provided by Associated Electric & Gas Insurance Services Limited.

4. **DEMANDS AND NOTICE.** The following terms shall govern any demand for payment and service of notice:

- (a) The Agency must first issue a written demand for payment of an Obligation to the Company. A payment demand to the Company shall be issued in accordance with Section 8.4 of the Lease Agreement.
- (b) If the Company fails or refuses to pay an Obligation for a period of thirty (30) days, the Agency shall notify the Guarantor in writing of the manner in which the Company has failed to pay and demand that payment be made by the Guarantor (hereinafter referred to as a "**Payment Demand**"). Such Payment Demand shall:
 - (i) Be in writing; and
 - (ii) Reasonably and briefly specify in what manner and what amount the Company has failed to pay and an explanation of why such payment is due, with a specific statement that the Agency is calling upon the Guarantor to pay under this Guarantee.
- (c) A Payment Demand satisfying the foregoing requirements shall be deemed sufficient notice to the Guarantor that it must pay the Obligation and such payment shall be made to the Agency by the Guarantor within ten (10)

business days of its receipt of a Payment Demand. A single written Payment Demand shall be effective as to any specific default during the continuance of such default, until the Company or the Guarantor has cured such default, and additional written demands concerning such default shall not be required until such default is cured.

5. **REPRESENTATIONS AND WARRANTIES.** The Guarantor represents and warrants that:

- (a) It is a Corporation duly organized and validly existing under the laws of the State of Delaware and has the power and authority to execute, deliver and carry out the terms and provisions of this Guarantee;
- (b) No authorization, approval, consent or order of, or registration or filing with, any court or other governmental body having jurisdiction over the Guarantor is required on the part of the Guarantor for the execution and delivery of this Guarantee (other than those which have been obtained); and
- (c) This Guarantee constitutes a valid and legally binding agreement of the Guarantor, except as the enforceability of this Guarantee may be limited by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity.

6. **RESERVATION OF RIGHTS.** Without limiting the Guarantor's own defenses and rights hereunder, the Guarantor reserves to itself all rights, counterclaims and other defenses to which the Company is or may be entitled to arising from or out of the Agreements or otherwise.

7. **AMENDMENT OF GUARANTEE.** No term or provision of this Guarantee shall be amended, modified, altered, waived, or supplemented except in a writing signed by the parties hereto.

8. **WAIVERS.**

- (a) The Guarantor hereby waives:
 - (i) Notice of acceptance of this Guarantee; and
 - (ii) Presentment and demand concerning the liabilities of the Guarantor, except as expressly hereinabove set forth.
- (b) Except as to applicable statutes of limitation, no delay of the Agency in the exercise of, or failure to exercise, any rights hereunder shall operate as a waiver of such rights, a waiver of any other rights or a release of the Guarantor from any obligations hereunder.

9. **TERMINATION.** This Guarantee shall terminate upon the fifth (5th) business day following the earlier of: (i) expiration of the Lease Agreement as set forth therein at Section 3.2; or (ii) termination of the Lease Agreement pursuant to the default provisions contained in Section 3.11 of the PILOT Agreement (the "**Termination Date**"). The Guarantor shall incur no further liability

under this Guarantee beyond the Termination Date; provided, however, that termination of this Guarantee shall not affect the Guarantor's liability with respect to any Obligation which arose prior to the Termination Date. Specifically, in accordance with Section 6.2(c) of the Lease Agreement, the Guarantor's liability with respect to such pre-Termination Date Obligation shall continue until the later of (i) the expiration of the period stated in the applicable statute of limitations during which a claim or cause of action may be brought and (ii) full satisfaction of the Guarantor's responsibilities under all applicable provisions of this Guarantee.

10. **NOTICE**. Any Payment Demand, notice, request, instruction, correspondence or other document to be given hereunder by any party to another (herein collectively called "**Notice**") shall be in writing and delivered (i) by registered or certified United States mail, postage prepaid and return receipt requested, (ii) by a nationally recognized overnight delivery service, charges prepaid, or (iii) by hand delivery, addressed as follows:

To the Agency: County of Rockland Industrial Development Agency
One Blue Hill Plaza
Pearl River, New York 10965
ATTN: Executive Director and Chairperson

With copies to: Montalbano, Condon & Frank, P.C.
67 North Main Street
P.O. Box 1070
New City, N.Y. 10956
ATTN: Anthony Montalbano, Esq.

To the Guarantor: Mirant Corporation
1155 Perimeter Center West
Atlanta, Georgia 30338
ATTN: General Counsel

With a copy to: Hiscock & Barclay, LLP
One Park Place
300 South State Street
Post Office Pox 4878
Syracuse, New York 13221
ATTN: Peter H. Swartz

Notice given by personal delivery, mail or overnight delivery service shall be effective upon actual receipt. Any party may change any address to which Notice is to be given to it by giving notice as provided above of such change of address.

11. **MISCELLANEOUS**. THIS GUARANTEE SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS. This Guarantee shall be binding upon the Guarantor, its successors and assigns and inure to the benefit of and be enforceable by the Agency, its successors and assigns. The Guarantee embodies

the entire agreement and understanding between the Guarantor and the Agency and supersedes all prior agreements and understandings relating to the subject matter hereof. The headings in this Guarantee are for purposes of reference only, and shall not affect the meaning hereof. This Guarantee may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. To the extent the Guarantor has executed more than one original copy of this Guarantee, the Agency may seek payment from the Guarantor only under one of such original copies.

12. Subject to the limitations set forth in Sections 2 and 6, the Guarantor consents that the Agency may in any manner, without increasing the liability of the Guarantor and upon such terms and conditions as the Agency may deem advisable: extend, in whole or in part, modify, change or release any Obligation, and settle, adjust or compromise any claim of the Agency against the Company. The Guarantor hereby ratifies and confirms any such extension, renewal, release, surrender, exchange, modification, impairment, substitution, settlement or compromise and agrees that the same shall be binding upon the Guarantor to the extent provided for herein, it being understood that the Guarantor hereby waives any and all defenses, counterclaims or offsets which the Guarantor may have by reason thereof.

13. Guarantor's obligations to the Agency shall not be released, impaired or affected in any way by the Company's bankruptcy, reorganization or insolvency under any laws, or by any other circumstances that might constitute a legal or equitable defense to Guarantor's obligations under this Guaranty.

14. No single, partial, or delayed exercise by the Agency of any right or remedy shall preclude exercise by the Agency at any time at its sole option of the same or any other right or remedy of the Agency. No course of dealing by the Agency or other conduct, no oral agreement or representation made by the Agency or usage of trade shall operate as a waiver of any right or remedy of the Agency. No waiver or amendment of any right or remedy of the Agency or release by the Agency shall be effective unless made specifically in writing by the Agency.

15. Each provision of this Guarantee shall be interpreted as consistent with existing law and shall be deemed amended to the extent necessary to comply with any conflicting law. If any provision herein is nevertheless held invalid, all other provisions herein shall remain in effect.

16. In any action or other legal proceeding relating to this Guarantee, the Guarantor consents to the personal jurisdiction of any state or federal court located in the State of New York, waives objection to the laying of venue in Rockland County, waives personal service of process and subpoenas and consents to service of process and subpoenas by registered or certified mail directed to Guarantor at the address stated in Section 10 above (or such other address as the Guarantor may specify in accordance with the provisions of Section 10 above), with such service deemed to be completed five (5) days after mailing.

17. This Guarantee shall inure to the benefit of the Agency and its successors and assigns, and shall be binding upon Guarantor and its successors and assigns.

EXECUTED as of the day and year first above written.

MIRANT CORPORATION (Guarantor)

By: _____
Name:
Title:

ACKNOWLEDGED this __ day of
June, 2006:

**COUNTY OF ROCKLAND INDUSTRIAL
DEVELOPMENT AGENCY**

By: _____
Eric Dranoff
Chairperson of the Board of Directors

