

Appendix B Security Arrangements

The Distributor and the Retailer agree to the following security arrangements, in accordance with Chapter 8 of the Code and Article 3 of this Agreement.

Authorization for a credit report

The Retailer authorizes the Distributor to request and receive the retailer's credit report and credit history from one or more reporting agencies for the Distributor's use in relation to the security arrangements and determination of the amount of security to be provided. The Distributor shall bear any costs related to such requests for credit reports or credit history.

Type of security

The Retailer shall provide security to the Distributor using one or more of the following financial instruments or procedures:

- 9 Cash deposit
- 9 Irrevocable letter of credit from a bank subject to the *Bank Act* (Canada)
- 9 Surety bond
- 9 Lock box arrangement

(Retailer shall tick one or more of the boxes)

All security in the form of a financial instrument shall be provided in Canadian funds. A letter of credit or surety bond shall be in a form acceptable to the Distributor and shall name the Distributor as the beneficiary and shall permit the Distributor to make a partial draw down based on the amount that is in default by the Retailer.

Drawing on Security Amounts

In order to make a draw against a letter of credit or surety bond, it shall be sufficient for the Distributor to provide a statement requesting the funds signed by an officer of the Distributor and affixed with the corporate seal of the Distributor. The statement by the Distributor shall include the following: the amount that is being claimed, the amount due and payable by the Retailer, the date of the default by the Retailer, a copy of the letter to the Retailer stating they are in default and demanding payment, and a declaration that the Retailer is in default and owes the amount that is being claimed. Where the Distributor issues a statement requiring a draw on the security, it shall provide a copy of the statement to the Retailer at the same time.

Financial Institution Information

Name and address of the Retailer’s bank or financial institution for the purpose of providing security:

Contact Information:

Telephone Number: _____ Fax Number: _____

Additional details regarding security instruments, including a detailed list of all legal documents (i.e. account numbers, letters of credit, lock box procedures) shall be included with the contract as Schedule 1 to this Appendix, and shall be subject to change in accordance with the provisions of this Agreement.

Payment of Interest

Where the Retailer has presented security in the form of a cash deposit, the Distributor shall credit the cash deposit with interest calculated at the rate specified in the Code on a monthly compounded basis. The Retailer shall be entitled to include the interest amount as part of the cash deposit for security calculations and may withdraw any excess from the account subject to the provisions of Chapter 8 of the Code.

Determination of Security Amount

Security shall be calculated by the Distributor to a maximum amount as permitted under chapter 8 of the Code.

The Distributor shall indicate which of the two options provided for under Chapter 8, it will use for the purposes of calculating the Retailer’s security amount :

- Option One
- Option Two

(The Distributor shall tick one or both of the boxes. Where the Distributor ticks both options it shall identify below the consumer class(es) for which each option will be used.)

Option One Class of consumers: _____

Option Two Class of consumers: _____

The Distributor shall provide the Retailer with a completed Schedule 2 to this Appendix, with necessary amendments, every time a request is made for security from the Retailer or the amount of security is determined. The information provided in Schedule 2 shall include the number of consumers by class, consumer usage (class average or individual

consumer), rates for non-competitive charges and the competitive cost of electricity. The Distributor shall update the Retailer's security requirements once in every ____ (days/month). (Distributor shall indicate the interval between updates, which interval shall be no more 3 months)