

Participant Form 02-03
Form of Pledge for Cash and Treasury Bills

PLEDGE OF CASH OR TREASURY BILLS

TO: **New Brunswick System Operator (the "SO")**

RE: Obligations of _____ (the "Pledgor") under the
Market Rules

Whereas:

- a) the Market Rules require Market Participants to provide Credit Support to secure the payment and performance of the Supported Obligations;
- b) the Pledgor is, or has applied to be, a Market Participant; and
- c) the Pledgor wishes to provide some or all of its Credit Support in the form of Cash or Treasury Bills.

In consideration of the Pledgor participating in the market described in the Market Rules and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Pledgor, the Pledgor hereby executes this Pledge as security for payment and performance of the Supported Obligations.

ARTICLE 1

DEFINITIONS AND INTERPRETATION

1.1 Definitions: In this Pledge, the following capitalized terms shall have the meanings set out below unless the context otherwise requires:

"Cash" means the medium of exchange authorized or adopted by the Parliament of Canada as the currency of Canada;

"Collateral" means all Cash and Treasury Bills deposited with and pledged, assigned, hypothecated, transferred and charged in favour of the SO pursuant to Article 2 of this Pledge, including all renewals thereof, substitutions therefor and accretions and additions thereto and all interest and other amounts accrued and accruing thereon and Proceeds thereof, together with any and all instruments, receipts, certificates and other documents evidencing the same;

"Credit Support" means the obligations owed to the SO by a third party and other forms of security or support for the financial obligations of a Market Participant;

"Market Procedures" means documents entitled as such and posted on the website of the SO;

"Market Rules" means the rules made under section 58 of the *Electricity Act* (New Brunswick) and all Market Procedures made thereunder, as such rules and Market Procedures may be amended from time to time;

"Person" includes (i) a natural person; (ii) any company, partnership, trust, joint venture, association, corporation or other private or public body corporate; (iii) any government, government agency or body, regulatory agency or body or other body politic or collegiate; and (iv) any other entity or body or class of entity or body designated by regulation made under the *Electricity Act* (New Brunswick) as coming within the definition of the word "person";

"Proceeds" means identifiable or traceable personal or real property in any form derived directly or indirectly from any dealing with property or the proceeds therefrom and includes any payment representing indemnity or compensation for the loss of or damage to property or proceeds therefrom;

"Supported Obligations" means all present and future indebtedness, liabilities and obligations of any kind, direct or indirect, absolute or contingent, joint or several, of the Pledgor to the SO arising under the Market Rules, whether as principal or surety, together with all reasonable out-of-pocket expenses (including reasonable external legal fees on a solicitor and client basis) incurred by or on behalf of the SO in the preparation, perfection and enforcement of this Pledge, security or other agreements held by the SO in respect of such indebtedness, liabilities and obligations, and interest thereon; and

"Treasury Bills" means negotiable debt obligations issued by the Government of Canada having an original term to maturity at issuance of not more than 365 days.

ARTICLE 2 PLEDGE AND APPLICATION OF COLLATERAL

- 2.1 Pledge of Collateral:** The Pledgor hereby assigns, transfers, pledges, hypothecates and grants a security interest in the Collateral to the SO and the Collateral shall be held by the SO as continuing security to secure payment of the Supported Obligations.
- 2.2 Default:** On default being made in either payment to the SO when due or performance of the Supported Obligations, or any part thereof, the SO may forthwith, without notice, without demand for payment, and without any other formality, all of which are hereby waived by the Pledgor, take, appropriate and apply the Collateral, or any part thereof, to pay the Supported Obligations or any part thereof. The Pledgor expressly acknowledges and agrees that the SO may set-off and apply the Collateral contemporaneously with any demand made by the SO for payment of any of the Supported Obligations, and the Pledgor hereby waives, to the fullest extent permitted by law, any obligation on the SO which may be imposed by a court to allow the Pledgor reasonable notice prior to the exercise of such set-off and applications.

- 2.3 Application of Collateral:** The SO shall not be obliged to pursue or exhaust its recourse against any other security or securities the SO may hold before applying, appropriating, realizing on, or otherwise dealing with the Collateral in such manner as the SO considers desirable, and the Collateral may be applied on such part or parts of the Supported Obligations as the SO may see fit. The SO shall at all times and from time to time have the right to change any appropriation of any monies received by the SO and to reapply the same on any other part of the Supported Obligations as the SO sees fit, notwithstanding any previous application by whomsoever made. The SO may grant extensions, take and give up securities, accept compositions, grant releases and discharges and otherwise make arrangements with the Pledgor and deal with other Persons and securities as the SO may see fit without prejudice to the Supported Obligations or the SO's right to hold, deal with and realize upon the Collateral in any manner which the SO considers desirable.
- 2.4 Investment and Interest:** The SO shall not be bound under any circumstances to invest the Collateral or any part thereof but any interest payable on the Collateral held by the SO shall be added to the Collateral, deemed to be a part thereof and held by the SO under the terms of this Pledge.
- 2.5 Withdrawals and Dispositions:** The Pledgor shall not withdraw or demand payment of the Collateral or any part thereof except in accordance with the Market Rules.

ARTICLE 3 MISCELLANEOUS PROVISIONS

- 3.1 Successors and Assigns:** This Pledge shall enure to the benefit of and be binding upon the Pledgor and the SO and their respective successors and assigns.
- 3.2 Further Assurances:** At the request of the SO, the Pledgor shall, at its sole expense, promptly execute and deliver, or cause to be executed and delivered, all such additional documents as may reasonably be required, with all necessary powers as may be expedient for better vesting the Collateral in the SO or such person as the SO may appoint.
- 3.3 Notices, Demands, Etc.:** Any notice, demand, consent, request or other communication given in connection with this Pledge shall be made or given in accordance with section 1.12.1 of the Market Rules and shall be treated as having been made or given in accordance with the provisions of section 1.12.2 or 1.12.3 of the Market Rules, as applicable.
- 3.4 Governing Law:** This Pledge shall be governed by and construed in accordance with the laws of the Province of New Brunswick and the federal laws of Canada applicable therein.

IN WITNESS WHEREOF this Pledge has been executed by the Pledgor as of the ____ day of _____, _____.

Pledgor

By:

Name:

Title:

By:

Name:

Title:

I/We have the authority to bind the Pledgor.