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GasEDI BASE CONTRACT FOR SHORT-TERM SALE AND PURCHASE OF NATURAL GAS

GENERAL TERMS AND CONDITIONS

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SECTION 1 - PURPOSE AND PROCEDURES

1.1 These General Terms and Conditions are intended to facilitate Transactions on a Firm or Interruptible basis.

1.2.a Any Transaction may be effected orally or electronically with the offer and acceptance constituting the valid, binding and enforceable agreement of the parties. The parties are legally bound from the time they agree to Transaction terms. Any such Transaction is considered a "writing" and to have been "signed". Notwithstanding the previous sentence, the parties agree that Confirming Party shall confirm [parties to select either (i) or (ii) in the Base Contract]: (i) a Transaction or (ii) all Transactions having a Delivery Period equal to or greater than the number of Days specified in the Base Contract by sending the other party a Transaction Confirmation by facsimile or mutually agreeable electronic means by the close of the next third Business Day following the Day on which the Transaction is effected. Confirming Party adopts its confirming letterhead or the like as its signature on any Transaction Confirmation and as the identification and authentication of Confirming Party.

1.2.b If a Transaction Confirmation sent by Confirming Party is materially different from the other party's understanding of the agreement referred to in Section 1.2.a, that party shall give Confirming Party Notice clearly identifying such difference on Confirming Party's Transaction Confirmation and return the annotated Transaction Confirmation to the Confirming Party by the Confirm Deadline. The failure of the other party to so notify Confirming Party by the Confirm Deadline is further evidence of the agreement between the parties and constitutes the other party's acknowledgement that the terms of the Transaction described in Confirming Party's Transaction Confirmation are accurate. If the Transaction Confirmation contains any provisions other than those relating to the commercial terms of the Transaction (i.e. price,

quantity, performance obligation, Delivery Point, Delivery Period, and/or transportation conditions), which modify or supplement the Base Contract, such provisions shall not be deemed to be accepted pursuant to this Section 1.2.b but must be expressly agreed to by both parties; provided that the foregoing shall not invalidate any Transaction agreed to by the parties.

1.2.c If a Transaction Confirmation is required pursuant to Section 1.2.a and the other party does not receive a Transaction Confirmation from Confirming Party by the deadline set out in Section 1.2.a, then the other party ~~shall~~may notify Confirming Party by sending its own Transaction Confirmation by the close of the Business Day following the deadline set out in Section 1.2.a. If a Transaction Confirmation sent by the other party is materially different from Confirming Party's understanding of the agreement referred to in Section 1.2.a, Confirming Party shall give the other party Notice clearly identifying such difference on the other party's Transaction Confirmation and return the annotated Transaction Confirmation to the other party by the Confirm Deadline. The failure of Confirming Party to so notify the other party by the Confirm Deadline is further evidence of the agreement between the parties and constitutes the Confirming Party's acknowledgement that the terms of the Transaction described in the other party's Transaction Confirmation are accurate. For greater certainty, if the other party does not receive a Transaction Confirmation from Confirming Party by the deadline set out in Section 1.2.a and the other party does not send its own Transaction Confirmation as provided for in this Section 1.2.c, the absence of a Transaction Confirmation in respect of a particular Transaction does not negate the existence of such Transaction between the parties.

1.2.d The entire agreement between the parties shall be those provisions contained in ~~(i) an effective Transaction Confirmation, (ii) the oral or electronic agreement of the parties, (iii) a Transaction entered into by the parties either orally or electronically and~~ the Base Contract, ~~and (iv) these General Terms and Conditions (collectively, the "Contract").~~ In the event of a conflict among the foregoing, the terms shall govern in the following priority ~~listed in the previous sentence:~~ (i) an effective Transaction Confirmation; (ii) a Transaction entered into by the parties either orally or electronically; (iii) a Credit Annex, if any; (iv) Special Provisions, if any; and (v) the balance of the Base Contract. The parties agree that all Transactions ~~entered into shall form~~ are entered into in reliance on the fact that the Base Contract, each Transaction Confirmation hereunder and each Transaction hereunder constitute a single integrated agreement between the parties and ~~each Transaction shall be merged into the Contract~~ the parties agree that they would not otherwise have entered into this Base Contract or any Transaction.

1.3 Communications occurring via a telephone conversation may be recorded by either party and each party consents to same without further notice to, or consent from, the other party. Each party shall, to the extent required by applicable law, give notice to, and obtain consent from, each of its employees, contractors and other representatives who may have their communications recorded hereunder. Any recordings of communications relevant to a Transaction may be used as evidence in any legal, arbitration or other dispute resolution procedure, and the parties hereby expressly waive all rights to, and expressly agree not to, contest or otherwise argue against such use of any recordings relevant to the disputed Transaction.

1.4 Each party shall be entitled, upon reasonable request, to access the other party's recording(s), if any, associated with a disputed Transaction.

1.5 The parties hereby expressly waive all rights to, and expressly agree not to, contest any Transaction, or assert or otherwise raise any defences or arguments related to any Transaction to the effect that such is not binding, valid or enforceable in accordance with its terms because either the employee(s) or representative(s) who entered into the Transaction on behalf of a party, and who appeared to have the requisite authority to do so, did not, in fact, have such authority or because the provisions of certain applicable laws require the Transaction to be in writing and/or executed by one or both parties.

## SECTION 2 - DEFINITIONS

2.1 The following terms, when used herein, shall have the following meanings:

"10<sup>3</sup>m<sup>3</sup>" ~~shall mean~~ s the quantity of Gas occupying a volume of 1000 cubic metres at a temperature of 15 degrees Celsius and at a pressure of 101.325 kilopascals absolute.

"Accelerated Payment Invoice" ~~shall have~~ has the meaning set forth in Section 7.7.

**“Affiliate” to be determined once we have seen all provisions in which it will be used; exclude Regulated Affiliate.]**

“Base Contract” shall mean a contract executed by the parties; that (i) incorporates by reference these General Terms and Conditions by reference, any Special Provisions, and any Credit Annex; that (ii) specifies the agreed selections of provisions contained herein; and that (iii) sets forth other required information required herein.

“British Thermal Unit” or “Btu” shall mean the International Btu, which is also called the Btu(IT).

“Business Day” shall mean any day except Saturday, Sunday, or a statutory or banking holiday observed in the jurisdiction specified of the receiving party’s address for Notices as provided pursuant to Section 9.13.5. A Business Day shall open at 8:00 a.m. and close at 5:00 p.m. local time for the relevant party’s principal place of business. The relevant party, in each instance unless otherwise specified, shall be the party to whom the notice, payment or delivery is being sent and by whom the notice or payment or delivery is to be received, receiving party’s address for Notices as provided pursuant to Section 9.1.

“Buyer” refers to the party receiving Gas hereunder.

“Claiming Party” has the meaning set forth in Section 11.2.a or Section 11.2.b, as applicable.

“Claims” shall have the meaning set forth in Section 8.3.

“Confirm Deadline” shall mean 5:00 p.m. in the receiving party’s time zone on the second Business Day following the Business Day a Transaction Confirmation is received, or if applicable, on the Business Day agreed to by the parties in the Base Contract; provided, if the Transaction Confirmation is time stamped received after 5:00 p.m. in the receiving party’s time zone, it shall be deemed received at the opening of the next Business Day.

“Confirming Party” shall mean the party designated in the Base Contract to prepare and forward Transaction Confirmations to the other party.

“Contract” shall have the meaning set forth in Section 1.2.d means the legally-binding relationship established by (i) the Base Contract, (ii) any and all effective Transaction Confirmations, and (iii) any and all Transactions entered into by the parties orally or electronically.

“Contract Price” shall mean, if the Delivery Point is in the United States, the amount expressed in U.S. Dollars per MMBtu or U.S. Dollars per Dekatherm or, if the Delivery Point is in Canada, the amount expressed in Canadian Dollars per GJ, unless specified otherwise in a Transaction.

“Contract Quantity” shall mean the quantity of Gas to be delivered and received pursuant to a Transaction.

“Contract Value” of a Transaction is means the net present value (applying the Present Value Discount Rate) of the product of (1) the quantity of Gas remaining under a Transaction which the parties are obligated to transact, multiplied by (2) the Contract Price.

“Costs” shall mean all reasonable costs, legal fees and expenses incurred by the Non-Defaulting Party to replace a Transaction or in connection with termination of a Transaction pursuant to Section 10.

“Cover Standard” as referred to in Section 3.2 shall mean, if applicable means, if there is an unexcused failure to take or deliver any quantity of Gas pursuant to the Contract, then the Performing Party shall use commercially reasonable efforts to obtain Gas or alternate fuels, or sell Gas, at a price reasonable for the delivery or production area, as applicable, consistent with: the amount of notice provided by the Non-Performing Party; the immediacy of the Buyer’s Gas consumption needs or Seller’s Gas sales requirements, as applicable; the quantities involved; and the anticipated length of failure by the Non-Performing Party.

“Credit Annex” means any credit support agreement as may be attached hereto.

"Day" ~~shall mean~~ s 9:00 a.m. to 9:00 a.m. central clock time.

"Defaulting Party" ~~shall have~~ has the meaning set forth in Section 10.23.

"Dekatherm" ~~shall mean~~ s one million British Thermal Units.

"Delivery Period" ~~shall be~~ means the period during which deliveries are to be made as ~~set forth~~ agreed to by the parties in ~~the~~ a Transaction ~~Confirmation~~.

"Delivery Point(s)" ~~shall mean~~ s such point(s) as are ~~mutually agreed upon between Seller and Buyer as set forth~~ to by the parties in ~~the~~ a Transaction ~~Confirmation~~.

"Early Termination Date" ~~shall have~~ has the meaning set forth in Section 10.3.

"EFP" ~~shall mean~~ s the purchase, sale or exchange of natural Gas as the "physical" side of an exchange for physical transaction involving gas futures contracts. EFP shall incorporate the meaning and remedies of "Firm".

"ETA" ~~shall mean~~ s the Excise Tax Act (Canada).

"Event of Default" ~~shall mean~~ s (i) the failure to make payment when due under the Contract, which is not remedied within 2 Business Days after receiving Notice thereof (except for a failure to pay an Accelerated Payment invoice which shall immediately constitute an Event of Default); (ii) in respect of a party or its guarantor, the making of an assignment or any general arrangement for the benefit of creditors, the filing of a petition or otherwise commencing, authorizing, or acquiescing in the commencement of a proceeding or cause under any bankruptcy or similar law for the protection of creditors or having such petition filed or proceeding commenced against it, any bankruptcy or insolvency (however evidenced) or the inability to pay debts as they fall due; (iii) the failure to provide Performance Assurance in accordance with Section 10.1; (iv) ~~a party's failure to deliver or receive Gas, unless excused by the other party's Non-Performance or prevented by Force Majeure, for the greater of 4 cumulative Days or 5% of the number of Days in a Delivery Period, rounded up to a full Day, in any one Transaction;~~ any default under a Credit Annex if any or (v) the failure to perform any ~~other~~ material obligation under the Contract, ~~(other than a failure to deliver or accept delivery of Gas which remedy is as set forth in Section 7.7 (except as provided in part (iv) of an obligation which is specifically covered in~~ this definition as a separate Event of Default or is covered under Section 3.2), if not remedied within 5 Business Days after receiving Notice thereof.

"Firm" ~~shall mean~~ s that either party may interrupt its performance without liability ~~(other than liability with respect to Imbalance Charges imposed pursuant to Section 4.3 or 11.5)~~ only to the extent that such performance is excused by the other party's Non-Performance, by the exercise by a party of its suspension rights under Section 10, or is prevented by Force Majeure; ~~provided, however, that during Force Majeure interruptions, the party invoking Force Majeure may be responsible for any Imbalance Charges as~~.

"Force Majeure" has the meaning set forth in Section 4.3 ~~related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by the Transporter.~~

"Gas" ~~shall mean~~ 11.2.

"Gas" means any mixture of hydrocarbons and non-combustible gases in a gaseous state consisting primarily of methane.

"GJ" ~~shall mean~~ s 1 gigajoule; 1 gigajoule = 1,000,000,000 Joules. The standard conversion factor between Dekatherms and GJ's is 1.055056 GJ's per Dekatherm.

"GST" ~~shall have~~ has the meaning set forth in Section 6.2.

"Imbalance Charges" ~~shall mean~~ s any fees, penalties, costs or charges (in cash or in kind) assessed by a Transporter for failure to satisfy the Transporter's balance and/or nomination requirements.

"Interruptible" shall mean s that either party may interrupt its performance at any time for any reason, ~~whether or not caused by an event of Force Majeure, with no without liability, except such interrupting party may be responsible for any (other than liability with respect to Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by Transporter.~~

"Joule" shall mean imposed pursuant to Section 4.3).

"Joule" means the joule specified in the SI system of units.

"Liquidation Amount" shall ~~have~~ has the meaning set forth in Section 10.4.

"Market Price" means the amount established by either (i) a bona fide offer accepted by the Non-Defaulting Party from a third party in an arms-length negotiation for a replacement transaction or (ii) quotations obtained by the Non-Defaulting Party, in good faith, from three Reference Market Makers, where the arithmetic average of the three quotations shall be the Market Price; provided however, that if such quotations are not readily available, or the quotations will not reflect comprehensive treatment of the pricing structure for Transactions terminated pursuant to Section 10.3(ii), as determined in the reasonable discretion of the Non-Defaulting Party, the Non-Defaulting Party shall determine the Market Price by considering any or all of the following: the settlement prices of New York Mercantile Exchange Gas futures contracts, similar sales or purchases of Gas, or information available to it internally, including, without limitation, information on relevant rates, prices, yields, yield curves, volatilities, spreads and other relevant market data, provided that such information is of the same type used by the Non-Defaulting Party in the regular course of its business for the valuation of similar transactions, all adjusted to consider the remaining Delivery Period, Contract Quantity, Delivery Point and differences in transportation costs. A party shall not be required to enter into a replacement transaction in order to determine the Market Price. Any extension(s) of the Delivery Period of a Transaction to which the parties are not bound as of the Early Termination Date (including but not limited to "evergreen provisions") shall not be considered in determining Market Price. For the avoidance of doubt, the value of any option pursuant to which one party has the right to extend the Delivery Period of a Transaction shall be included in determining Market Price.

"Market Value" of a Transaction ~~is means~~ s the net present value (applying the Present Value Discount Rate) of the product of (1) the quantity of ~~g~~Gas remaining under a Transaction pursuant to which the parties are obligated to transact, multiplied by (2) a ~~m~~Market ~~p~~Price for a similar transaction ~~considering taking into consideration~~ the remaining Delivery Period, Contract Quantity and Delivery Point; ~~with such market price to be established by either (i) a bona fide offer accepted by the Non-Defaulting Party from a third party in an arms-length negotiation for a replacement transaction or (ii) quotations obtained by the Non-Defaulting Party, in good faith, from five Reference Market Makers, where the highest and lowest of such quotations shall be disregarded, and the arithmetic average of the three remaining quotations shall be the market price.~~

"MMBtu" shall mean s one million British Thermal Units which is equivalent to one Dekatherm.

"Month" shall mean s the period beginning on the first Day of the calendar month and ending immediately prior to the commencement of the first Day of the next calendar month.

"NIT" means NOVA Inventory Transfer.

"Nomination Change Period" means a reasonable period of time to change a nomination, taking into account the applicable Transporter's nomination deadline(s), after receipt of an operational notice pursuant to Section 4.2 or a notification pursuant to Section 11.5, as applicable.

"Non-Defaulting Party" shall ~~have~~ has the meaning set forth in Section 10.23.

"Non-Performance" shall mean s the failure by a party to purchase and receive, or sell and deliver, Gas as required by any Transaction hereunder which is not excused because of the non-performance (non-delivery or non-receipt, as applicable) of the other party, by the exercise by a party of its suspension rights under Section 10, or by Force Majeure.

"Non-Performing Party" shall mean s a party in relation to which a Non-Performance has occurred.

"Notice" ~~shall have~~has the meaning set forth in Section 9.1.

~~"Payment Date" shall mean a date, selected by the parties in the Base Contract, on or before which payment is due Seller for Gas received by Buyer in the previous Month~~"NOVA" means NOVA Gas Transmission Ltd., or any successor company.

"Payee" has the meaning set forth in Section 10.2.

"Payment Date" means the 25<sup>th</sup> day of the Month following the Month of delivery.

"Payor" has the meaning set forth in Section 10.2.

"Performance Assurance" ~~shall mean~~s security in the form, amount and term reasonably specified by the party demanding the Performance Assurance, including, but not limited to, a standby irrevocable letter of credit, a prepayment, a security interest in an asset acceptable to the demanding party or performance bond or guarantee by an entity acceptable to the party demanding the Performance Assurance.

"Performing Party" ~~shall mean~~s, if a Non-Performance has occurred, the party which is not the Non-Performing Party.

~~"Potential Event of Default" shall mean any event or circumstance which would, with Notice, the passage of time, or both, constitute an Event of Default~~"Person" definition may be required depending on definition of Affiliate.

"Present Value Discount Rate" ~~shall mean~~s with respect to any Transaction: (i) if the amount payable is in Canadian currency, the yield of Canadian Government Treasury Bills with a term closest to the time remaining in the Delivery Period, plus 100 basis points; or (ii) if the amount payable is in United States currency, the "Ask Yield" interest rate for United States Government Treasury notes as quoted in the "Treasury Bonds, Notes, and Bills" section of the Wall Street Journal most recently published with a term closest to the time remaining in the Delivery Period, plus 100 basis points.

"Receiving Transporter" ~~shall mean~~s the Transporter receiving Gas at a Delivery Point, or absent such receiving Transporter, the Transporter delivering Gas at a Delivery Point.

"Reference Market Makers" ~~shall mean~~s leading dealers in the physical gas trading market or the energy swap market, which are not Affiliates of either party, selected by the Non-Defaulting Party from among dealers of the highest credit standing, which satisfy all the criteria that such party applies generally at the time in deciding whether to offer or to make an extension of credit.

**"Regulated Affiliate" to be determined once we have seen all provisions in which it will be used.**

"Scheduled Gas" ~~shall mean~~s the quantity of Gas confirmed by Transporter(s) for movement, transportation or management.

"Seller" refers to the party delivering Gas hereunder.

~~"Spot Price" as referred to in Section 3.2 shall mean, if applicable,~~"Special Provisions" means any written amendment to these General Terms and Conditions as may be attached hereto.

"Spot Price" means the price listed in the publication specified by the parties in the Base Contract, under the listing applicable to the geographic location closest in proximity to the Delivery Point(s) for the relevant Day; provided, if there is no single price published for such location for such Day, but there is published a range of prices, then the Spot Price shall be the average of such high and low prices. If no price or range of prices is published for such Day, then the Spot Price shall be the average of the following: (i) the price (determined as stated above) for the first Day for which a price or range of prices is published that next precedes the relevant Day; and (ii) the price (determined as stated above) for the first Day for which a price or range of prices is published that next follows the relevant Day.

"Taxes" ~~shall have~~has the meaning set forth in Section 6.1.

“Termination Payment” for a Transaction is means the difference between the Market Value and the Contract Value, adjusted for Costs, as of the Early Termination Date. If the Non-Defaulting Party is Seller and Market Value minus Costs is greater than the Contract Value, the Termination Payment will be positive (gain) and if the Market Value minus Costs is less than the Contract Value, the Termination Payment will be negative (loss). If the Non-Defaulting Party is the Buyer and the Contract Value minus Costs is greater than the Market Value, the Termination Payment will be positive (gain) and if the Contract Value minus Costs is less than the Market Value, the Termination Payment will be negative (loss). Any loss with respect to a Transaction will be owed by the Defaulting Party to the Non-Defaulting Party and any gain with respect to a Transaction will be owed by the Non-Defaulting Party to the Defaulting Party.

“Total Termination Payment” will be means the sum of the Termination Payments for all Transactions terminated pursuant to Section 10. The Total Termination Payment is a reasonable pre-estimate of the loss suffered, and is not intended as a penalty.

“Transaction” shall means any gGas sale, purchase or exchange agreement effected pursuant to the Base Contract.

“Transaction Confirmation” shall means the document, substantially in the form of Exhibit A, setting forth the terms of a Transaction formed pursuant to Section 1 for a particular Delivery Period.

“Transporter(s)” shall means all Gas gathering or pipeline companies, or local distribution companies, acting in the capacity of a transporter, transporting Gas for Seller or Buyer upstream or downstream, respectively, of the Delivery Point pursuant to a particular Transaction.

**SECTION 3 - PERFORMANCE OBLIGATION**

3.1 Seller agrees to sell and deliver, and Buyer agrees to receive and purchase, the Contract Quantity for a particular Transaction in accordance with the terms of the Contract. Sales and purchases will be on a Firm or Interruptible basis, as agreed in a Transaction.

<p>The parties have selected either the “Cover Standard” version or the “Spot Price Standard” version as indicated on the Base Contract.</p>
<p>Cover Standard:</p>
<p>3.2 In addition to any liability for Imbalance Charges, which shall not be recovered twice by the following remedy, subject to Section 10.5, the exclusive and sole remedy of the parties in the event of a breach of a Firm obligation shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the positive difference, if any, between the purchase price paid by Buyer utilizing the Cover Standard for replacement Gas <u>or alternative fuels</u> and the Contract Price, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller for such Day(s); or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in an amount equal to the positive difference, if any, between the Contract Price and the price received by Seller utilizing the Cover Standard for the resale of such Gas, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually taken by Buyer for such Day(s); or (iii) in the event that Buyer has used commercially reasonable efforts to replace <u>the</u> Gas or Seller has used commercially reasonable efforts to sell <u>the</u> Gas to a third party, and no such replacement or sale <u>for all or any portion of the Gas</u> is available, then <u>in addition to (i) or (ii) above, as applicable, the sole and exclusive and sole</u> remedy of the non-breaching party <u>with respect to that portion of the Gas for which no replacement or sale is available</u> shall be <u>an amount equal to</u> any unfavorable difference between the Contract Price and the Spot Price, adjusted for such transportation to the applicable Delivery Point, multiplied by the difference between the Contract Quantity <u>minus the sum of (and)</u> the quantity <u>of Gas</u> actually delivered by Seller and received by Buyer for such Day(s), <u>plus (b) the quantity of Gas, if any, sold or purchased using the Cover Standard as provided in (i) or (ii) above, as applicable.</u> <b>[Section 3.2(iii) is still under review.]</b></p>
<p>Spot Price Standard:</p>

3.2 In addition to any liability for Imbalance Charges, which shall not be recovered twice by the following remedy, subject to Section 10.5, the exclusive and sole remedy of the parties in the event of a breach of a Firm obligation shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the Contract Price from the Spot Price; (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the applicable Spot Price from the Contract Price.

**3.3 [Mark McNevin, Talisman Energy Inc., and Niall Armstrong, Direct Energy Marketing Limited, are developing an option to terminate a Transaction. The language will be brief, and will track the overall Early Termination of the Contract concepts.]**

#### SECTION 4 - TRANSPORTATION, NOMINATIONS AND IMBALANCES

4.1 Seller shall have the sole responsibility for transporting the Gas to the Delivery Point(s) and for delivering such Gas at a pressure sufficient to effect such delivery but not to exceed the maximum operating pressure of the Receiving Transporter. Buyer shall have the sole responsibility for transporting the Gas from the Delivery Point(s).

4.2 The parties shall coordinate their Gas nomination and scheduling activities, giving sufficient time to meet the deadlines of the affected Transporter(s). Each party shall give the other party timely prior operational notice, sufficient to meet the requirements of all Transporter(s) involved in the Transaction, of the quantities of Gas to be delivered and purchased each Day. Such operational notice may be made by any mutually agreeable means, including phone, fax and email. Should either party become aware that actual deliveries at the Delivery Point(s) are greater or lesser than the Scheduled Gas, such party shall promptly notify the other party.

4.3 The parties shall use commercially reasonable efforts to avoid ~~the~~ imposition of any Imbalance Charges. If Buyer or Seller receives an invoice from a Transporter that includes Imbalance Charges, the parties shall determine the validity as well as the cause of such Imbalance Charges. ~~Except as otherwise provided in Section 11.5, if the Imbalance Charges were incurred as a result of Buyer's could not have been avoided through a revision by Buyer or Seller of its nomination with the Transporter during the Nomination Change Period, then the party whose actions or inactions resulted in the Imbalance Charges~~ (which shall include, but shall not be limited to, ~~Buyer's failure to accept quantities of Gas equal to the Scheduled Gas~~), ~~then Buyer shall pay for such Imbalance Charges, or reimburse Seller for such Imbalance Charges paid by Seller to the Transporter. If the Imbalance Charges were incurred as a result of Seller's actions or inactions (which shall include, but shall not be limited to, Seller's failure to or~~ deliver quantities of Gas equal to the Scheduled Gas), ~~then Seller shall pay for such Imbalance Charges, or reimburse Buyer the other party for such those~~ Imbalance Charges paid by ~~Buyer to the Transporter~~ such other party.

#### SECTION 5 - QUALITY AND MEASUREMENT

5.1 All Gas delivered by Seller shall meet the quality and heat content requirements of the Receiving Transporter. The unit of quantity measurement for purposes of the Contract shall be specified as one MMBtu dry, one Dekatherm dry, one GJ or one 10<sup>3</sup>m<sup>3</sup>. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

#### SECTION 6 - TAXES

The parties have selected either the "Buyer Pays At and After Delivery Point" version or the "Seller Pays Before and At Delivery Point" version as indicated on the Base Contract.

Buyer Pays At and After Delivery Point:

6.1 Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses, interest or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas at the Delivery Point(s) and all Taxes after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

Seller Pays Before and At Delivery Point:

6.1 Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses, interest or charges imposed by any government authority ("Taxes") on or with respect to the Gas prior to the Delivery Point(s) and all Taxes at the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas after the Delivery Point(s). If a party is required to remit or pay Taxes which are the other party's responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

6.2 The Contract Price does not include any amounts payable by Buyer for the goods and services tax ("GST") imposed pursuant to the ETA or any similar or replacement value added or sales or use tax enacted under successor legislation. Notwithstanding the selection made pursuant to Section 6.1, Buyer willshall pay to Seller the amount of GST payable for the purchase of Gas in addition to all other amounts payable under the Contract. Seller willshall hold the GST paid by Buyer and willshall remit such GST as required by law. Buyer and Seller willshall provide each other with the information required to make such GST remittance or claim any corresponding input tax credits, including GST registration numbers.

6.3.a Where Buyer is not registered for GST under the ETA and Buyer indicates to Seller that Gas will be exported from Canada, Buyer may request Seller treat such Gas as "zero-rated" Gas for export within the meaning of the ETA for billing purposes. If Seller, in its sole discretion, agrees to so treat such Gas, then Buyer hereby declares, represents and warrants to Seller that Buyer willshall: (i) export such Gas as soon as is reasonably possible after Seller delivers such Gas to Buyer (or after such Gas is delivered to Buyer after a zero-rated storage service under the ETA) having regard to the circumstances surrounding the export and, where applicable, normal business practice; (ii) not acquire such Gas for consumption or use in Canada (other than as fuel or compressor gas to transport such Gas by pipeline) or for supply in Canada (other than to supply natural gas liquids or ethane the consideration for which is deemed by the ETA to be nil) before export of such Gas; (iii) ensure that, after such Gas is delivered and before export, such Gas is not further processed, transformed or altered in Canada (except to the extent reasonably necessary or incidental to its transportation and other than to recover natural gas liquids or ethane from such Gas at a straddle plant); (iv) maintain on file, and provide to Seller, if required, or to the Canada ~~Customs and~~ Revenue Agency, evidence satisfactory to the Minister of National Revenue of the export of such Gas by Buyer; and/or (v) comply with all other requirements prescribed by the ETA for a zero-rated export of such Gas.

6.3.b Where Buyer is registered for GST under the ETA and Buyer indicates to Seller that Gas will be exported from Canada, Buyer may request Seller treat such Gas as "zero-rated" Gas for export within the meaning of the ETA for billing purposes. If Seller, in its sole discretion, and agrees to so treat such Gas, then Buyer hereby declares, represents and warrants to Seller that Buyer intends toshall export such Gas by means of pipeline or other conduit in circumstances described in Section 6.3.a (i) to (iii).

6.3.c Without limiting the generality of Section 8.3, Buyer indemnifies Seller for any GST, penalties and interest and all other damages and costs of any nature arising from breach of the declarations, covenants, representations and warranties contained in Section 6.2 or 6.3.a or 6.3.b, or otherwise from application of GST to Gas declared, represented and warranted by Buyer to be acquired for export from Canada.

6.4 In the event that any amount becomes payable pursuant to the Contract as a result of a breach, modification or termination of the Contract, the amount payable shall be increased by any applicable Taxes or GST remittable by the recipient in respect of that amount.

## SECTION 7 - BILLING, PAYMENT AND AUDIT

7.1 On or before the 15<sup>th</sup> Day of each Month, Seller shall invoice Buyer for Gas delivered and received in the preceding Month and for any other applicable charges, providing supporting documentation acceptable in industry practice to support the amount charged. If the actual quantity delivered is not known by the billing date, billing will be prepared based on the quantity of Scheduled Gas. The invoiced quantity will then be adjusted to the actual quantity on the following Month's billing or as soon thereafter as actual delivery information is available.

The parties have selected either "Closest Business Day to Payment Date" or "Next Business Day following Payment Date" as indicated on the Base Contract.

Closest Business Day to Payment Date:

7.2.a Buyer shall remit the amount due in the manner specified in the Base Contract, in immediately available funds, on or before the later of the Payment Date or 10 days after receipt of the invoice by Buyer; provided that: if the Payment Date falls on a Sunday, or a Monday which is not a Business Day, payment is due on the next following Business Day; and if the Payment Date falls on a Saturday, or a weekday, other than a Monday, which is not a Business Day, payment is due on the immediately preceding Business Day.

Next Business Day following Payment Date:

7.2.a Buyer shall remit the amount due in the manner specified in the Base Contract, in immediately available funds, on or before the later of the Payment Date or 10 days after receipt of the invoice by Buyer; provided that: if the Payment Date is not a Business Day, payment is due on the next following Business Day following that date.

7.2.b If Buyer, in good faith, disputes the amount of any such statement or any part thereof, Buyer will pay to Seller such amount as it concedes to be correct; provided, however, if Buyer disputes the amount due, Buyer must provide, by the Payment Date, supporting documentation acceptable in industry practice to support the amount paid or disputed. Within 3 Business Days following resolution of the billing dispute, any underpayments or overpayments shall be paid or refunded with accrued interest at the rate specified in Section 7.4 for the period from the date of underpayment or overpayment until paid.

7.3 In the event any payments are due Buyer hereunder, payment to Buyer shall be made in accordance with Section 7.2 above.

7.4 If a party fails to remit the full amount payable by it when due, interest on the unpaid portion shall accrue from the date due until the date of payment at a rate equal to the lower of: (i) if the amount payable is in United States currency, the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum, compounded monthly; or, if the amount payable is in Canadian currency, the per annum rate of interest identified from time to time as the prime lending rate charged to its most credit worthy customers for commercial loans by The Toronto Dominion Bank, Main Branch, Calgary, Alberta, Canada, plus two percent per annum, compounded monthly; or (ii) the maximum applicable lawful interest rate.

7.5 Payment shall be made in the currency of the Contract Price.

7.6 The parties shall net all same currency amounts due and owing, and/or past due, arising under the Contract such that the party owing the greater amount shall make a single payment of the net amount to the other party in accordance with Section 7; provided that no payment required to be made pursuant to the terms of any credit support document or agreement shall be subject to netting under this or any other provision of the Contract. In the event that the parties have executed a separate netting agreement, the terms and conditions therein shall prevail.

7.7 A Performing Party may accelerate the payment owed by the Non-Performing Party related to a Non-Performance by sending to the Non-Performing Party an invoice (an "Accelerated Payment Invoice") for the amounts due it under Section 3.2, setting forth the calculation thereof and a statement that pursuant to this Section 7.7 such amount is due in 3 Business Days. If the Performing Party does not deliver an Accelerated Payment Invoice, amounts payable pursuant to Section 3.2 shall be invoiced and payable in accordance with Sections 7.1 and 7.2. The Non-Performing Party must pay the Accelerated Payment Invoice when due and the Non-Performing Party: (i) shall not be entitled to net amounts owed to it hereunder by the Performing Party against its obligation to make payment on an Accelerated Payment Invoice;

and (ii) shall, notwithstanding Section 7.2, pay the full amount of the Accelerated Payment Invoice despite any dispute it may have as to the amount owing thereunder.

7.8 A party shall have the right, at its own expense, upon reasonable notice and at reasonable times, to examine the books and records of the other party only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, or computation made under the Contract. This examination right shall not be available with respect to proprietary information not directly relevant to Transactions. All invoices and billings shall be conclusively presumed final and accurate unless objected to in writing, with adequate explanation and/or documentation, within two years after the Month of Gas delivery. All retroactive adjustments under Section 7 shall be paid in full by the party owing payment within 30 days of notice and substantiation of such inaccuracy.

## SECTION 8 - TITLE, WARRANTY AND INDEMNITY

8.1 Unless otherwise specifically agreed, title to the Gas shall pass from Seller to Buyer at the Delivery Point(s). Seller shall have responsibility for and assume any liability with respect to the Gas prior to its delivery to Buyer at the specified Delivery Point(s). Buyer shall have responsibility for and assume any liability with respect to said Gas after its delivery to Buyer at the Delivery Point(s).

8.2 Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by it to Buyer, free and clear of all liens, encumbrances, and claims.

8.3 Seller agrees to indemnify Buyer and save it harmless from all losses, liabilities or claims including reasonable legal fees and costs of court ("Claims"), from any and all persons, arising from or out of claims of title, personal injury or property damage from said Gas or other charges thereon which attach before title passes to Buyer. Buyer agrees to indemnify Seller and save it harmless from all Claims, from any and all persons, arising from or out of claims regarding payment, personal injury or property damage from said Gas or other charges thereon which attach after title passes to Buyer.

8.4 Notwithstanding the other provisions of this Section 8, as between Seller and Buyer, Seller will be liable for all Claims to the extent that such arise from the failure of Gas delivered by Seller to meet the quality requirements of Section 5, or Seller's warranty obligations pursuant to Section 8.2.

## SECTION 9 - NOTICES

9.1 All Transaction Confirmations, invoices, payments and other communications made pursuant to the Contract ("Notices") shall be in writing and made to the addresses for Notices specified by each respective party from time to time.

9.2 All Notices required hereunder may be sent by facsimile or mutually agreeable electronic means, a nationally recognized overnight courier service or hand delivered.

9.3 Notice ~~shall be given~~ is effective when received on a Business Day by the addressee. In the absence of proof of the actual receipt date, the following presumptions will apply. Notices sent electronically or by facsimile shall be deemed to have been received upon the sending party's receipt of confirmation of a successful transmission; if the day on which such electronic or facsimile Notice is received is not a Business Day or is after ~~five~~ 5:00 p.m. on a Business Day, then such Notice shall be deemed to have been received on the next following Business Day. Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving party.

## SECTION 10 - FINANCIAL RESPONSIBILITY, DEFAULTS AND REMEDIES

10.1 If a party has reasonable grounds for insecurity regarding the payment, performance or enforceability of any obligation under the Contract, such party may demand Performance Assurance, whether or not an Event of Default; ~~or Non-Performance or Potential Event of Default~~ has occurred, which Performance Assurance shall be provided by the other party by ~~the end of the 5<sup>th</sup>~~ (i) the end of the next Business Day after the demand is received if the demand is received by 12:00 noon on a Business Day, or (ii) the end of the 2<sup>nd</sup> Business Day after the demand is received if the demand is received after 12:00 noon on a Business Day. The Performance Assurance shall not exceed the amount calculated in

accordance with the procedure for determining the Total Termination Payment, as of the date of the demand, as if all Transactions had been terminated plus all other outstanding amounts owed or accrued under the Contract.

~~10.2 — If an Event of Default or Potential Upon demanding Performance Assurance, the party demanding Performance Assurance may, until such Performance Assurance is provided, withhold any amounts owed to the other party under the Contract, any Transaction or any other agreement between the parties (whether or not yet due) and set off against such withheld amounts any amounts owed to it hereunder (whether or not yet due). Notwithstanding the foregoing provisions, if the Non-Defaulting Party has designated an Early Termination Date, then the Defaulting Party may not demand Performance Assurance under this Section 10.1.~~

~~10.2 If a party (the “Payor”) does not pay the other party (the “Payee”) any amount owed to Payee in accordance with Section 7, then Payee, may, immediately upon giving Notice, exercise any or all of the following remedies: (i) suspend its performance under all Transactions under the Contract; (ii) withhold any amounts owed to Payor under the Contract, any Transaction or any other agreement between the parties (whether or not yet due); or (iii) set off against such withheld amounts any amounts owed to Payee hereunder (whether or not yet due). If Payee suspends its performance pursuant to this Section 10.2, Payee shall, for the period of the suspension, be entitled to damages calculated in accordance with Section 3.2, with the Payee treated as the Performing Party under Section 3.2 for the purposes of this Section 10.2. Further, notwithstanding Section 4.3 Payor shall be liable for all Imbalance Charges that accrue during the suspension period. If Payee has suspended performance under this Section 10.2 and Payor has paid all amounts owed to Payee in accordance with Section 7 and Payee has not designated an Early Termination Date pursuant to Section 10.3, then the Payee shall promptly thereafter resume performance under the Contract.~~

~~10.3 If an Event of Default occurs and is continuing with respect to a party (the “Defaulting Party”), then the other party (the “Non-Defaulting Party”) shall have the right to, in addition to any other remedies available hereunder: (i) upon 1 Business Day’s exercise any or all of the following remedies: (i) if Non-Defaulting Party has not previously suspended performance pursuant to Section 10.2 immediately upon giving Notice, suspend its performance under any or all Transactions under the Contract; and/or (ii) without Notice, withhold or continue to withhold, any amounts owed to the Defaulting Party under the Contract, any Transaction or any other agreement between the parties (whether or not yet due) and setoff against such withheld amounts any amounts owed the Non-Defaulting Party hereunder (whether or not yet due);~~

~~10.3 — In addition to the provisions of Section 10.2, upon the occurrence of an Event of Default, the Non-Defaulting Party may, for so long as the Event of Default is continuing; or (iii) terminate, accelerate and liquidate all Transactions then outstanding (or not yet commenced) in accordance with the provisions of this Section 10 by (i) providing Notice to the Defaulting Party, and (ii) establishing designating an early termination date, which date shall be between 1 and 20 Business Days following the Event of Default but no earlier than the effective date of the Notice, on which date all such Transactions shall terminate (“Early Termination Date”). If an Early Termination Date has been designated, Further, notwithstanding Section 4.3 Payor shall be liable for all Imbalance Charges that accrue during the suspension period. If a Non-Defaulting Party has suspended performance under Section 10.2 or 10.3 and (a) the Defaulting Party remedies the Event of Default prior to receipt of Notice from the Non-Defaulting Party shall calculate the Total Termination Payment and notify the Defaulting Party of such amount including detailed support for the Total Termination Payment calculation.~~

~~10.4 — The Non-Defaulting Party may net the Total Termination Payment against all other amounts owing (whether or not yet due) between the parties under the Contract and any other agreements between the parties. This amount constitutes the “Liquidation Amount” payable by the Defaulting Party within 2 Business Days or payable by the Non-Defaulting Party on the 25<sup>th</sup> of the Month following designating the Early Termination Date, as applicable. A disputed amount hereunder shall be paid by: or (b) the Defaulting Party, subject to refund. does not remedy the Event of Default and the Non-Defaulting Party has not designated an Early Termination Date within such 20 Business Days, then the parties shall promptly thereafter resume performance under the Contract.~~

~~10.4 If an Early Termination Date has been designated, the Non-Defaulting Party shall calculate the Total Termination Payment which the Non-Defaulting Party may net against all other amounts owing (whether or not yet due) between the parties under the Contract and any other agreements between the parties. This amount constitutes the “Liquidation Amount” and shall be paid by the Defaulting Party within 2 Business Days of Notice or payable by the Non-Defaulting Party on the 25th of the Month following the Early Termination Date, as applicable. A disputed amount hereunder shall~~

be paid by the Defaulting Party, subject to adjustment, if applicable. [Sharon Huckell, Petro-Canada, is developing revisions to this Section 10.4, and related defined terms.]

10.5 In the event a party is a Non-Performing Party, the Performing Party shall have the right to, ~~in addition to any other remedies available hereunder:~~ (i) withhold any or all payments due the Non-Performing Party hereunder for the period of the applicable Non-Performance and net or set-off amounts due the Performing Party against such withheld amounts; (ii) during the period of the applicable Non-Performance, upon at least 1 Business Day's Notice, suspend its performance under any or all Transactions; and/or (iii) if the Non-Performing Party fails to pay any Accelerated Payment Invoice when due, the Performing Party may, without further Notice to the Non-Performing Party, declare an Early Termination Date with respect to the particular Transaction to which the Non-Performance relates in accordance with Section 10.3. The failure of the Performing Party to exercise any of the rights or remedies contained in this Section 10.5 shall not constitute a waiver of the Non-Performance, the requirement for payment as contemplated by Section 3.2 or any of the other rights or remedies of the Performing Party in connection therewith.

10.6 Each party reserves to itself all rights, set-offs, counterclaims, and other defences which it is or may be entitled to arising from the Contract.

**SECTION 11 - FORCE MAJEURE**

11.1 Except with regard to a party's obligation to make payment due under the Contract, neither party shall be liable to the other for failure to perform a Firm obligation, to the extent such ~~failure was caused~~ performance is prevented by Force Majeure.

<u>The parties have selected either "Option A" or "Option B" as indicated on the Base Contract.</u>
<u>Option A:</u>
11.2 <del>Force Majeure shall include but not be a</del> <u>"Force Majeure" means any event not reasonably within the control of the party claiming a suspension of its obligations (the "Claiming Party") which event prevents or restricts delivery by Seller or receipt by Buyer, as applicable, of Gas, including but not</u> limited to the following <u>events:</u> (i) physical events such as acts of God; landslides; lightning; earthquakes; fires; storms or storm warnings, such as hurricanes, <del>which result</del> <u>resulting</u> in evacuation of the affected area; floods; washouts; explosions; breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather-related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption <u>or curtailment</u> of firm transportation <del>and/or</del> <u>storage by Transporters or storage operators;</u> (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, <u>terrorist acts,</u> insurrections or wars; <del>and (v) governmental actions such as necessity for</del> <u>(v) compliance with any court order, law, statute, ordinance, or regulation promulgated by a governmental authority having jurisdiction.</u>
<u>Option B:</u>

11.2.b

(1) If the Delivery Point is NIT, this subsection (1) of Subsection 11.2.b applies. "Force Majeure" means only an interruption, curtailment or pro-rationing by NOVA of firm NIT service which affects all NOVA shippers who had nominated for firm deliveries or firm receipts to take place by NIT on that Day. On any Day or any portion of a Day when there is a Force Majeure and either party provides Notice of the Force Majeure to the other, Seller shall deliver to Buyer, and Buyer shall receive from Seller, that percentage of the Contract Quantity which is equal to the percentage amount of Gas which according to NOVA has been nominated by all NOVA shippers for NIT and which NOVA is not interrupting, curtailing or pro-rationing on the Day or that portion of a Day.

(2) If the Delivery Point is a "Liquid Delivery Point" as expressly identified by the parties on the Cover Sheet, a Transaction Confirmation or in the Special Provisions, this subsection (2) of Subsection 11.2.b applies. "Force Majeure" is restricted to mean any one or more of the following events which prevents or restricts delivery by Seller or receipt by Buyer, as applicable, of Gas at a Delivery Point: (i) an interruption, curtailment, or pro-rationing by a Transporter of firm service at the Liquid Delivery Point, regardless of the reasons therefor, or (ii) compliance with any court order, law, statute, ordinance, or regulation promulgated by a governmental authority having jurisdiction. Seller and Buyer shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

~~11.3 — Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary firm transportation unless primary, in-path, firm transportation is also curtailed; (ii) the Claiming Party having failed to avoid the adverse implications, or to remedy the condition in accordance with Section 11.4 and to resume the performance of such covenants or obligations with reasonable dispatch, or to provide timely notification in accordance with Section 11.5; (iii) economic hardship, which shall include but not be limited to, lack of finances; (iv) Seller's ability to sell Gas at a higher or more advantageous price than the Contract Price, Buyer's ability to purchase Gas at a lower or more advantageous price than the Contract Price, or a regulatory agency disallowing, in whole or in part, the pass-through of costs resulting from this Contract; or (v) scheduled maintenance by a Transporter or storage operator, provided that notice of such scheduled maintenance has been provided by such Transporter or storage operator at or prior to the time the parties entered into the Transaction.~~

(3) If the Delivery Point is other than NIT or a Liquid Delivery Point (if applicable), then this Subsection (3) of Subsection 11.2.b applies. "Force Majeure" means any event not reasonably within the control of the party claiming a suspension of its obligations (the "Claiming Party") which event prevents or restricts delivery by Seller or receipt by Buyer, as applicable, of Gas, including but not limited to the following events: (i) physical events such as acts of God; landslides; lightning; earthquakes; fires; storms or storm warnings, such as hurricanes, resulting in evacuation of the affected area; floods; washouts; explosions; breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather-related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption or curtailment of firm transportation unless primary, in-path, firm transportation is also curtailed; (ii) the party claiming Force Majeure failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (iii) economic hardship. The party claiming Force Majeure shall not be excused from its responsibility for Imbalance Charges.

~~11.4 — Notwithstanding anything to the contrary herein, the parties agree that the settlement of or storage by Transporters or storage operators; (iv) acts of others such as strikes, lockouts or other industrial disturbances shall be entirely within, riots, sabotage, terrorist acts, insurrections or wars; or (v) compliance with any court order, law, statute, ordinance, or regulation promulgated by a governmental authority having jurisdiction.~~

11.3 This Section 11.3 applies only when subsection 11.2.a has been elected by the parties and in the case when subsection 11.2.b has been elected by the parties, where Subsection (3) thereof is applicable. Neither party shall be entitled to the benefit of the provisions of Section 11 to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary firm transportation unless primary, in path, firm transportation is also curtailed; (ii) the Claiming Party having failed to avoid the adverse implications, or to remedy the condition in accordance with Section 11.4 and to resume the performance of such covenants or obligations with reasonable dispatch, or to provide timely notification in accordance with Section 11.5; (iii) economic hardship, which shall include but not be limited to, lack of finances; (iv) Seller's ability to sell Gas at a higher or more advantageous price than the Contract Price, Buyer's ability to purchase Gas at a lower or more advantageous price than the Contract Price, or a regulatory agency disallowing, in whole or in part, the pass-through of costs resulting from this Contract; or (v) scheduled maintenance by a Transporter or storage operator, provided that notice of such scheduled maintenance has been provided by such Transporter or storage operator at or prior to the time the parties entered into the Transaction.

11.4 The Claiming Party shall make commercially reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event once it has occurred in order to resume performance; provided, however, the parties agree that nothing contained in this Section 11 shall require: (i) the settlement of strikes, lockouts or other industrial disturbances except in the sole discretion of the party experiencing such disturbance;

11.5 The party whose performance is prevented by Force Majeure; (ii) the extension of the Delivery Period of any Transaction (iii) the parties to make up any quantity of Gas they would otherwise have been obligated to sell and purchase during any period when Force Majeure was validly claimed; (iv) Seller to deliver, or Buyer to receive, the Gas at a point other than the Delivery Point; or (v) Seller to purchase replacement Gas at a price greater than the Contract Price.

11.5 The Claiming Party must provide notification to the other party. Initial notification may be given orally; however, Notice with reasonably full particulars of the event or occurrence is required, as soon as reasonably possible. Upon providing notification of Force Majeure, to the other party, the affected party of the occurrence of the Force Majeure. Initial notification may be given orally; however, Notice with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Notwithstanding Section 9, the Notice shall be deemed effective at the onset of the occurrence of the Force Majeure and the Claiming Party will be relieved of its obligation to make or accept delivery of Gas, as applicable, to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

. During the period of Force Majeure, the Claiming Party shall be responsible for any Imbalance Charges arising from the interruption or curtailment of Firm deliveries or receipts due to the Force Majeure which (i) Claiming Party incurs, or (ii) the other party incurs during the period of the Force Majeure and which the other party could not reasonably avoid by changing its nomination for deliveries or receipts with its Transporter within the Nomination Change Period. After the Nomination Change Period, responsibility for any Imbalance Charges incurred while the Force Majeure continues shall be allocated in accordance with Section 4.3.

11.6 If a Force Majeure only partially affects the Claiming Party's ability to perform its purchase or sale obligations at a Delivery Point, the Claiming Party shall curtail its interruptible obligations at such Delivery Point to the extent required to meet its Firm obligations under this Contract. If, after completely curtailing all of its interruptible obligations, the Claiming Party is still unable to meet its Firm obligations under this Contract, then such affected party may, to the extent permitted by the applicable Transporter(s), reduce its Firm obligations under this Contract by the same percentage that all of its other firm obligations at the Delivery Point are reduced, without regard to the price paid under any transaction between the Claiming Party and the other firm customers or suppliers, as applicable, of the Claiming Party.

## SECTION 12 - TERM

12.1 The Contract may be terminated on 30 days' Notice, but shall remain in effect until the expiration of the latest Delivery Period of any ~~Transaction Confirmation~~(s). The rights of either party pursuant to Section 7.8, the obligations of either party pursuant to Section 14.10, the obligations to make payment hereunder, and the obligation of either party to indemnify the other; pursuant hereto shall survive the termination of the Contract.

## SECTION 13 - LIMITATIONS

13.1 EXCEPT AS SET FORTH HEREIN, THERE IS NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND ANY AND ALL IMPLIED WARRANTIES ARE DISCLAIMED. FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS ~~REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY~~, A PARTY'S LIABILITY HEREUNDER SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION, AND ALL OTHER ~~REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED~~. IF NO ~~REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN OR IN A TRANSACTION, A PARTY'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY, SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED~~. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON ~~REMEDIES AND~~ THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY,

WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS. [Niall Armstrong, Direct Energy Marketing Limited, is developing revisions to this Section 13.1.]

## SECTION 14 - MISCELLANEOUS

14.1. The ~~is~~ Contract shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, and heirs of the respective parties hereto, ~~and the covenants, conditions, rights and obligations of the Contract shall run for the full term of the Contract.~~ No assignment of the ~~is~~ Contract, in whole or in part, will be made without the prior written consent of the non-assigning party ~~(and shall not relieve the assigning party from liability hereunder)~~, which consent will not be unreasonably withheld or delayed; provided, either party may [(i) transfer, sell, pledge, encumber, or assign this Contract or the accounts, revenues, or proceeds hereof in connection with any financing or other financial arrangements, or (ii)] transfer its interest to any parent or affiliate by assignment, merger or otherwise without the prior approval of the other party. Upon any such assignment, transfer and assumption, the transferor shall remain principally liable for and shall not be relieved of nor discharged from any obligations hereunder.

14.2 If any provision in the Contract is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant of the Contract.

14.3 No waiver of any breach of the Contract shall be held to be a waiver of any other or subsequent breach, and any waiver of any breach of this Contract by a party shall not be effective unless it is in writing.

14.4 The Contract sets forth all understandings between the parties respecting each Transaction, and any prior contracts, understandings and representations, whether oral or written, relating to such Transactions are merged into and superseded by the Contract and any effective Transaction Confirmation(s). The Base Contract may be amended only by a writing executed by both parties.

14.5 ~~The interpretation and performance of the~~ This Contract shall be governed by, construed and enforced in accordance with the applicable laws of the jurisdiction specified ~~by the parties~~ in the Base Contract, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction, and the parties agree to surrender and attorn to the exclusive jurisdiction of the courts of the jurisdiction specified in the Base Contract for the resolution of any disputes arising under or in connection with this Contract.

14.6 The Contract and all provisions herein will be subject to all applicable and valid statutes, rules, orders and regulations of any Federal, State, Province, or local governmental authority having jurisdiction over the parties, their facilities, or Gas supply, or the Contract.

14.7 There is no third party beneficiary to the Contract.

14.8 Each party to this Contract represents and warrants that it has full and complete authority to enter into and perform this Contract. Each ~~person who executes the Contract on behalf of either~~ party represents and warrants that each person who executes this Contract on behalf of such party has the full and complete authority to do so ~~and that such party will be bound thereby.~~

~~14.9.~~

14.9 The headings and subheadings contained in this Contract are used solely for convenience and do not constitute a part of this Contract between the parties and shall not be used to construe or interpret the provisions of this Contract.

14.10. Neither party shall disclose directly or indirectly without the prior written consent of the other party the terms of any Transaction or any information obtained pursuant to Section 7.8 to a third party (other than the Affiliates, employees, lenders, credit rating agencies, royalty owners, counsel, accountants and other agents or advisers of the party, or

prospective purchasers of all or substantially all of a party's assets or of any rights under this Contract, provided such persons have a need to know and shall have agreed to keep such information confidential) except (i) in order to comply with any applicable law, order, regulation, or exchange rule; (ii) to the extent necessary for the enforcement of this Contract; (iii) to the extent necessary to implement any Transaction; or (iv) to the extent such information is delivered to such third party for the sole purpose of calculating a published index. Each party shall notify the other party of any proceeding of which it is aware which may result in disclosure of the terms of any Transaction (other than as permitted hereunder) and use reasonable efforts to prevent or limit the disclosure. The existence of this Contract is not subject to this confidentiality obligation. The parties shall be entitled to all remedies available at law or in equity including, without limitation injunctive remedies, to enforce, or seek relief, in connection with this confidentiality obligation, except that any damages shall be limited to direct damages. The confidentiality obligation set forth in this Section 14.10 shall remain in full force and effect for: (i) one year following termination of the relevant Transaction; or (ii) two years following receipt of information obtained pursuant to Section 7.8.

In the event that disclosure is required in order to comply with any applicable law, order, regulation, or exchange rule, the party subject to such requirement may disclose the relevant information to the extent so required, but shall promptly notify the other party, prior to disclosure, and shall cooperate (consistent with the disclosing party's legal obligations) with the other party's efforts to obtain protective orders or similar restraints with respect to such disclosure at the expense of the other party.

14.11 The parties also agree that this Contract, including all Transactions hereunder, constitutes an "eligible financial contract" within the meaning of the Bankruptcy and Insolvency Act (Canada), the Companies' Creditors Arrangement Act (Canada), the Winding-Up and Restructuring Act (Canada), and other Canadian insolvency legislation. The parties agree that this Contract, including all Transactions hereunder, constitutes a "forward contract" within the meaning of the United States Bankruptcy Code and that Buyer and Seller are each "forward contract merchants" within the meaning of the United States Bankruptcy Code.

14.12 For currency conversions required under the Contract, to convert Canadian or United States currency to the other, the parties shall use the average of the Bank of Canada posted noon spot exchange rates as quoted for each Day during the Month during which Gas was, or was obligated to be, delivered and received.

14.10— Any controversy or claim arising out of or relating to the Contract shall be determined by arbitration in accordance with the International Arbitration Rules of the American Arbitration Association.<sup>13</sup> Each party irrevocably waives its respective right to any jury trial with respect to any litigation arising under or in connection with this Contract.

**DISCLAIMER: The purposes of this Contract are to facilitate trade, avoid misunderstandings, and make more definite, the terms of contracts for sale, purchase or exchange of natural gas. GasEDI does not mandate the use of this Contract by any party. GasEDI DISCLAIMS AND EXCLUDES, AND ANY USER OF THIS CONTRACT ACKNOWLEDGES AND AGREES TO GasEDI'S DISCLAIMER OF, ANY AND ALL WARRANTIES, CONDITIONS OR REPRESENTATIONS, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THIS CONTRACT OR ANY PART THEREOF, INCLUDING ANY AND ALL IMPLIED WARRANTIES OR CONDITIONS OF TITLE, NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE (WHETHER OR NOT GasEDI KNOWS, HAS REASON TO KNOW, HAS BEEN ADVISED, OR IS OTHERWISE IN FACT AWARE OF ANY SUCH PURPOSE), WHETHER ALLEGED TO ARISE BY LAW, BY REASON OF CUSTOM OR USAGE IN THE TRADE, OR BY COURSE OF DEALING. EACH USER OF THIS CONTRACT ALSO AGREES THAT UNDER NO CIRCUMSTANCES WILL GasEDI BE LIABLE FOR ANY DIRECT, SPECIAL, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY USE OF THIS CONTRACT.**