National Energy Board
Hearing Order RH-3-2008
Enbridge Pipelines Inc. (“Enbridge”) Application for Final Tolls on Line 9

NOVA Chemicals (Canada) Limited (“NOVA Chemicals”) Response to Enbridge's Information Requests

Enbridge-1

Reference: Written Direct Evidence of NOVA Chemicals (Exh. C-6-6b).

Preamble: NOVA Chemicals does not identify the witness(es) who will speak to its written evidence at the Board's oral hearing.

Requests:

(1) Provide the name(s) of the witness(es) who will appear at the Board's oral hearing, to adopt and be cross-examined on Exhibit C-6-6b and the responses to any information requests on that exhibit.

(2) Provide a curriculum vitae for each such witness that indicates his or her employer, his or her position(s) with that employer and any prior employer(s) in reverse chronological order, his or her university or equivalent degree(s) and year(s) of graduation, his or her membership(s) in any professional association(s), and the hearing order number or the equivalent for each proceeding in which he or she has filed written evidence and/or has appeared as a witness before the Board and/or any other economic regulator in Canada and/or the United States.

Response:

(1) The witnesses who will appear on behalf of NOVA Chemicals to adopt and be cross-examined on Exhibit C-6-6b and NOVA Chemicals’ information request responses are:

- Walentin Mirosh, Vice-President and Special Advisor to the President and Chief Operating Officer, NOVA Chemicals;
- Larry MacDonald, Senior Vice-President and Chief Financial Officer, NOVA Chemicals;
- Naushad Jamani, Vice-President, Petrochemicals, NOVA Chemicals;
- Craig McDougall, Manager, Crude & Condensate Supply & Trading, NOVA Chemicals; and
- Gordon Engbloom, Confer Consulting.

(2) The requested curricula vitae are attached as Appendix A, with the exception of that of Mr. Engbloom. His CV is already on the record with the evidence of Confer Consulting.

Enbridge-2

Reference: Written Direct Evidence of NOVA Chemicals (Exh. C-6-6b), Q/A 4 and 7.

Preamble: NOVA Chemicals states that. "[a]pproximately 75 to 90 percent of the facility's light sweet crude and condensate feedstock requirements are transported on the Line 9 system" (Q/A.4). NOVA also states that its shipments on Line 9 "have ranged from 22,000 b/d to 48,000 b/d." Enbridge wishes to gain more detailed information on NOVA Chemicals' shipping patterns.

Requests:

(1) Provide in a tabular format for each month of the period from January 1, 2000 through December 31, 2007 the following information on NOVA Chemicals' shipments of crude and condensate on Line 9:

(a) the average daily volume (in m^3/d and b/d),

(b) a breakdown (in m^3/d and b/d) of the average daily volume between the volume to which the FSA Shipper toll applied and the volume to which the Non-FSA Shipper toll applied; and

(c) the percentage of the facility's light sweet crude and condensate feedstock requirements that such average daily volume represented.

(2) Provide in a tabular format for each month of the period from January 1, 2008 through August 31, 2008 the following information on NOVA Chemicals' shipments of crude and condensate on Line 9.

(a) the average daily volume (in m^3/d and b/d); and

(b) the percentage of the facility's light sweet crude and condensate feedstock requirements that such average daily volume represented.

Response:

(1)(a),(c)
(2)(a),(b) Please see the table and notes attached as Appendix B.

(1)(b) NOVA Chemicals notes that under the terms of the FSA, FSA Shippers were entitled to 80% of the available capacity of Line 9. The remaining 20% of Line 9 was open on a common carriage basis. FSA Shippers were apportioned if necessary for access to the remaining 20% of Line 9 capacity. However, all tolls paid by FSA Shippers were the same, irrespective of whether their volumes comprised part of the 80% FSA portion or the 20% remainder of the pipeline capacity.

Enbridge-3

Reference: Written Direct Evidence of NOVA Chemicals (Exh. C-6-6b), Q/A 7 and 24.

Preamble: NOVA Chemicals states that its shipments of crude and condensate on Line 9 have ranged from 22,000 b/d to 48,000 b/d (Q/A 7). NOVA Chemicals subsequently states that it "executed and delivered a TSA to become a Committed Shipper on November 16, 2007;" however, NOVA Chemicals does not mention the committed volume (b/d) that it specified in Attachment 1 to its TSA (Q/A 24).

Requests:

(1) What was the Committed Volume (in b/d) that NOVA Chemicals specified in Attachment 1 to its TSA?

(2) What was the basis, having regard to the historical range of shipments, for the specified committed volume?

Response:

(1) NOVA Chemicals specified 22,000 b/d in Attachment 1 to its TSA.

(2) The amount of a 22,000 b/d commitment reflects a business decision that attempts to optimize a balance between committed and uncommitted volumes. Factors that NOVA Chemicals considered in making this decision included:

- The 20% spot premium.
- The revenue sharing mechanism for committed shippers.
- The obligation to pay a volume-weighted share of the debt portion upon termination of the contract.
- The risk of apportionment on Line 9.
- The nature of the offshore crude oil cargo business is that to economically source crude NOVA Chemicals must buy in increments of 600,000 to 700,000 barrels, which equates to approximately 20,000 to 25,000 b/d.
- Given the sometimes uncertain nature of offshore cargo scheduling, the shorter monthly timeframe of the TSA (in contrast to the FSA, which required annual volume commitments) created a risk that NOVA Chemicals might fall short of meeting Committed Volumes as a result of circumstances beyond its control.
- The size and cost of the irrevocable letter of credit requested by Enbridge, which related to the volume of NOVA Chemicals' TSA commitment.

Enbridge-4

Reference: Written Direct Evidence of NOVA Chemicals (Exh. C-6-6b), Q/A 10.

Preamble: NOVA Chemicals states that its credit rating became BB in 2002; however, it does not identify the credit rating agency(ies). Enbridge seeks more information in this regard.

Requests:

(1) Confirm that NOVA Chemicals (Canada) Limited is a wholly-owned subsidiary of NOVA Chemicals Corporation.

(2) Confirm that NOVA Chemicals (Canada) Limited is not a publicly rated entity.

(3) Confirm that NOVA Chemicals Corporation is a publicly rated entity whose notes and debentures are rated by Standard & Poor's Corporation ("S&P"), Moody's Investor Service, Inc. ("Moody's), DBRS Limited ("DBRS"), and Fitch Ratings Ltd. ("Fitch").

(4) Provide the current version(s) of the rating reports, including any updates and/or confirmations, issued by each of S&P, Moody's, DBRS, and Fitch on the notes and debentures of NOVA Chemicals Corporation.

(5) Provide a description of the rating system of each of S&P, Moody's, DBRS, and Fitch in the format used in the second through the sixth paragraphs under the heading "Credit Ratings" on page 39 of the Annual Information Form of NOVA Chemicals Corporation dated March 10, 2008.

Response:

(1)-(3) Confirmed.

(4) Please see the reports attached as Appendix C.

(5) Please see the reports attached as Appendix C. In addition, NOVA Chemicals understands the phrasing “a description of the rating system…in the format used…on page 39 of the Annual Information Form of NOVA Chemicals Corporation” to inquire as to the substantive meaning of the present ratings of NOVA Chemicals by the mentioned rating agencies. The referenced Annual Information Form paragraphs are reproduced below. The descriptions continue to reflect NOVA Chemicals’ present ratings.

> According to the S&P rating system, notes rated BB, B, CCC, CC, and C are regarded as having significant speculative characteristics. BB indicates the least degree of speculation and C the highest. While such notes will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions. Notes rated B are more vulnerable to non-payment than obligations rated BB, but the obligor currently has the capacity to meet its

> financial commitment on the obligation. Adverse business, financial or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.
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> According to the Moody's rating system, notes which are rated Ba are judged to have speculative elements; their future cannot be considered as well-assured. Often the protection of interest and principal payments may be very moderate, and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class. Moody's applies numerical modifiers 1, 2, and 3 in each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.
>
> According to the DBRS rating system, notes rated BB are speculative and non-investment grade, where the degree of protection afforded interest and principal is uncertain, particularly during periods of economic recession. Entities in the BB range typically have limited access to capital markets and additional liquidity support. In many cases, deficiencies in critical mass, diversification, and competitive strength are additional negative considerations. Each rating category from AA to C is denoted by the subcategories high and low. The absence of either a high or low designation indicates the rating is in the middle of the category.
>
> According to the Fitch rating system, notes rated BB indicate that there is a possibility of credit risk developing, particularly as the result of adverse economic change over time. However, business or financial alternatives may be available to allow financial commitments to be met. The ratings from AA to CCC may be modified by a plus (+) or minus (-) sign to show relative standing within the major rating categories.

Enbridge-5

Reference: Written Direct Evidence of NOVA Chemicals (Exh. C-6-6b), Q/A 20, 26, and 27.

Preamble: NOVA Chemicals states that it was not made aware that the existing security arrangements were in any way considered to be deficient" until "towards the conclusion of the recent Open Season process" (Q/A 20). NOVA Chemicals subsequently states that there was no suggestion, during discussions preceding the circulation of the TSA, that the "ongoing security arrangements ... had become deficient" (Q/A 26). NOVA Chemicals also states that "[n]o change in financial assurance requirements had been mentioned by Enbridge between the FSA and the TSA" (Q/A 27). Enbridge seeks clarification of these statements.

Requests:

(1) Confirm that NOVA Chemicals was aware that Enbridge posted the Open Season package on its website on October 15, 2007.

(2) Explain why NOVA Chemicals ignored Enbridge's credit requirements for committed service on Line 9 as set out under the heading "Credit Qualification" on page 6 of the Notice of Open Season (see Exh. B-7b, page 44 of 143).

Response:

(1) Confirmed. Please see the response to NEB-NOVAChem-1.1(a).

(2) NOVA Chemicals disputes the statement that it ignored Enbridge's credit requirements. Please refer to NOVA Chemical's response to NEB-NOVAChem-1.1(a) for a chronology of the events and meetings with Enbridge before, during and after the Open Season process.

Notably, and in respect of this specific request, Enbridge indicated on the eve of the Open Season deadline, November 14, 2007, that it expected discussions to continue on the financial assurances issue and encouraged NOVA Chemicals to submit a signed TSA (Mr. Rick Sandhal to Mr. Naushad Jamani). Such discussions in fact did continue until June 26, 2008, both between NOVA Chemicals and Enbridge on a bilateral basis, as well as between NOVA Chemicals, Enbridge and Imperial Oil. These various negotiations in fact resulted in the suspension of this hearing process.

Enbridge-6

Reference: Written Direct Evidence of NOVA Chemicals (Exh. C-6-6b), Q/A 22 and 24.

Preamble: NOVA Chemicals states that Enbridge knew that it wished "to retain its committed shipper status" and, nevertheless, Enbridge provided no opportunity for NOVA Chemicals to provide substantive input into the development of the TSA" (Q/A 22). NOVA subsequently states that it met with Enbridge on two occasions to discuss the TSA and, in addition, that it provided "written comments on the TSA" that resulted in a revision of the limit on make-up volumes (Q/A 24).

Requests:

(1) Explain what NOVA Chemicals means by the term "its committed shipper status," how NOVA Chemicals proposed to "retain its committed shipper status" at a time prior to the Open Season, and how and when NOVA Chemicals made Enbridge aware of its wishes in this regard.

(2) Provide a copy of the written comments on the TSA.

(3) Confirm that NOVA Chemicals also requested a revision of the definition of the term "Actual Shipments" in Article 1 of the TSA, and that Enbridge made the

revision, to delete the phrase "for ultimate delivery to the designated Delivery Points."

(4) Confirm that NOVA Chemicals did not challenge the toll design set out in the TSA during either of its meetings with Enbridge, or otherwise comment on it, and explain why NOVA did not do so.

Response:

(1) NOVA Chemicals was a party to the FSA and sought to be a committed shipper under the TSA. This continuity is what NOVA Chemicals referred to in respect of retaining its committed shipper status.

(2) The written comments are attached as Appendix D, although NOVA Chemicals notes that a number of comments concerning the TSA were made orally, and such written comments were not then and are not now intended to be exhaustive of NOVA Chemicals' opinion at the time.

(3) Confirmed. During the meeting on October 10, 2007, between Enbridge and NOVA Chemicals, NOVA Chemicals questioned whether the TSA used "injected volumes" (i.e., at Montreal) or "delivered volumes" (i.e., at the facilities of Imperial Oil or NOVA Chemicals) as the method of calculating whether a shipper's volumes would be considered Committed or Uncommitted. NOVA Chemicals expressed a preference for the calculation to be based on injection volumes. Enbridge appeared not to have considered the issue during the drafting of the TSA. Enbridge and NOVA Chemicals discussed the issue with the focus being on the wording of the definition of "Actual Shipments" in Article 1. The wording in the original TSA provided to NOVA Chemicals on October 2, 2007, contained the following definition:

> "Actual Shipments" means volumes of Crude Petroleum that originate and are physically Tendered at Montreal, Quebec for ultimate delivery to the designated Delivery Points;

Enbridge agreed with NOVA Chemicals that the definition merited clarification, and the TSA now reads:

> "Actual Shipments" means volumes of Crude Petroleum that originate and are physically Tendered at Montreal, Quebec;"

(4) Confirmed. However, the suggestion that the referred-to meetings could have served as a forum for an informed discussion about toll design is incorrect. The TSA was not provided to NOVA Chemicals until the conclusion of the first meeting.

The two meetings were held for Enbridge to explain the TSA to NOVA Chemicals, including toll design. Because the agreement was already finalized between Imperial Oil and Enbridge, Enbridge's approach was not to solicit input on the TSA from NOVA Chemicals. Nonetheless, NOVA Chemicals subsequently provided its views. During these meetings NOVA Chemicals sought to understand the TSA and its toll design, so as to allow its management to determine, in relatively short order, the appropriate volume to commit to over a five-year period and beyond, during the so-called “Evergreen Period.”

NOVA Chemicals’ concerns about the toll design are that shippers are discriminated against in respect of tolls on the basis of creditworthiness and that the sole committed shipper on Line 9, Imperial Oil, unduly benefits by precluding NOVA Chemicals from being a committed shipper. However, the referenced meetings with Enbridge were premised upon NOVA Chemicals shipping as a committed shipper. NOVA Chemicals specifically asked about Article 19 (Financial Assurances) in the tariff and whether or not this was generic or standard wording. NOVA Chemicals would have challenged the toll design if Enbridge had stated during those meetings that a letter of credit representing the entire term of the TSA would be required. At no time during these meetings did Enbridge mention the need for a letter of credit.

NOVA Chemicals’ subsequent meetings with Enbridge concerned whether the past, or additional, financial assurances could be put in place to enable NOVA Chemicals to be a committed shipper. Please see the response to NEB-NOVAChem-1.1(a) for further detail.

Enbridge-7

Reference: Written Direct Evidence of NOVA Chemicals (Exh. C-6-6b),Q/A 24.

Preamble: NOVA Chemicals claims that "Enbridge representatives responded that they had not given any thought to the credit requirement" and, shortly thereafter, Enbridge advised that "there was a potential need for a letter of credit in an amount representing one or two months of shipments."

Requests:

(1) Provide the name(s) of the Enbridge representative(s) who responded and advised, respectively, as NOVA Chemicals claims.

(2) Provide the name(s) of the NOVA Chemicals representative(s) to whom such response and such advice were given.

Reponses:

(1)-(2) Mr. Wilf Schrage provided the above-referenced responses to Mr. Craig McDougall during telephone discussions of November 13 and 14, 2007 concerning existing financial assurances. Mr. McDougall also spoke to Mr. Griffith, who also mentioned the potential need for a letter of credit. Please see the response to NEB-NOVAChem-1.1(a) for further detail.

Enbridge-8

Reference: Written Direct Evidence of NOVA Chemicals (Exh. C-6-6b), Q/A 24, 25, 28, and 29.

Preamble: NOVA Chemicals states that Mr. Larry MacDonald's letter proposed shorter term letters of credit and an operating lien on linefill (Q/A 24). NOVA Chemicals then states, in relation to the latter, that it was "not aware of this issue;" that is, as Enbridge understands it, the security interest in its linefill that it had previously granted to JP Morgan Chase Bank (QIA 25). NOVA Chemicals subsequently states that it raised three different alternatives (including "obtaining insurance against the event of default") with Enbridge and that, without providing any substantive justification, Enbridge rejected each of the alternatives (Q/A 28 and 29).

Request:

(1) Explain why NOVA Chemicals was not aware of the security interest in its linefill on Line 9 that it had previously granted to JP Morgan Chase Bank or, if it was aware of it, explain why NOVA Chemicals did not so advise Enbridge.

(2) Provide the name(s) of the NOVA Chemicals representative(s) who raised each alternative, the date(s) on which each alternative was raised, the manner (e.g., in a meeting, by telephone, by letter or e-mail) in which each alternative was raised, and the name(s) of the Enbridge representative(s) to whom each alternative was raised.

(3) Describe the details of NOVA Chemicals' insurance alternative as it was raised with Enbridge such as the type of insurance (e.g., a credit-default swap), the name of the insurer, the name of the insured, the name of the policy owner if it is not the insured, and the amount of the premium or, if the premium would fluctuate, the initial amount and the factors that would govern any fluctuation.

(4) Provide the name(s) of the Enbridge representative(s) who rejected each alternative, the date(s) on which each alternative was rejected, the manner (e.g., in a meeting, by telephone, by letter or e-mail) in which each alternative was rejected, and the name(s) of the NOVA Chemicals representative(s) to whom each rejection was given.

(5) Define term “substantive justification” and provide the reason(s), having regard to the definition, why NOVA Chemicals claims that Enbridge did not provide “substantive justification” for each rejection.

Response:

(1) JP Morgan is the lead bank for NOVA Chemicals’ Canadian Accounts Receivable securitization program. Under Canadian personal property security law, a sale of receivables must be “perfected” by the filing of a financing statement. JP Morgan’s filing under the Ontario *Personal Property and Security Act* (“PPSA”) inadvertently and incorrectly included NOVA Chemicals’ Line 9 volumes. NOVA Chemicals was aware that JP Morgan had filed a financing statement in

relation to the securitization program but, for the reasons below, was not aware that the filing was understood to include NOVA Chemicals' linefill or inventory.

Unlike other provinces where a filing must contain a detailed description of the subject-matter of the transaction, in Ontario one must only select one or more of various boxes on the prescribed form indicating what category of collateral is affected. The filings against NOVA Chemicals selected the categories of "accounts", "other", "inventory" and "equipment". JP Morgan's security interest is not a security interest in NOVA Chemicals' linefill on Line 9 or all of its inventory in general, but rather is a security interest in all of NOVA Chemicals' right, title and interest in and to (a) all present and future "Receivables" (or interests therein) sold, transferred and/or assigned (whether absolutely or by way of security) from time to time by NOVA Chemicals pursuant to the Canadian receivables program, (b) all "Related Security" with respect to such "Receivables", and (c) all "Collections" with respect to, and other proceeds of, such "Receivables" and "Related Security".

The "inventory" box was selected because "Related Security" includes, with respect to any Receivable, all of NOVA Chemicals' interest in returned or repossessed inventory or goods, if any, the sale of which by NOVA Chemicals gave rise to such Receivable. However, in order to clarify the extent of the security interest granted, NOVA Chemicals asked, and JP Morgan agreed, to file a Financing Change Statement that includes a collateral description. A copy of the Financing Change Statement is attached as Appendix E.

(2) Please see generally the response to NEB-NOVAChem-1-1(a). More specifically, the options of registering a lien against NOVA Chemicals' linefill under the PPSA and credit insurance were discussed in late November at a meeting between Mr. Naushad Jamani and Mr. Jon Sereda of NOVA Chemicals and Messrs. Schrage, Len Cioni and Glenn Tannas of Enbridge. These options were also discussed at a meeting between Mr. Larry MacDonald and Mr. Tannas in early December, 2007. NOVA Chemicals was advised two days later that Enbridge's requirements had not changed.

On December 10, 2007 Mr. MacDonald sent a letter to Mr. Richard Bird of Enbridge setting out NOVA Chemicals' concerns.[1] Mr. Bird provided a written response to Mr. MacDonald on December 14, 2007, and noted that the Rules and Regulations Tariff on Line 9 came into effect October 1, 2007.[2] However, the wording of the Tariff does not specifically call for the posting of the letter of credit and NOVA Chemicals has never been required to post a letter of credit for services on Line 9. NOVA Chemicals informed Enbridge that JP Morgan's lien was registered in error in a meeting between Messrs. Jeffrey Lipton, Walentin Mirosh, Grant Thompson, and MacDonald for NOVA Chemicals, and Messrs. Bird, Patrick Daniels and Steve Wuori for Enbridge, on January 18, 2008.

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[1] Reply Evidence of Enbridge, January 18, 2008, Affidavit of Wilf Schrage, Exhibit B.

[2] Reply Evidence of Enbridge, January 18, 2008, Affidavit of Wilf Schrage, Exhibit D.

(3) NOVA Chemicals and Enbridge discussed the idea of credit insurance during a meeting in late November between Messrs. Jamani, Sereda, Schrage, Tannas and Cioni. Mr. Schrage notably emailed Mr. Jamani on December 4, 2007 and suggested a quote from TD Bank at a rate of 5.25% (proffered as an alternative to a six month or one year letter of credit). However, the sub-prime mortgage crisis in the United States began in the summer of 2007 and by the end of that year the costs of credit insurance had increased to the point where it was no longer a practical alternative to pursue.

(4) Please see the responses to (2).

(5) NOVA Chemicals defines a "substantive justification" as one which explains why NOVA Chemical's proposals do not address Enbridge's concerns. The reasons the justifications are not substantive follow:

Enbridge Reason #1

> **"Enforcement of letter of credit security is mechanically straightforward whereas enforcement of PPSA security can be tied up and ultimately frustrated through the operation of bankruptcy and insolvency laws (not to mention the adequacy of collateral value)."**

With respect to the adequacy of collateral value, NOVA offered to enter into letters of credit to cover the rare occasions where collateral value falls below term TSA obligations.

Enbridge's response only expresses a preference, and offers no substantive rationale as to why a lien is inadequate. NOVA Chemicals notes that, while realization upon a Letter of Credit is less complicated than upon a perfected lien under the Ontario PPSA, a lien is by no means an unreasonable security mechanism and, with reference to the response to Enbridge-NOVAChem-1.6(c), is, over the five-year primary term of the TSA, superior to a letter of credit which must be renewed annually.

Enbridge Reason # 2

> **"Based on the specific situation at hand, it is not clear to us that Enbridge would be able to exert the necessary physical control over the NOVA product in the Enbridge system in order to divert and realize on the crude in the event that enforcement became necessary. This would be a far different task than the temporary measures that have been utilized to accommodate plant upsets in the past."**

Enbridge has been in the business of transporting and storing crude oil and condensate for decades. NOVA Chemicals' committed volumes would represent 18% of Line 9's committed volumes and a much smaller percentage of total Enbridge volumes delivered into the Ontario market. Section 8(b) of the Line 9 Tariff also provides for a lien on any shipper's volumes.

Thirty years of operating history simply does not support Enbridge's assertion that it could not accommodate an orderly disposition of a small fraction of total Ontario inventory given Enbridge's extensive interconnected system.

Enbridge Reason #3

> **"Enbridge would need to conduct due diligence to assess what other security has been granted by NOVA and whether or not the security interest NOVA would grant to Enbridge over the product in the Enbridge system would have priority over those other interests. For example, according to a PPSA search that was conducted on Enbridge's behalf in Ontario, it was determined that NOVA Chemicals (Canada) ltd. has granted a security interest to JP Morgan Chase Bank in respect of all personal property, including inventory. This would likely require Enbridge to enter into a priority agreement with JP Morgan Chase Bank and amend their security registration in order to take any comfort in the priority of PPSA security."**

As described in the response to Enbridge-NOVA Chem-8(1), this lien was registered in error, has been corrected with minimal effort and NOVA Chemicals is prepared to grant a lien under the PPSA to Enbridge without encumbrances.

Enbridge-9

Reference: Written Direct Evidence of NOVA Chemicals (Exh. c-6-6c), Q/A 34.

Preamble: NOVA Chemicals states that "the letters of credit that have typically been required for financial assurances elsewhere have had a term relating to the reasonable amount of time for which the carrier is at risk; that is, where it had provided service but not yet been paid because of the normal billing cycle."

Requests:

(1) Provide the reason(s) for so defining, and thereby limiting the scope of, the term "at risk."

(2) Assume that NOVA Chemicals is a Committed Shipper with a five-year TSA commencing January 1, 2008 and that NOVA Chemicals defaults at the end of the first year. Would Enbridge be at risk for any consequential revenue deficiency for the remaining four years and, if not, why not?

Response:

(1) The primary reasons are that it is common for Canadian pipelines to not take volume risk or risk of shipper default. As such the pipeline would look to a letter of credit that covers the period from the last shipment date for which the pipeline has been paid to the date the pipeline could terminate shipments in the event that a shipper defaults. The duration of such a period varies by pipeline but it is measured in days.

(2) This response assumes that the shipper of record on Line 9, NOVA Chemicals (Canada) Limited, defaults. The first and most likely result of a default by NOVA Chemicals (Canada) Limited is that the Corunna facility would continue to operate under receivership since it has a long history of profitable operation under a wide variety of economic conditions. As a result, its continued operation after a default by its present owner would require continued use of Line 9 for feedstock supply and continued payment of toll revenue for transportation services rendered. Beyond that, under the MNA Enbridge can withhold and offset any funds it owes NOVA Chemicals; for example, for inventory imbalances. Further, the MNA and Line 9 tariff permit Enbridge to sell NOVA Chemicals' crude oil that remains in Line 9 and related facilities to the extent necessary to meet any revenue deficiency. NOVA Chemicals' linefill varies from month to month, depending upon all shippers' injection rates. During the period between January, 2007 and September, 2008, NOVA Chemicals' linefill averaged approximately 1 million barrels, including retention stock (Enbridge Sarnia tank bottoms) of approximately 55,000 barrels. At US$70 per barrel, these volumes have a value of US$70 million, or about C$80 million at an exchange rate of 1.15 C$/US$. Moreover, the financial assurances provided by NOVA Chemicals (Canada) Limited include a Parental Guarantee of $2 million that would also be available to Enbridge.

Only if the cumulative effect of these matters failed to satisfy the revenue deficiency created by a default of NOVA Chemicals (Canada) Limited would Enbridge be at risk for any residual amounts. Given the substantial extent of alternatives and contingencies described above, while Enbridge may be notionally at risk under the default assumed in the information request, in practice its risk appears to be very small.

Finally, NOVA Chemicals re-emphasizes that Enbridge has unreasonably and imprudently put itself in the position of being at risk for default by a committed shipper, and in so doing is seeking onerous and unreasonable financial assurances, particularly a letter of credit for the entire term of the TSA.

Enbridge-10

Reference: Written Evidence of Gordon Engbloom (Exh. C-6-6c), Q/A 3 and 6.

Preamble: Mr. Engbloom states that "the applied-for toll design is unreasonable, discriminatory and imprudent" and, moreover, that Enbridge was imprudent to enter into the TSA with the applied-for toll design" (Q/A3). He goes on to claim that the applied-for toll design discriminates among shippers on the basis of "vintage of service" (Q/A3). He subsequently explains that "vintage of service" means the difference, in effect, between pre-2008 shippers and post-2007 shippers (Q/A6).

Request:

(1) Explain how and why a toll-design can be "imprudent" - that is, contrary to the prudence standard - and provide Mr. Engbloom's definition of the prudence standard.

(2) Was NOVA Chemicals imprudent to sign and return to Enbridge a TSA with the applied-for toll design and, if not, why not?

(3) Explain how and why the applied-for toll design discriminates against shippers on the basis of vintage of service when, as here, the Notice of Open Season contains the following provisions (emphasis added) under the heading "Commitment Opportunity" on page 4 of the Notice of Open Season as to (a) below and under the heading "Open Season Documents" on page 5 of the Notice of Open Season as to (b) below (see Exh. B-7b at pages 42 and 43 of 143):

> (a) *Through this Open Season,* Enbridge will provide prospective shippers with the opportunity, subject to regulatory approval, to subscribe for transportation service of up to 180,000 BPD of capacity on Line 9.
>
> Prospective shippers that execute TSAs *in this Open Season process* will commit to pay the applicable Committed Rate(s) on a take or pay basis, during the term of the TSA.
>
> (b) Potential shippers must complete, execute and return two copies of the TSA to Enbridge on or before 12:00 noon Mountain Time on November 16, 2007. If a potential shipper does not execute and return TSAs *within the time specified,* then, in the event that Enbridge files a Tolls Application as described in this Notice and the TSA, that shipper *will not be eligible* for service as a Committed Shipper, regardless of whether that shipper eventually returns as executed TSA.

(4) Provide examples of binding open seasons for committed and uncommitted service conducted by Board-regulated oil pipeline companies, or prospective Board-regulated oil pipeline companies, that

(5) did not discriminate among shippers on the basis of vintage of service such that, for example, a prospective shipper would be entitled to become a committed shipper at any time during the contractual term of the original committed shipper(s) (i.e., at any time subsequent to the close of the binding open season but before the end of the contractual term).

Response:

(1) It is not uncommon that parties have differences of view with respect to discrimination and reasonableness of a toll design. These differences usually go to the weight that should be given to various criteria or attributes of a particular toll design. This case is different.

In this case, the initial committed toll is set to recover the annual revenue requirement from only those volumes that are committed on January 1, 2008. The initial committed toll is then escalated annually by a ratio to inflation for each of the next four years without any other changes due to new shippers or changes in committed volumes. Since the committed toll permits Enbridge to recover its annual revenue requirement, any additional volumes must be uncommitted and pay the higher premium toll, with the associated revenue allocated to Imperial Oil and Enbridge. In the circumstances, the committed toll cannot and does not adjust for changes in committed volume and forces all additional volumes to pay the uncommitted toll. This goes beyond debating the weight of criteria and attributes of toll design, and is imprudent.

The prudence standard used by Mr. Engbloom is the "reasonable person" standard. One formulation of this standard is whether a decision shows good judgement based on facts and premises that the decision-maker knew or ought to have known at the time of the decision.

(2) No. Please refer to NEB-NOVAChem-1.10(b).

(3) The added emphasis in the (a) portion of the Open Season documents replicated in the request focuses on "…this Open Season…". The added emphasis in the (b) portion of the Open Season documents quoted in the request focuses on the time period for return of the executed TSA and the ineligibility of a shipper to be a Committed Shipper if it does not return an executed TSA within the prescribed time period.

The initial committed tolls reflect the Line 9 revenue requirement for 2008 and the committed volumes that arose from the Open Season and in effect January 1, 2008. As such, for practical purposes the annual revenue requirement for Line 9 is recovered from the transportation revenues associated with the initial committed volumes.[3]

Sections 3.1 and 3.2 of the TSA state the following concerning tolls:

> 3.1 After the Initial Tolls are approved and in effect, Carrier is permitted to file an Application to establish new Tolls that will be in effect for each subsequent Contract Year. The Application will put in effect Tolls that are escalated by 75% of GDPP each year thereafter (the "GDPP Escalated Toll").
>
> 3.2 No more than once every five (5) years, either Party may request, by providing at least six (6) months prior written notice to the other Parties, that tolls be re-calculated on a cost of service basis (the "Re-based Toll"). The earliest year that Re-based Tolls could be made effective is for Contract Year 2013.

The result of these provisions is that the toll established for January 1, 2008 for the initial committed volumes can only be changed during the initial five-year term by an adjustment based on a measure of inflation. There is no adjustment mechanism for changes in committed volumes that may arise from another open season or from default by a shipper with committed volumes.

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[3] Section 4 of the TSA provides for changes to tolls for the initial committed volumes if the shipper gives notice of early termination.

Since the annual revenue requirement is essentially being recovered from the initial committed volumes, and since the toll for those volumes can only change by an inflation adjustment, if an open season were to occur in the first five years of the TSA for committed volumes on Line 9, the toll for such a service is not clear. Except for incremental operating costs, any new revenue from such additional committed volumes would be in excess of the Line 9 revenue requirement, which is recovered from the initial and escalated initial committed tolls and the corresponding initial committed volumes. In such an event, the revenue from new committed volumes could be, like the uncommitted revenue, credited to Imperial Oil or Enbridge, or both. Any credit to Imperial Oil would lower its net transportation cost even further, and any credit to Enbridge would increase its return over that agreed to in the TSA.

(4) Open seasons for Board-regulated crude oil pipelines or prospective Board-regulated pipelines are developed for specific projects and take several forms. They are often, but not exclusively, associated with pipelines that seek shipper support for substantial capital expenditures to develop new or expanded pipeline capacity. Open season documents can be confidential and so long as they remain so are not available for public analysis.

As an initial observation, if the operation of multiple open seasons for crude oil pipelines results in shippers from each vintage of open season paying a different toll for the same service, then there is discrimination, per se, by vintage of service. The issue then becomes whether such discrimination is unreasonable or undue.

In the case of Express Pipeline, it had an open season to gain support for the initial project and a second open season for a subsequent expansion. According to Express' application for approval to the expansion:

> The new joint rates [for expansion shippers], however, are essentially equivalent to the sum of the existing Express Canada 15-year rates plus the existing Express US and Platte Pipeline Company 15-year joint rates.[4]

Express' tolls for committed service are not based on cost-of-service methodology.

With respect to Keystone, although there are variances in toll levels for crude oil quality and the primary term of transportation contract, the generic toll design for Keystone involves a fixed portion of the toll that recovers invested capital and a variable portion that recovers operating costs. The fixed portion of the toll will not vary once capital costs are finalized and it is applied to contract volumes. The variable portion of the toll will change with changes in actual operating costs and the actual level of throughput.[5] The Keystone toll estimates for the original open season for transportation to Patoka were based on the initial nominal capacity of

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[4] Express Capacity Expansion Application, Part 6 – Tolls and Financial, Section 6.2, page 6-2.

[5] *Ibid*, pages 4 and 5.

the system, which is 435,000 b/d and not on the initial committed volume of 340,000 b/d.[6] Keystone has since held open seasons for additional capacity to Cushing and the U.S. Gulf Coast. Keystone may seek a further open season to increase the committed volume up to a limit that preserves capacity for spot shipments. It is Confer's understanding that the fixed portion of the toll for the additional committed volumes from the future open season is expected to reflect updated cost estimates but not be significantly different than the fixed portion of the toll that will apply to similar service provided under the original open season.[7] By definition, the variable portion of the toll will be the same for all committed shippers.

In the case of the Southern Lights project, the reversal of Line 13 is part of a larger project to transport diluent from the U.S. mid-west to Alberta. The reversal of Line 13 is subject to NEB regulation. Southern Lights held an initial open season in mid-2006 which was oversubscribed, but subsequent terminations of commitments occurred and committed volumes were reduced to 77,000 b/d.[8] A second open season was held in early 2007 "…under the same terms as the current Committed Shippers."[9] In other words, shippers that committed in the second open season would receive the same toll as those in the original open season.

Based on these examples, a shipper participating in a second open season would either have the identical toll (Southern Lights) or a very similar toll (Express and Keystone) as the shipper in the original open season. In the cases of Express[10] and Southern Lights,[11] the Board approved the toll arrangements for the second open season, and, in the case of Keystone, the matter has not arisen or been put in front of the Board.

Enbridge-11

Reference: Written Evidence of Gordon Engbloom (Exh. C-5-6c), Q/A 13.

Preamble: Mr. Engbloom states that Enbridge knew NOVA Chemicals had a credit rating below "the minimum set out in the Line 9 tariff." He is presumably referring to Tariff NEB No. 279 (the "Rules Tariff'); however, he does not indicate the rule to which he is referring. He goes on to state that "Enbridge nevertheless entered into the TSA."

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[6] Keystone Pipeline Application, Section 5: Services, Tolls and Tariff, Page 6, lines 4 to 7.

[7] Personal communication with Keystone Pipeline.

[8] Southern Lights Project Application, Section 4 – Line 13 Reversal, Section 4.4, page 4-3.

[9] Southern Lights Project Additional Written Evidence, Section 1.0, page 2.

[10] Board Order XO-E092-07-2004.

[11] Board Reasons for Decision OH-3-2007, page 52.

Requests:

(1) To which entity was Mr. Engbloom referring in his use of the phrase "NOVA Chemicals' credit rating"?

(2) Provide the number of the rule, and (if applicable) the letter of the paragraph of the rule, that sets out the minimum credit rating in the Rules Tariff.

(3) To what time - before, during, or after the Open Season - was Mr. Engbloom referring when he states that "Enbridge nevertheless entered into the TSA."

Response:

(1) NOVA Chemicals Corporation, the only rated corporation in the organization.

(2) There is no specific rating identified in the Line 9 tariff that triggers financial assurances. It is NOVA Chemicals' evidence in its response to NEB-NOVAChem-1.1(a) that when its credit rating was reduced in 2002 and 2005, Enbridge sought and received additional financial assurances.

(3) Before.

Enbridge-12

Reference: Written Evidence of Gordon Engbloom (Exh. C-6-6c), Q/A 15 and 18.

Preamble: Mr. Engbloom uses uncommitted volumes for NOVA Chemicals of 44,000 b/d in Table 2 and uncommitted volumes of 60,000 b/d, 80,000 b/d, and 100,000 b/d "to Sarnia" in Table 3 (Q/A 15). He uses committed volumes of 22,000 b/d and uncommitted volumes of 22,000 b/d for NOVA Chemicals in Table 4 (Q/A 18). He does not provide any empirical basis, however, to substantiate these values.

Requests:

(1) What is the empirical basis for attributing uncommitted volumes of 44,000 b/d to NOVA Chemicals in Table 2?

(2) What is the empirical basis for attributing uncommitted volumes of 60,000 b/d, 80,000 b/d, and 100,000 b/d "to Sarnia" in Table 3 and who is (are) the shipper(s) "to Sarnia"?

(3) What is the empirical basis for attributing 22,000 b/d of committed volumes and 22,000 b/d of uncommitted volumes to NOVA Chemicals in Table 4?

Response:

(1) Mr. Engbloom understands that it was NOVA Chemicals' intention to transport 22,000 b/d of light crude oil as committed volume. NOVA Chemicals informed Mr. Engbloom that an average of a further 22,000 b/d of light crude oil was a reasonable estimate for uncommitted volume. Since NOVA Chemicals did not

receive service under a TSA, Mr. Engbloom assumed the same total volume would be transported under the uncommitted toll as shown in Table 2 of the reference (Q/A 15).

(2) There is no empirical basis. The quantities illustrate the exaggerated leverage or gearing inherent in the toll design.

(3) Please refer to Enbridge-NOVAChem-12(1).

APPENDIX A

Curriculum Vitae of Walentin Mirosh

TITLE:	*Vice President and Special Advisor to the President and Chief Operating Officer*
COMPANY:	NOVA Chemicals (Canada) Ltd. P.O. Box 2518, Station M 9th Floor, 1000 seventh Avenue SW Calgary, Alberta T2P 5C6
YEARS OF SERVICE:	6
EDUCATION:	B.A. Sc., Chemical Engineering, University of Alberta, 1968 M.A. Sc., Chemical Engineering, University of Waterloo, 1970 LL.B., University of Alberta, 1973
CAREER BACKGROUND:	2002-April, 2008 NOVA Chemicals, President, Olefins and Feedstocks 2001-2002 Macleod Dixon LLP, Partner 2000-2001 TransCanada Pipelines Ltd., Executive Vice-President, Northern Development and Regulatory Strategy 1998-2000 TransCanada Pipelines Ltd., Senior Vice-President, Strategic Planning and Business Development 1996 - 1998 TransCanada Energy Resources, President, Midstream Operations 1992 – 1996 Alberta Natural Gas Company, Senior Vice-President and Chief Operating Officer, 1974-1991 Macleod Dixon LLP, Associate and Partner
APPEARANCES	Application No. 950983 of Gulf Canada Resources Limited concerning the Strachan gas plant, on behalf of Alberta Natural Gas Company Ltd. (Decision D96-07).

Curriculum Vitae of Larry MacDonald, C.A.

TITLE:	*Senior Vice President and Chief Financial Officer*
COMPANY:	NOVA Chemicals Corporation 1550 Coraopolis Heights Road Moon Township, PA 15108 USA
YEARS OF SERVICE:	31
EDUCATION:	B.Comm., Hons, University of Windsor, 1975 Chartered Accountant, 1978
CAREER BACKGROUND:	2002-2008 NOVA Chemicals Corporation, Senior Vice President and Chief Financial Officer
	1999-2002 NOVA Chemicals Corporation, Senior Vice President, Manufacturing East
	1998-1999 NOVA Chemicals Ltd., Senior Vice President, Corporate Development
	1997 NOVA Corporation, Vice President and Treasurer
	1995 NOVA Corporation, Vice President and Chief Information Officer
	1991-1995 Novacor Chemicals Ltd., Vice President and Controller
	1990 Novacor Chemicals Ltd., Controller
	1980-1990 Petrosar Limited, Internal Auditor, Manager, Assistant Treasurer, Controller
	1975-1980 Clarkson, Gordon, Accountant, London, Ontario
APPEARANCES:	None

Curriculum Vitae of Naushad P. Jamani, P.Eng

TITLE:	*Vice President, Petrochemicals & Co-Product Marketing* *Responsibility for all feedstocks (International and Domestic crude, condensate, LPG), energy products sales and C3 & heavier chemical products marketing for NOVA*
COMPANY:	NOVA Chemicals (Canada) Ltd. P.O. Box 2518, Station M 9th Floor, 1000 seventh Avenue SW Calgary, Alberta T2P 5C6
YEARS OF SERVICE:	29
EDUCATION:	B.A.Sc. (Mechanical Engineering), University of Waterloo (1980)
CAREER BACKGROUND:	**1980 – 1995 ; Sarnia** 10 years at Corunna Petrochemical Production Site, various Engineering, Maintenance, and Planning assignments. Leadership role in Business optimization and Laboratory services 5 years in supply operations and co-product marketing in Sarnia **1995 – Current ; Calgary (various roles):** Manager, LPG Supply (1995 – 1996) Manager, Crude & Condensate Supply (1996 – 2000) Director, Hydrocarbon Supply (2000 – 2003) Director, Hydrocarbon Supply & Energy Prod. Mktg (2003) Director, Hydrocarbon Supply & Co-Products Mktg (2004 - 2006)* *including Corunna Business Optimization and customer service for all liquid co-products
PROFESSIONAL AFFILIATIONS:	Association of Professional Engineers, Geologists and Geophysicists of Alberta
INDUSTRY AFFILIATIONS:	Board Member for NOVA : Canadian Petroleum Products Institute (CPPI) since 2003 Board Member for NOVA: National Petrochemical and Refiners Association (NPRA) since 2003
APPEARANCES:	None

Curriculum Vitae of Craig D. McDougall, P.Eng

TITLE: *Manager, Crude and Condensate Supply and Trading*

COMPANY:
NOVA Chemicals (Canada) Ltd.
P.O. Box 2518, Station M
9th Floor, 1000 Seventh Avenue SW
Calgary, Alberta
T2P 5C6

YEARS OF SERVICE: 24

EDUCATION:
Bachelor of Engineering and Management in Chemical Engineering
McMaster University, 1984

CAREER BACKGROUND:

1984 – 1988 NOVA Chemicals (Canada) Ltd.
Process Control Engineer

1989 – 1991 NOVA Chemicals (Canada) Ltd.
Business Advisor

1991 – 1994 NOVA Chemicals (Canada) Ltd.
Energy Supply Specialist

1994 – 1997 NOVA Chemicals (Canada) Ltd.
Manager, Product Supply

1997 – 2000 NOVA Chemicals (Canada) Ltd.
Manager, LPG Supply and Trading

2000 – Present NOVA Chemicals (Canada) Ltd.
Manager, Crude and Condensate Supply and Trading

PROFESSIONAL AFFILIATIONS: Association of Professional Engineers, Geologists and Geophysicists of Alberta

APPEARANCES: None

APPENDIX B

Response to Enbridge-NOVAChem-2(1)(a) and (c) and (2)(a) and (b)

Date	Line 9 Crude and Condensate Deliveries		Percentage in Crude Unit Feed
	Average m3/day	Average bpd	
Jan-02	1,791.5	11,273.8	21%
Feb-02	3,663.2	23,051.9	43%
Mar-02	2,339.1	14,719.6	27%
Apr-02	5,109.0	32,150.1	71%
May-02	2,833.6	17,831.6	35%
Jun-02	5,250.3	33,039.3	65%
Jul-02	1,916.9	12,062.8	25%
Aug-02	5,341.3	33,611.8	63%
Sep-02	2,275.8	14,321.4	25%
Oct-02	6,056.1	38,109.9	73%
Nov-02	3,860.2	24,291.8	42%
Dec-02	3,906.6	24,583.6	42%
Jan-03	3,993.3	25,129.1	44%
Feb-03	6,048.3	38,061.0	63%
Mar-03	6,207.7	39,064.4	56%
Apr-03	6,286.6	39,561.0	57%
May-03	4,674.6	29,417.0	40%
Jun-03	5,048.6	31,770.0	48%
Jul-03	5,390.8	33,923.4	56%
Aug-03	5,063.4	31,863.5	60%
Sep-03	4,469.4	28,125.6	37%
Oct-03	5,218.6	32,839.7	49%
Nov-03	6,340.1	39,897.2	56%
Dec-03	4,837.4	30,440.9	45%
Jan-04	7,051.1	44,371.7	66%
Feb-04	4,359.4	27,433.4	41%
Mar-04	6,569.2	41,339.2	65%
Apr-04	4,142.3	26,067.2	41%
May-04	3,614.1	22,743.1	35%
Jun-04	5,636.7	35,471.2	54%
Jul-04	6,568.6	41,335.2	63%
Aug-04	5,821.2	36,632.3	58%
Sep-04	1,708.6	10,752.0	34%
Oct-04	6,830.3	42,982.2	63%
Nov-04	5,090.3	32,032.9	44%
Dec-04	7,066.0	44,465.2	59%
Jan-05	7,502.5	47,212.4	69%
Feb-05	6,983.3	43,944.8	61%
Mar-05	8,680.6	54,625.6	74%
Apr-05	7,642.4	48,092.4	91%
May-05	9,654.2	60,752.8	89%
Jun-05	7,444.4	46,846.7	72%
Jul-05	6,683.7	42,059.4	73%
Aug-05	3,375.6	21,242.4	46%
Sep-05	0.0	0.0	Plant Shutdown
Oct-05	4,179.6	26,301.8	167%
Nov-05	4,006.0	25,209.1	68%

Dec-05	1,542.9	9,709.5	30%
Jan-06	3,640.9	22,911.6	57%
Feb-06	4,911.2	30,905.8	57%
Mar-06	5,824.4	36,651.9	72%
Apr-06	4,117.6	25,911.5	46%
May-06	9,587.8	60,334.7	103%
Jun-06	6,198.2	39,004.7	86%
Jul-06	5,836.8	36,730.2	71%
Aug-06	7,747.6	48,754.9	77%
Sep-06	6,833.5	43,002.4	59%
Oct-06	6,981.0	43,930.4	61%
Nov-06	6,560.9	41,286.7	69%
Dec-06	8,588.1	54,043.8	89%
Jan-07	7,696.1	48,430.3	94%
Feb-07	7,611.5	47,897.9	101%
Mar-07	5,709.9	35,931.9	77%
Apr-07	6,574.5	41,372.3	90%
May-07	6,462.0	40,664.8	92%
Jun-07	8,217.5	51,711.6	95%
Jul-07	7,686.7	48,371.4	102%
Aug-07	6,790.3	42,730.3	84%
Sep-07	5,497.5	34,595.1	79%
Oct-07	7,048.8	44,357.0	87%
Nov-07	5,396.1	33,956.9	79%
Dec-07	5,803.7	36,522.1	69%
Jan-08	6,257.3	39,376.4	72%
Feb-08	8,125.1	51,130.0	80%
Mar-08	7,424.6	46,722.1	92%
Apr-08	7,143.2	44,951.5	95%
May-08	6,697.7	42,147.7	86%
Jun-08	7,890.5	49,653.9	105%
Jul-08	4,880.7	30,713.9	74%
Aug-08	647.0	4,071.4	29%
Sep-08	2,531.8	15,932.0	78%

Notes:

NOVA Chemicals does not itself have data available prior to 2002, but is advised that this information is in the possession of Enbridge. The available data is derived from monthly Enbridge shipper reports reflecting total deliveries and NOVA Chemicals' monthly stock statements reflecting total crude and condensate feed to the crude unit at the Corunna facility.

The figures reflect Line 9 deliveries to the Corunna facility, and not injection volumes. Please note that Line 9 and western crude deliveries are not rateable, and NOVA Chemicals uses its own storage facilities as a buffer. This results in some of the percentage of the crude unit feed displaying a figure in excess of 100%. The above figures are also affected by a crude unit shutdown period in September 2004, severe petrochemical plant operating problems in the fourth quarter of 2005 (including a complete site outage in September and October), and a turnaround in August and September of 2008.

APPENDIX C

STANDARD
&POOR'S

COMMENTARY REPORT

NOVA Chemicals Corp.

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Publication Date
Sept. 24, 2008

Rationale

The ratings on NOVA Chemicals Corp. reflect the company's high debt levels, exposure to volatile commodity chemicals, and weak styrene business. These weaknesses are counterbalanced by its cost-competitive olefins/polyolefins business, which generates good cash flow through the cycle.

NOVA Chemicals produces commodity chemicals and plastics that are used in consumer, industrial, and packaging products. The company has an annual production capacity of 6,650 million pounds of ethylene and 3,575 million pounds of polyethylene. It also produces a small amount of performance styrenics, which includes expandable polystyrene and styrenic polymer performance products. NOVA Chemicals' Ineos NOVA joint venture (JV) produces styrene monomer and solid polystyrene in North America and Europe.

The company's core olefins/polyolefins business benefits from low feedstock costs at its main facility in Joffre, Alta. Lower natural gas prices in Alberta relative to the U.S. Gulf Coast have historically translated into 7 U.S. cents per pound lower ethylene production costs than for its North American competitors. In the past year-and-a-half this cost advantage has widened and is averaged about 20 U.S. cents per pound, contributing to a surge in NOVA Chemicals' profitability and cash flow. The olefins/polyolefins business has a history of good cash flow generation and, on average, has generated close to US$650 million in EBITDA a year in the past five years. Nevertheless, olefins production is the only part of the company's business that has a history of strong cash flow generation. There is limited opportunity to expand on its cost advantage without constructing another plant; Standard & Poor's Ratings Services would expect NOVA Chemicals to use small debottlenecking projects to further take advantage of low feedstock costs.

Compounding NOVA Chemicals' exposure to cyclical commodity chemicals are the poor business fundamentals of its styrene JV. Styrene producers have to contend with high benzene prices, weak market conditions, and an oversupply of styrene from propylene oxide/styrene monomer (POSM) plants. Styrene is a byproduct of POSM plants, and is produced irrespective of the fundamental supply-demand balance. Historically, the lackluster performance at NOVA Chemicals' styrene business has been a drain on its cash flows. While we expect the JV to result in cost synergies that should stem NOVA Chemicals' cash burn, we don't expect it to contribute meaningful cash flows in the near future. For the first six months of 2008 the JV contributed US$12 million in EBITDA to NOVA. Additional low-cost styrene capacity coming on line in the Middle East and Asia in the next two to three years threatens to suppress styrene prices.

After several years of weak performance due to the styrene business, NOVA Chemicals' financial performance is improving. This is in part due to a strong price environment for its olefins/polyolefins business and the restructuring of its styrene business. Although NOVA Chemicals is generating strong cash flows, its debt burden remains heavy at about US$2.57 billion and Standard & Poor's-adjusted total debt to capital is about 71%. Given the current peak olefins/polyolefins price environment, the current debt-to-EBITDA ratio of 2.9x is low for the rating. However, given the cyclical nature of business profitability this can quickly decline. As such, given the current rating level we would expect the adjusted leverage ratio to average about 4.0x-4.5x through the cycle.

Liquidity

NOVA Chemicals' liquidity is adequate, reflecting the company's modest cash balances and good availability under credit facilities and receivables securitization arrangements. As of June 30, 2008, the company had US$67 million in cash and US$416 million available under its four credit facilities. The company remains compliant with financial covenants under its credit facilities. In addition, the company has a receivables securitization program, with US$300 million availability as of August 2008. We expect modest capital expenditure in the next couple of years mostly on the capacity expansion of polyethylene plants. NOVA Chemicals has US$250 million in notes due in 2009.

Recovery analysis

For the complete recovery analysis on NOVA, see " Recovery Report: NOVA Chemicals Corp.'s Recovery Rating Profile," published March 19, on RatingsDirect.

Outlook

The outlook is stable. Given market conditions, the company's olefins/polyolefins business should continue to generate good cash flows and we no longer expect the styrene business to be a cash drain. With its current asset base, only a meaningful amount of debt reduction of about 15%-20% would lead us to upgrade the company. On the other hand, we could downgrade NOVA Chemicals if softness in the olefins/polyolefins market leads to elimination of its Alberta cost advantage and a permanent increase in adjusted leverage to 5x.

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RESEARCH

NOVA Chemicals Corp.

Publication date: 21-Apr-2008
Primary Credit Analyst: Jatinder Mall, Toronto (1) 416-507-2544; jatinder_mall@standardandpoors.com
Secondary Credit Analyst: Donald Marleau, CFA, Toronto 1 (416) 507-2526; donald_marleau@standardandpoors.com

Major Rating Factors

Weaknesses:

- Highly leveraged capital structure
- Exposure to volatile commodity chemicals
- Weak business fundamentals for styrene

Corporate Credit Rating
B+/Stable/--
View Recovery Ratings >>

Strengths:

- Cost-competitive olefins/polyolefins business

Rationale

The ratings on NOVA Chemicals Corp. reflect its high debt levels, exposure to volatile commodity chemicals, and weak styrene business. These weaknesses are counterbalanced by its cost-competitive olefins/polyolefins business, which generates good cash flow through the cycle.

NOVA Chemicals produces commodity chemicals and plastics used in consumer, industrial, and packaging products. In 2007, NOVA Chemicals expanded its joint venture (JV) with Ineos to include North American styrene assets. The JV produces styrene monomer and solid polystyrene in North America and Europe.

The company's core olefins/polyolefins business benefits from low feedstock costs at its main facility in Joffre, Alta. Lower natural gas prices in Alberta relative to the U.S. Gulf Coast (USGC) have historically translated into 7 U.S. cents per pound lower ethylene production costs than for its North American competitors. In the past year-and-a-half this cost advantage has widened and averaged 17 U.S. cents per pound for 2007, contributing to a surge in NOVA Chemicals' profitability and cash flow. In the past five years, the olefins/polyolefins business has generated on average close to US$650 million in EBITDA yearly. Nevertheless, olefins production is the only part of the company's business that has a history of strong cash flow generation. Although there is limited opportunity to expand on its cost advantage without constructing another plant, Standard & Poor's Ratings Services would expect NOVA Chemicals to use small debottlenecking projects to further take advantage of low feedstock costs.

Compounding NOVA Chemicals' exposure to cyclical commodity chemicals are the poor business fundamentals of its styrene JV. Styrene producers have to contend with high benzene prices, weak market conditions, and an oversupply of styrene from propylene oxide/styrene monomer (POSM) plants. Styrene is a byproduct of POSM plants, and is produced irrespective of the fundamental supply-demand balance. Historically, the lackluster performance at NOVA Chemicals' styrene business has been a drain on its cash flows. While we expect the JV to result in cost synergies that should stem NOVA Chemicals' cash burn, we don't expect it to contribute meaningful cash flows in the near future. Additional low-cost styrene capacity coming on line in the Middle East and Asia in the next two to three years threatens to suppress styrene prices.

After several years of weak performance due to the styrene business, NOVA Chemicals' financial performance is improving. This is in part due to a strong price environment for its olefins/polyolefins business and the restructuring of its styrene business. Although the company generates strong cash flows, its debt burden remains heavy at about US$2.5 billion and Standard & Poor's-adjusted total debt to capital is about 73%. Given the current peak olefins/polyolefins price environment, the current debt-to-EBITDA ratio of 2.8x is low for the ratings. However, we would expect the ratio to average about 4x through the cycle.

Liquidity

NOVA Chemicals' liquidity is adequate, reflecting the company's modest cash balances and good availability under credit facilities and receivables securitization arrangements. As of Dec. 31, 2007, the company had US$118 million in cash and US$434 million available under its credit facilities. In addition, the company has a receivables securitization program for US$350 million, with a US$264 million balance at Dec. 31, 2007. The company is compliant with its financial covenants. We expect modest capital expenditure in the next couple of years mostly on the capacity expansion of the polyethylene plants. NOVA Chemicals has US$250 million in notes due in 2009.

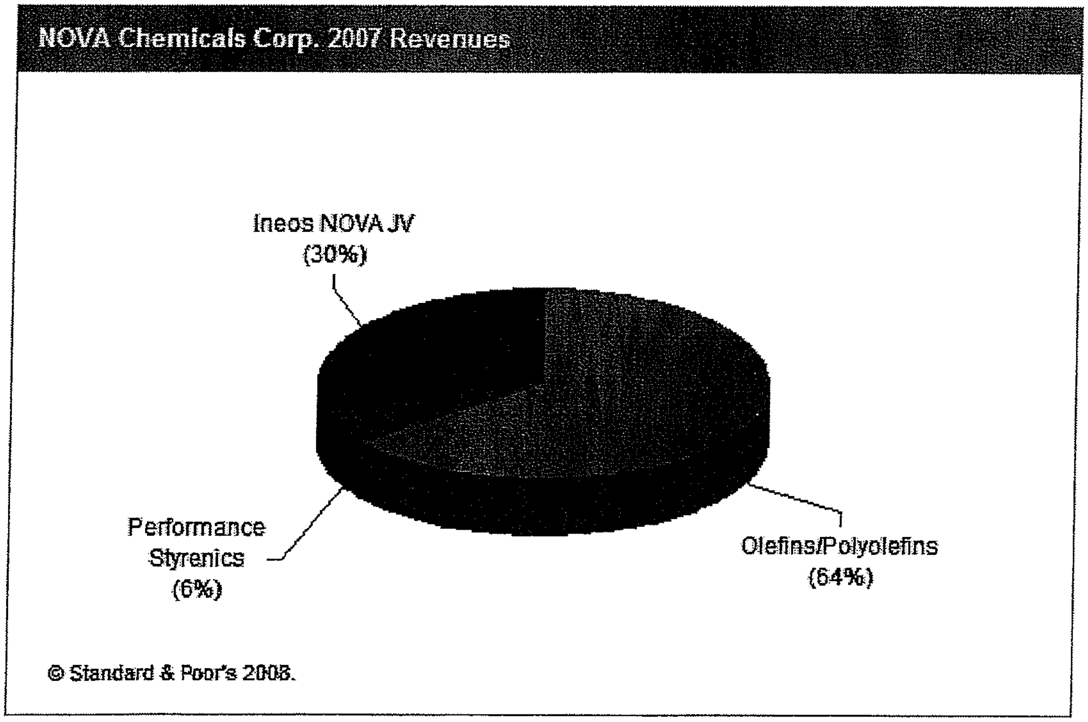
Outlook

The outlook is stable. The company's olefins/polyolefins business should continue to generate good cash flows, and we no longer expect the styrene business to be a cash drain. We could downgrade NOVA Chemicals or revise the outlook to negative if softness in the olefins/polyolefins market leads to a decline in credit metrics. On the other hand, with its current asset base, only a meaningful amount of debt reduction would lead us to upgrade the company.

Business Description

NOVA Chemicals is one of the largest ethylene and polyethylene producers in North America. With primary production facilities located in Joffre, Alta., it produces commodity chemicals and plastics used to produce consumer, industrial, and packaging products. The company has an annual production capacity of 6.65 billion pounds of ethylene and 3.5 billion pounds of polyethylene. NOVA Chemicals also produces a small amount of performance styrenics, which includes expandable polystyrene (EPS) and styrenic polymer performance (SPP) products. As of late 2007, all of the company's styrene monomer and solid polystyrene production facilities are run by its JV with Ineos. (See chart for revenue breakdown.)

Chart



Business Risk Profile: Weak

Low feedstock costs at key olefins/polyolefins production facility

The company's Joffre olefins/polyolefins production site has low feedstock costs relative to its North American peers. Key feedstock for this site is ethane, which is extracted from relatively cheap natural gas in Alberta, while most of its competitors' production is from the USGC where natural gas on average tends to be more expensive. In the past five years, Alberta natural gas prices have averaged US$1 per MMBtu lower than USGC natural gas prices. Lower feedstock costs, combined with large plants, have resulted in historical average ethylene production costs at the Joffre site of about 7 U.S.

cents per pound lower than similar USGC ethylene facilities. This cost advantage is marginally offset by transportation costs to the U.S. Furthermore, lower production costs mean that this facility is one of the last olefins/polyolefins facilities in North America to remain open in a cyclical downturn.

The Joffre site is well-integrated into the Alberta Ethane Gathering System, and long-term supply contracts ensure that the facility will continue to have access to low-cost feedstock for several years to come. In addition, a new Aux Sable ethane supply plant scheduled to begin operation in mid-2010 will provide NOVA Chemicals with access to additional low-cost ethane. NOVA Chemicals' Joffre facility produces about 70% of the company's ethylene and 65% of its polyethylene production.

While the Corunna, Ont., facility (which represents about one-third of polyethylene production) doesn't benefit from low-cost feedstock, it's flexible because it can use various feedstock (including crude oil, ethane, and propane) depending on market conditions.

Weak business fundamentals for the styrene joint venture

Standard & Poor's views styrene as having weak business fundamentals given excess capacity, weak demand, and the inability to pass through rising input costs. Profitability has been hampered by large-scale capacity additions around the world. In the past seven years when demand and margins have been weak for styrene, POSM plants have continued to operate at high rates (about 90%) while styrene plants have reduced production and operating rates have averaged about 80%. Furthermore, benzene prices have increased at an average rate of about 28% since 2002 compared to styrene prices, which have only increased at an average rate of about 16% for the same period. Benzene is the single largest cost item used to make styrene.

Although NOVA Chemicals has placed its styrene business in a joint venture, the business has a history of poor financial performance. While the JV will lead to some cost synergies it is unlikely to generate any that are meaningful. To reduce excess capacity from the industry, the JV bought the rights of Sterling Chemicals Inc.'s (B-/Stable/--) Texas City facility and elected to not produce styrene at this site, which represents 11% of North American styrene capacity.

While styrene producers have been reducing capacity, they will continue to face a challenging business environment given the economics of POSM plants and additional capacity coming on line in the next three years.

Profitability

NOVA Chemicals' operating margins tend to be volatile given the cyclical nature of the commodity chemicals industry. Furthermore, the company's historical performance has been affected by weak performance at its styrene business unit. Although the company is enjoying strong operating margins on the heels of favorable market conditions for ethylene and polyethylene, these margins can quickly decline as the industry experiences a downturn. While the completion of the styrene business restructuring means it will no longer be a drain on company profits, it's not likely to make a significant cash flow contribution in the next few years either.

Financial Risk Profile: Highly Leveraged

NOVA Chemicals has a highly leveraged financial risk profile due to several years of poor performance at its styrene business. Although the company doesn't have a target leverage ratio based on an historical average, we would expect the Standard & Poor's-adjusted debt-to-EBITDA ratio to be between 3x-4x through the cycle. The company has previously used excess cash flows to buy back shares and would likely do so in the future.

Accounting

NOVA Chemicals reports under Canadian generally accepted accounting principles (GAAP) and provides reconciliation with U.S. GAAP. There are no material differences.

NOVA Chemicals' inventories are stated as the lower of either cost or net realizable value, with the cost determined using "first in, first out" (FIFO) accounting. "Last in, first out" (LIFO) is the industry standard for it U.S.-based peers. Given rising input costs in the industry, mostly because of the higher oil and natural gas prices, a FIFO approach to inventory valuation will tend to result in a higher stated inventory valuation, and modestly higher profitability because the cost of goods sold is lower compared with the results under LIFO accounting.

Standard & Poor's adjusts NOVA Chemicals' total debt and assets to reflect the company's long-term operating-lease, receivable securitization program, and unfunded pension and asset retirement obligations. (See the reconciliation table 1 for all of Standard & Poor's adjustments.)

Table 1

Reconciliation Of NOVA Chemicals Corp. Reported Amounts With Standard & Poor's Adjusted Amounts

--Fiscal year ended Dec. 31, 2007--

NOVA Chemicals Corp. reported amounts (Mil. US$)*									
	Debt	**Shareholders' equity**	**Operating income (before D&A)**	**Operating income (before D&A)**	**Operating income (after D&A)**	**Interest expense**	**Cash flow from operations**	**Cash flow from operations**	**Capital expenditures**
Reported	1,797.0	1,101.0	885.0	885.0	639.0	185.0	329.0	329.0	156.0
Standard & Poor's adjustments									
Trade receivables sold or securitized	282.5	N/A	N/A	N/A	N/A	0.0	N/A	N/A	N/A
Operating leases	279.7	N/A	48.5	31.2	31.2	31.2	17.3	17.3	N/A
Postretirement benefit obligations	166.4	(133.9)	(1.0)	(1.0)	(1.0)	N/A	26.7	26.7	N/A
Capitalized interest	N/A	N/A	N/A	N/A	N/A	1.0	(1.0)	(1.0)	(1.0)
Share-based compensation expense	N/A	N/A	N/A	2.0	N/A	N/A	N/A	N/A	N/A
Asset retirement obligations	15.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Reclassification of nonoperating income (expenses)	N/A	N/A	N/A	N/A	10.0	N/A	N/A	N/A	N/A
Reclassification of working-capital cash flow changes	N/A	N/A	N/A	N/A	N/A	N/A	N/A	228.0	N/A
Total adjustments	743.6	(133.9)	47.5	32.2	40.2	32.2	42.9	270.9	(1.0)
Standard & Poor's adjusted amounts									
	Debt	**Equity**	**Operating income (before D&A)**	**EBITDA**	**EBIT**	**Interest expense**	**Cash flow from operations**	**Funds from operations**	**Capital expenditures**
Adjusted	2,540.6	967.1	932.5	917.2	679.2	217.2	371.9	599.9	155.0

*NOVA Chemicals Corp. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts. D&A--Depreciation and amortization. N/A--Not applicable.

Volatile cash flow affects leverage

Due to the volatile nature of cash flows, NOVA Chemicals' leverage ratio can vary considerably year-over-year. While the current adjusted total debt-to-EBITDA ratio of 2.8x is low for the ratings, we would expect leverage to be about 4x through a cycle, which is more in line with the historical average. As of Dec. 31, 2007, NOVA Chemicals had adjusted debt of US$2.54 billion.

Historically, cash flow protection levels have been weak due to poor performance in the styrene business with funds from operations (FFO) to debt averaging in the low teens in the past five years. With the styrene restructuring complete and good market conditions for the olefins business, we expect FFO to debt to improve in 2008. However, we would expect the FFO-to-debt ratio to be average at about 15% through the cycle. (See tables 2 and 3 for peer comparison and financial summary.)

Table 2

NOVA Chemicals Corp.--Peer Comparison*

Industry Sector: Chemical Companies

	NOVA Chemicals Corp.	Westlake Chemical Corp.	Methanex Corp.
(Rating as of April 18, 2008)	B+/Stable/--	BB+/Negative/--	BBB-/Stable/--
	--Average of past three fiscal years--		
(Mil. US$)			
Revenues	6,289.0	2,705.9	2,011.0
Net income from continuing operations	(153.3)	178.7	341.5
Funds from operations (FFO)	413.6	312.2	527.9
Capital expenditures	272.3	138.4	171.4
Debt	2,657.0	462.1	945.1
Equity	820.1	1,148.5	1,172.8
Adjusted ratios			
Oper. income (bef. D&A)/revenues (%)	11.2	14.8	35.8
EBIT interest coverage (x)	2.1	11.1	7.0
EBITDA interest coverage (x)	3.5	14.3	8.2
Return on capital (%)	10.1	17.1	23.5
FFO/debt (%)	15.6	67.6	55.9
Debt/EBITDA (x)	3.9	1.2	1.4

*Fully adjusted (including postretirement obligations). D&A--Depreciation and amortization.

Table 3

NOVA Chemicals Corp.--Financial Summary*

Industry Sector: Chemical Companies

	--Fiscal year ended Dec. 31--				
	2007	**2006**	**2005**	**2004**	**2003**
Rating history	B+/Stable/--	BB-/Stable/	BB+/Negative/--	BB+/Stable/--	BB+/Stable/--
(Mil. US$)					
Revenues	6,732.0	6,519.0	5,616.0	5,270.0	3,949.0
Net income from continuing operations	347.0	(703.0)	(104.0)	262.0	28.0
Funds from operations (FFO)	599.9	351.8	289.1	442.8	154.8
Capital expenditures	155.0	195.0	467.0	276.4	130.0
Debt	2,540.6	2,619.2	2,811.1	2,272.1	1,759.4
Equity	967.1	457.6	1,035.7	1,538.3	1,751.6
Adjusted ratios					
Oper. income (bef. D&A)/revenues (%)	13.9	10.4	9.1	11.8	7.4
EBIT interest coverage (x)	3.1	1.8	1.2	2.1	0.1
EBITDA interest coverage (x)	4.2	3.2	3.0	4.2	2.1
Return on capital (%)	18.0	9.0	4.5	7.2	0.4
FFO/debt (%)	23.6	13.4	10.3	19.5	8.8
Debt/EBITDA (x)	2.8	4.0	5.7	3.8	6.5

*Fully adjusted (including postretirement obligations). D&A--Depreciation and amortization.

Ratings Detail (As Of 21-Apr-2008)*

NOVA Chemicals Corp.	
Corporate Credit Rating	B+/Stable/--
Senior Unsecured	B+
Corporate Credit Ratings History	
24-Jan-2007	B+/Stable/--

19-May-2006	BB-/Stable/--
21-Oct-2005	BB+/Negative/--
21-Dec-2004	BB+/Stable/--
07-Jan-2004	BB+/Negative/--
27-Oct-2003	BB+/Stable/--
22-May-2003	BB+/Positive/--
Business Risk Profile	Weak
Financial Risk Profile	Highly leveraged

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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Moody's Investors Service

Global Credit Research
Credit Opinion
26 SEP 2007

Credit Opinion: NOVA Chemicals Corporation

NOVA Chemicals Corporation

Calgary, Alberta, Canada

Ratings

Category	Moody's Rating
Outlook	Negative
Corporate Family Rating	Ba3
Senior Unsecured	Ba3/LGD4
Speculative Grade Liquidity	SGL-3

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Key Indicators

NOVA Chemicals Corporation

	LTM 6/2007	2006	2005	2004
FCF / Debt %	4.4%	0.7%	-3.9%	0.0%
RCF / Net Debt %	16.2%	11.9%	10.1%	19.0%
EBITA / Net Avg. Assets [1]	8.2%	6.6%	3.7%	5.9%
Debt / EBITDA	3.2x	3.9x	5.2x	3.9x
EBITDA / Interest Expense	3.6x	3.3x	3.2x	4.5x
EBITDA Margin %	11.3%	10.4%	9.6%	12.1%

Ratios are consistent with Moody's Global Standard Analytical Adjustments

[1] Excludes cash and marketable securities

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Company Profile

NOVA Chemicals Corporation (NOVA), headquartered in Calgary, Alberta, Canada, is a leading producer of ethylene and polyethylene and has its two major manufacturing facilities in Canada (we view the Corunna, Mooretown and St. Clair River facilities as one integrated complex). The company's largest plant in Joffre, Alberta benefits from lower cost ethane and natural gas than most U.S. Gulf Coast producers. The company's other ethylene production facility in Corunna is a flexi- cracker and has a very basic refinery on its front end, which enables it to use crude oil as a feedstock. The company plans to contribute the vast majority of its remaining styrene, polystyrene, and expanded polystyrene assets to expand the INEOS NOVA 50/50 joint venture. Nova will retain its Performance Styrenics business, which has sales of approximately $400 million. NOVA's products are used in a wide variety of consumer and industrial goods and reported revenues of $6.5 billion for the LTM ending June 30, 2007.

Recent Events

On September 25, 2007, Moody's Investors Service confirmed NOVA's Ba3 corporate family rating and senior unsecured debt ratings following regulatory approval for the expansion of its styrenics joint venture and the belief that low olefin feedstock costs could allow the company to meaningfully reduce debt over the next 12-18 months.

Moody's also affirmed the company's SGL-3 rating. Given the volatile nature of its margins, high reliance on petrochemical feedstocks, recent history of operating problems, and hence, some uncertainty over the company's ability to reduce debt, the outlook will remain negative until net balance sheet debt declines below $1.5 billion. The September 21, 2007 actions concluded the review, which began on February 1, 2007. After the announcement of fourth quarter 2006 results (January 31, 2007), NOVA's ratings were put under review for downgrade to reflect heightened credit risk due to the large write-down of, and inability to monetize, it US styrenics assets, and the limited profitability of its polyethylene business in 2006, near the top of the ethylene cycle.

Rating Rationale

The ratings confirmation reflects the expectation that NOVA will be able to generate over $700 million of EBITDA in 2007 and that Alberta ethane prices will remain low relative to Gulf Coast prices and other crude oil-based feedstocks through much of 2008, especially during the second and third calendar quarters. This should provide NOVA with the opportunity to de-lever its balance sheet and reduce net debt to roughly $1.5 billion by the end of 2007 and get it well below $1.5 billion in 2008. The expanded styrenics joint venture with INEOS, including the contractual arrangement with Sterling Chemical, will enable NOVA to minimize its exposure to a business that has been a cash drain and a credit negative over much of the past decade. Furthermore, given the likelihood of additional US styrene capacity rationalization (Dow and ChevronPhillips venture), Moody's believes that the INEOS NOVA joint venture may not require additional funding. The combination of these factors should improve NOVA's credit metrics over the cycle and allow the company to maintain its Ba3 corporate family rating. NOVA needs to reduce its balance sheet debt as it has roughly $1.2 billion of debt maturities over the next five years and a large portion of this debt may have to be refinanced during unfavorable conditions in the global olefin/polyolefin markets.

Lack of Diversity is an Issue

NOVA's has limited product, geographic and operational diversity. Earnings are highly reliant on two world-scale operating facilities that primarily produce ethylene and polyethylene. NOVA is the tenth largest ethylene producer globally, and tied for fifth in North America. However, most other leading ethylene producers are integrated downstream into both polyethylene and ethylene oxide. NOVA is reliant on only ethylene and polyethylene, which leads to an unusually high level of volatility in earnings and cash flow over the cycle (NOVA has one of the weakest "Stability of EBITDA" metrics in the industry). Additionally, its limited diversity and exposure to petrochemical feedstocks, NOVA's Business Profile maps to the "Caa" category in Moody's Global Chemical Industry Rating Methodology.

The Alberta Advantage - Finally Having an Impact on the Bottom Line

Over 70% of NOVA's ethylene production capacity is located in Joffre, Alberta and has traditionally benefited from lower cost ethane feedstock than Gulf Coast producers (the company estimates this at roughly 6-7 cents/pound on average). This advantage has not been readily apparent over the last several years due to the tremendous increase in feedstock prices and unplanned outages at NOVA's facilities. We also believe that a portion of this advantage is consumed due to higher costs to market, mix issues or some other unidentified cost, as the company's reported segment information does not show a consistent advantage versus other North American producers in the 2000-2006 timeframe. However, when the company's advantage is above 10 cents/pound, we are observing a meaningful increase in profitability versus other NA producers.

NOVA advantage stems from the lower differential between ethane and natural gas in Alberta and the lower cost of Alberta natural gas relative to US natural gas on the Gulf Coast. NOVA purchases ethane at a relatively small margin over Alberta natural gas costs; whereas US ethylene producers purchase ethane at negotiated prices that are at a 10-30% premium to US natural gas costs. When natural gas is cheap relative to oil prices (i.e., a barrel of crude oil is substantially more than 6x the cost of a million BTU's of natural gas), the prices of ethane and natural gas liquids tend to rise relative to natural gas prices.

Currently, Gulf Coast spot ethane prices are roughly 40-50% above natural gas prices (translates into 7-8 cents/lb of ethylene benefit). Additionally, Alberta spot natural gas prices are roughly $1.70-1.80/mm BTU below Gulf Coast prices (translates into a 4-5 cents/lb of ethylene benefit).

Given the record natural gas storage in the US, the recent increases in oil prices and current prices on natural gas futures for 2008, we believe that, at a minimum, NOVA's feedstock advantage will be well above 10 cents/lb in the third quarter of 2007 and in the second and third quarters of 2008. We believe this should allow the company to generate EBITDA of over $700 million in 2007 and $450 million in 2008, which should provide an opportunity for the company to meaningfully de-lever over the next 18 months.

Feedstocks Less of a Long-term Concern

Previously, we were concerned over reports that Alberta natural gas production was becoming drier (less ethane, propane, etc per quantity produced). The reported litigation with Dow over the supply of feedstocks to the Joffre plant reinforced this concern. While we expect ethylene production to continue to be feedstock limited over the near-term, the announcement with Aux Sable Canada Ltd. on the development of a new extraction plant tied to the Alliance pipeline should increase NOVA's ethane supply by 25%. Additionally, excess ethane from the startup of oil-sands projects (post-2010) should ensure that feedstocks remain readily available over the longer term.

Debt Maturity Profile Will Require Near-term Deleveraging

Given the expected downturn in the olefins cycle, we realize that NOVA's debt maturity profile could present a problem if the company does not focus on reducing debt over the next 12-18 months. NOVA has five maturities totaling $928 million coming due over the next three years (retractable preferred due 2007, 7.25%notes put-able 2008, 7.8% notes due 2009, 7.45% notes due 2010, and revolver 2010) along with an additional $800 million due the following three years (6.5% notes due 2012, floating rate notes due 2013). Given the magnitude of NOVA's debt maturities, we believe that the company will have to re-finance a large portion of these maturities during the upcoming downturn. Hence, management needs to utilize the expected free cash flow over the next 12-18 months to reduce debt as much as possible prior to a sustained decline in its financial performance. The Ba3 ratings anticipate that management will utilize the vast majority of its free cash flow to reduce debt. As mentioned in prior reports, NOVA's debt is relatively high at this point in the commodity chemicals cycle. Should management utilize its free cash flow to repurchase shares or make other investments, we could reassess the appropriateness of the Ba3 ratings.

Liquidity

NOVA's Speculative Grade Liquidity (SGL) rating of SGL-3 reflects concerns over debt maturities and the need to amend its secured revolver over the next six months, despite an elevated cash balance of $178 million (as of June 30, 2007; including restricted cash held to repay its preferred securities) and the expectation that the company will be able to generate over $250-350 million of free cash flow during the next 12 months. The company has $198 million of preferred securities that are due in November 2007 and $125 million of unsecured notes that are put-able in August 2008. Moody's liquidity guidelines do not assume that the company will be able to amend its revolver or extend the maturity of its preferred securities. Once the company amends/refinances its revolver, we would likely raise the company's rating to SGL-2.

Rating Outlook

The negative outlook reflects some uncertainty over the company's ability/willingness to reduce debt over the next 12-18 months given the volatile nature of its financial performance during the past few years and management's demonstrated willingness to repurchase shares rather than reduce debt. The company is effectively a single product commodity producer whose financial performance can be greatly impacted by exogenous events. The company's quarterly financial performance over the past two and a half years, arguably the strongest part of the current up-cycle in olefins, has been very volatile due to feedstock prices, uneven market demand and several unplanned production outages.

What Could Change the Rating - Up

We would likely move the outlook to stable should net debt falls below $1.5 billion, providing the company continues to benefit from low feedstock prices.

What Could Change the Rating - Down

We could reassess the appropriateness of the Ba3 rating if NOVA is unable to reduce debt to below $1.5 billion, as expected over the next year, or if the company's trailing four quarter EBITDA falls below $450 million.

Other Considerations

Rating Methodology Mapping

Equal weighting of all 12 discrete metrics (sub-factors) in Moody's Chemicals Rating Methodology places NOVA at the bottom of the in "Ba" category. This assumed that management is able to reduce balance sheet debt meaningfully below $1.5 billion over the next two years. For illustrative purposes, the Rating Factors chart on the last page of this publication utilizes the last three years of audited financials to map the company's rating; the historical metrics are not adjusted to include the impact of the expanded INEOS NOVA joint venture.

The key rating factors currently influencing NOVA's rating and outlook are "Business Profile", "Management Strategy" and "Financial Strength". Moody's believes that the company's rating will be contingent upon management's ability and willingness to reduce debt over the next 12-18 months.

As of June 30, 2007, NOVA had balance sheet debt of $1.9 billion and a cash balance of $178 million. When applying Moody's Standard Financial Adjustments, which include the capitalization of operating leases and pension liabilities, total debt increases to $2.8 billion (excluding cash). This additional debt is primarily composed of approximately $136 million in pension liabilities, $381 million in operating leases, and $367 million in AR securitization.

Rating Factors

NOVA Chemicals Corporation

Chemical Industry	**Aa**	**A**	**Baa**	**Ba**	**B**	**Caa**
Factor 1: Business Profile						
a) Business Position Assessment						X
Factor 2: Size & Stability						
a) Revenue (Billions of US$)		6.4				
b) # of Divisions of Equal Size						1
c) Stability of EBITDA						X
Factor 3: Cost Position						
a) EBITDA Margin (3 Yr. Hist. Avg.)				10.6%		
b) ROA - EBIT / Assets (3 Yr. Hist. Avg.)				5.4%		
c) Contingencies as % of Cash from Ops. (3 Yr. Hist. Avg.)	X					
Factor 4: Management Strategy						
a) Current Debt / Capital				67%		
b) Debt / EBITDA (3 Yr. Hist. Avg.)					4.1x	
Factor 5: Financial Strength						
a) EBITDA / Total Interest Expense (3 Yr. Hist. Avg.)				3.6x		
b) Retained Cash Flow / Debt (3 Yr. Hist. Avg.)				13.9%		
c) Free Cash Flow / Debt (3 Yr. Hist. Avg.)						0%
Rating:						
a) Indicated Rating from Methodology				Ba		
b) Actual Rating Assigned				Ba3		

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Credit Analysis

NOVA Chemicals Corp.

Ratings

Security Class	Current Rating
Issuer Default Rating	BB–
Secured Revolver	BB+
Sr. Unsecured Revolver	BB–
Sr. Unsecured Notes	BB–
Series 'A' Preferred	BB+

Outlook

Stable

Financial Data

NOVA Chemicals Corp.

	6/30/08	12/31/07
EBITDA ($ Mil.)	826	885
Total Debt with Equity Credit ($ Mil.)	1,800	1,797
Total Assets ($ Mil.)	5,032	4,856
FCF ($ Mil.)	3	100
Debt/EBITDA (x)	2.2	2.0
EBITDA/Interest (x)	4.50	4.76

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Rating Rationale

- Positive drivers include NOVA Chemicals Corp.'s (NOVA) size, scale and low-cost position within the chemicals industry, which in turn is driven by feedstock cost advantages linked to relatively cheap Alberta natural gas.
- Downsides affecting the rating center on short-term refinancing risk in the form of several pending maturities, the liquidity strains created by continued builds in working capital created by rising commodity prices, and a softening economic outlook.
- Short-term refinancing risk includes $126 million in preferreds due in October, $125 million in 7.25% bonds putable by bondholders in August and $250 million in notes due in early 2009. Currently, holders of the 7.25% bonds have indicated they will exercise their put in August, in line with our expectations. NOVA is in discussions with its bank partner to roll over its $126 million in preferreds for a one-year term to October 2009, an event that would ease near-term liquidity concerns. In addition, NOVA is in third-party discussions to securitize working capital investments in crude inventories at its Corunna plant, another potential source of near-term cash.
- The Rating Outlook is Stable. On balance, we think the company's significant near-term refinancing needs are manageable given an improving operational environment and reasonable access to committed bank lines.

Key Rating Drivers

- Catalysts for an upgrade include the successful extension or repayment of near-term maturities, additional near-term increases in liquidity and demonstrated managerial commitment to maintaining lower leverage going forward.
- Catalysts for a downgrade include the inability to refinance near-term maturities, significant increases in liquidity needs driven by higher working capital requirements, weaker chemical market fundamentals or a sustained drop in the oil-to-gas ratio, which would erode NOVA's "Alberta Advantage."

Recent Events

NOVA's EBITDA was $826 million for the last 12 months (LTM) ending June 30, 2008, below the record $885 million seen at year-end 2007 but still high by historical standards. The driver of these results continues to be the feedstock cost advantage in the form of cheap Alberta natural gas at its main Joffre olefins/polyolefins plant. For the quarter, the Alberta Advantage averaged $0.17/lb., down from the $0.21/lb. seen in the first quarter but well above historical levels. In contrast to the olefins/polyolefins business, contributions from the INEOS-NOVA joint venture and Performance Styrenics segments continued to languish ($2 million and –$4 million in EBITDA, respectively) as price increases failed to keep pace with fast-rising feedstock costs. In May, the company signed a letter of intent with Reliance Industries Limited to form a building and construction joint venture, which will focus on expandable polystyrene applications in construction. Initial capital expenditure commitments are light, but could ramp up if demonstration facilities prove successful.

In terms of credit metrics, NOVA's EBITDA/interest coverage stood at 4.5 times (x) at June 30, 2008, while debt/EBITDA leverage stood at 2.2x, as calculated by Fitch. Rising crude and commodity prices continued to pressure cash flows in the form of higher working capital requirements, as was highlighted by the large gap between NOVA's funds flow from operations (FFO) of $455 million and cash flow from operations ($232 million) over the LTM period. High working capital investments also depressed free cash flow, which was just $3 million versus $100 million at year-end 2007. NOVA continued its efforts to streamline working capital needs by minimizing the inventories held across its system. The company is also in discussions to free up cash by securitizing oil inventories used as feedstock at its Corunna plant, although no definitive arrangement has been reached at this point. At current prices, management estimates such an arrangement could free up between $200 million and $250 million in net working capital. Note that a sustained reversal in crude oil prices would also have a beneficial effect by liberating cash currently tied up in working capital.

Liquidity and Debt Structure

NOVA maintains liquidity through cash on hand, internal cash flow and its several revolvers. As of the end of the second quarter, NOVA had $483 million of liquidity available to it, down slightly from the $492 million reported at the end of the first quarter. This liquidity was composed of $67 million of unrestricted cash and equivalents, and $416 million in available revolver capacity (net of $49 million in letters of credit (LC) usage and $118 million in direct borrowings). NOVA's total debt at the end of the second quarter was approximately unchanged from year-end 2007 levels at $1.8 billion; however, as expected, the short-term component of the total has jumped, as 2008 and 2009 maturities fall due within one year, underscoring the company's need to either pay down or refinance pending maturities.

A number of changes were made to the company's revolvers in the first part of the year. In the first quarter, NOVA extended $68 million out of $100 million on its unsecured revolver by one year to March 15, 2009. At the same time, it increased the capacity on its existing main secured revolver from $325 million to $350 million. In addition, NOVA renegotiated covenants on both of these revolvers. Under revised terms, it dropped the previous 60% debt-to-capitalization maximum and minimum shareholder equity covenants and replaced both with a net-debt-to-cash-flow ratio covenant that is not to exceed 5.0x. Note that the debt-to-capitalization ratio had been the most restrictive of NOVA's covenants. Also note that as of Jan. 1, 2008, all covenant calculations exclude the results of the INEOS-NOVA joint venture.

Capital Structure

($ Mil., As of June 30, 2008)

	Amount	%
Current Debt		
Preferred 'A' Shares[a]	126	4.3
Secured Revolver	118	4.0
Other[b]	261	8.8
Total Current Debt	**505**	**17.0**
Long-Term Debt		
Fixed and Floating Notes	1,292	43.6
Total Debt	**1,797**	**60.6**
Stockholders' Equity	1,167	39.4
Total Capitalization	**2,964**	**100.0**

[a]Equity notional amount of preferred shares due 10/31/08.
[b]Includes revolver borrowings.
Source: Company reports.

Scheduled Debt Maturities

($ Mil., As of June 30, 2008)

2008[a]	126.0
2009	250.0
2010	250.0

[a]Does not include $125 million in 7.25% notes due 2028, which are putable by bondholders in 2008.
Source: Company reports.

Liquidity

($ Mil., As of June 30, 2008)

Unrestricted Cash And Equivalents	67
Approximate Unused Bank Revolver Facilities	416
Approximate Unused Accounts Receivable Securitization	0
Total Approximate Liquidity	**483**

Source: Company reports.

Key Bank Covenants

I. Minimum interest coverage of 2.0x.

II. Maximum net-debt-to-cash-flow ratio covenant of 5.0x.

III. Distributions beyond permitted categories not allowed if liquidity is less than $450 million.

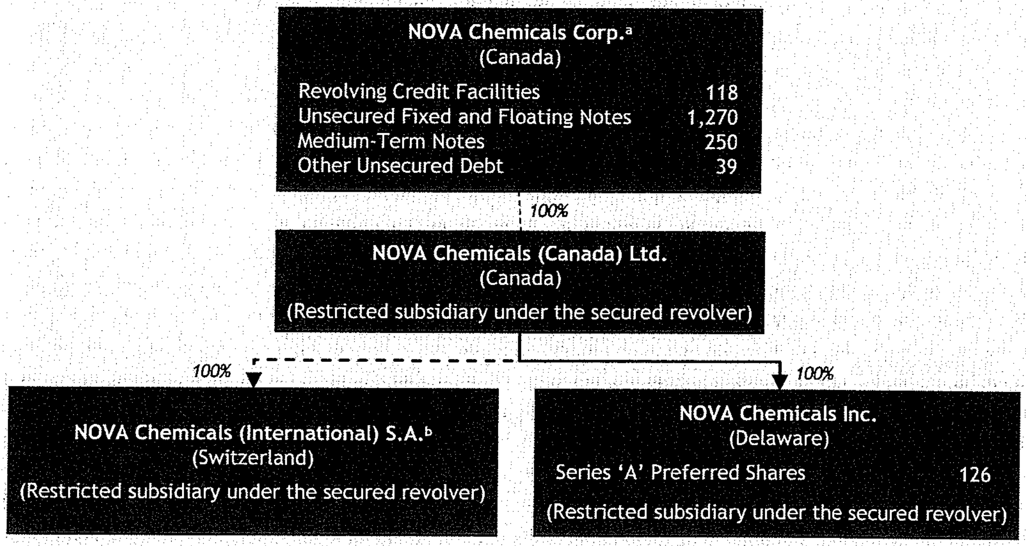
IV. Eliminated minimum shareholder-equity ratio and maximum debt-to-capitalization ratio covenants in first-quarter 2008.

Key Bond Covenants

I. Total secured indebtedness less than 10% of consolidated tangible net worth.

II. Limitations on asset sale/lease backs.

Organizational Structure
($ Mil., As of June 30, 2008)



[a] NOVA Chemicals Corp. holds a 50% interest equity interest in INEOS NOVA LLC. [b] NOVA Chemicals (International) holds a 50% equity interest in each of INEOS NOVA European Holdings B.V. and INEOS NOVA International, S.A.
Source: Company reports.

NOVA Chemicals Corporation — Financial Summary

($ Mil.)

Profitability	12/31/03	12/31/04	12/31/05	12/31/06	12/31/07	LTM Ended 6/30/08
Operating EBITDA	238.0	569.0	454.0	604.0	885.0	826.0
Operating EBITDA Margin (%)	6.0	10.8	8.1	9.3	13.2	10.8
Funds from Operations (FFO) Return on Adjusted Capital (%)	8.4	19.3	11.9	16.9	17.9	18.6
Free Cash Flow (FCF) Margin (%)	(5.0)	1.1	(7.1)	0.8	1.5	—
Coverages (x)						
FFO Interest Coverage	2.1	6.2	3.1	2.7	3.2	3.5
Operating EBITDA/Gross Interest Expense	2.0	4.8	3.5	3.4	4.8	4.5
FFO Fixed Charge Coverage	1.7	4.5	2.4	2.3	2.6	2.9
FCF Debt-Service Coverage	(0.6)	0.8	(0.6)	0.5	0.7	0.3
Cash Flow from Operations/Capital Expenditures	0.1	1.4	0.4	1.3	1.7	1.2
Leverage (x)						
Long-term Secured Debt/Operating EBITDA	—	—	—	—	—	—
Long-term Secured Debt/FFO	—	—	—	—	—	—
Total Debt with Equity Credit/Operating EBITDA	5.5	3.0	4.5	3.1	2.0	2.2
FFO Adjusted Leverage	6.3	3.1	5.8	4.9	3.9	3.7
Total Adjusted Debt/Operating EBITDAR	6.5	3.9	5.2	3.9	2.7	2.9
FCF/Total Adjusted Debt (%)	(10.4)	2.3	(14.7)	1.9	3.9	0.1
Balance Sheet						
Short-Term Debt	0.0	100.0	302.0	263.0	257.0	508.0
Long-Term Senior Secured Debt	—	—	—	—	—	—
Long-Term Senior Unsecured Debt	1,101.0	1,416.0	1,539.0	1,417.0	1,414.0	1,166.0
Long-Term Subordinated Debt	—	—	—	—	—	—
Other Debt	198.0	198.0	198.0	198.0	126.0	126.0
Equity Credit	—	—	—	—	—	—
Total Debt with Equity Credit	1,299.0	1,714.0	2,039.0	1,878.0	1,797.0	1,800.0
Off-Balance-Sheet Debt	601.0	722.0	657.0	743.0	752.0	797.6
Total Adjusted Debt with Equity Credit	1,900.0	2,436.0	2,696.0	2,621.0	2,549.0	2,597.6
Cash Flow						
Funds From Operations	128.0	618.0	270.0	297.0	406.0	455.0
Change in Working Capital	(113.0)	(272.0)	(42.0)	27.0	(77.0)	(223.0)
Cash Flow from Operations	15.0	346.0	228.0	324.0	329.0	232.0
Total Non-Operating/Non-Recurring Cash Flow	—	—	—	—	—	—
Capital Expenditures	(159.0)	(251.0)	(597.0)	(246.0)	(198.0)	(196.0)
Common Dividends	(54.0)	(38.0)	(27.0)	(29.0)	(31.0)	(33.0)
Free Cash Flow	(198.0)	57.0	(396.0)	49.0	100.0	3.0
Net Acquisitions and Divestitures	564.0	225.0	11.0	3.0	6.0	5.0
Net Debt Proceeds	(157.0)	398.0	317.0	(162.0)	(13.0)	(22.0)
Net Equity Proceeds	9.0	(552.0)	(123.0)	3.0	2.0	6.0
Other (Investing and Financing)	(20.0)	(95.0)	112.0	16.0	(30.0)	(34.0)
Total Change in Cash	198.0	33.0	(79.0)	(91.0)	65.0	(42.0)
Ending Cash and Securities Balance	212.0	245.0	166.0	75.0	118.0	67.0
Income Statement						
Revenue	3,949.0	5,270.0	5,616.0	6,519.0	6,732.0	7,675.0
Revenue Growth (%)	27.8	33.5	6.6	16.1	3.2	17.6
Operating EBIT	(60.0)	272.0	164.0	305.0	639.0	557.0
Gross Interest Expense	121.0	118.0	131.0	176.0	186.0	183.0

Source: Company reports, Fitch calculations.

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Rating Report

Report Date:
February 11, 2008

Previous Report:
February 15, 2007

Insight beyond the rating.

NOVA Chemicals Corporation

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The Company

NOVA Chemicals Corporation is a leading producer and marketer of petrochemicals. NOVA operates two commodity chemical businesses - olefins/polyolefins and styrenics, with production facilities based primarily in North America and Europe.

Rating

Debt	Rating	Rating Action	Trend
Unsecured Notes & Debentures	BB	Confirmed	Negative
Series A Preferred Shares	Pfd-4	Confirmed	Negative

Rating Rationale

DBRS has confirmed the rating of NOVA Chemicals Corporation (NOVA or the Company) at BB, largely due to the improvement in the Company financial profile over the past year, which was above DBRS's expectations. The Negative trend reflects the uncertainty regarding the Company's ability to maintain the improving trend in its financial profile due to weakening U.S. economic conditions and the potential debt refinancing risk.

Favourable operating results from NOVA's olefins/polyolefins business and near-break even earnings from NOVA's styrenics businesses (including the new INEOS NOVA joint venture and performance styrenics segment) are largely responsible for the stronger financial performance. The improvement in styrenics-related results follows several years of large losses that have offset gains in the olefins/polyolefins segment. DBRS expects the Company to continue to generate favourable earnings and cash flow over the near term. Most notably, NOVA's feedstock cost advantage (Alberta Advantage) is likely to remain above historical levels relative to its U.S. Gulf-based competitors due to continuing high oil prices (which are highly correlated with ethane, the key feedstock for ethylene production in North America). High feedstock costs should provide support for ethylene/polyethylene prices, and enable NOVA to maintain margins at favourable levels in 2008. In addition, the Company's styrenics' businesses are expected to remain relatively stable, although earnings contributions will likely be modest going forward.

Despite the expectation for near-term favourable industry fundamentals, DBRS is maintaining the trend at Negative. NOVA's olefins/polyolefins segment has historically been highly volatile and cyclical, and the strength in the Canadian dollar adds pressure to earnings. Importantly, the potential of a U.S. economic recession has recently increased, and would negatively impact ethylene/polyethylene demand and operating rates. In addition, a wave of new capacity (namely in the Middle East in late-2008 and in Asia in 2009) has the potential to weaken global industry supply/demand fundamentals and negatively impact the Company's earnings beyond 2008. (continued on page 2)

Rating Considerations

Strengths	Challenges
(1) Cost competitive, world-class plants	(1) Cyclicality of commodity chemicals
(2) Strong process technology	(2) Leverage is aggressive for a cyclical company
(3) Solid liquidity position	(3) Earnings are sensitive to volatile feedstock costs
(4) Diversified sales and products	(4) Poor performance from styrenics business

Financial Information

	For the year ended December 31					
(USD millions)	2007	2006	2005	2004	2003	2002
Net sales	6,732	6,519	5,616	5,270	3,949	3,091
EBIT	639	305	171	349	(60)	(51)
Net income before non-recur. items	386	145	16	175	(80)	(105)
EBITDA interest coverage	4.81	3.43	3.52	5.52	2.59	2.39
% debt in the capital structure*	65.7%	79.1%	64.3%	52.2%	49.4%	56.9%
Debt to EBITDA*	2.39	3.42	4.75	2.80	6.58	7.80
Cash flow/total debt*	0.26	0.15	0.12	0.23	0.09	0.10
Return on equity	46.9%	16.5%	1.1%	10.8%	-5.6%	-8.1%

* Total debt includes accounts receiveable securtization and preferred shares.

Rating Rationale (Continued from page 1.)

Lower earnings would impair the Company's ability to generate sufficient free cash flow required to reduce debt, which remains aggressive for the rating. In order for NOVA to maintain the current rating, debt levels are required to measurably decline over the near term. A lower debt burden would increase flexibility and improve the Company's financial risk profile through the commodity chemical market cycle. Furthermore, NOVA faces several large debt repayment requirements over the next three years, and a deterioration in market conditions could increase refinancing risk, particularly if leverage does not decline.

Rating Considerations Details

Strengths

(1) NOVA operates cost-competitive, world class production facilities. The Company's Joffre, Alberta, plant is the largest ethylene/polyethylene facility in the world, and has the ability to produce ethylene more efficiently than NOVA's competitor in the U.S. Gulf Coast region. Key reasons for the relative cost advantage include: (a) lower natural gas costs in Alberta; (b) plant scale for ethylene conversion (lower fixed costs) and (c) lower ethane extraction costs. The cost advantage (i.e., Alberta Advantage) has historically averaged seven cents per pound (but is currently well above this level). NOVA is the fifth-largest producer of ethylene in North America.

(2) NOVA has strong process technology capabilities. The Company's proprietary Advanced SCLAIRTECH (AST) technology is being employed in the Joffre complex to produce value-added polyethylene products. Furthermore, the AST technology produces numerous grades of polyethylene resins and can switch between resin grades with minimal transition time.

(3) NOVA has a solid liquidity position with approximately $552 million available, largely comprised of available revolving credit facilities. Adequate liquidity capacity is important, given high working capital requirements (namely during periods of rising prices), below-average performance from the Company's styrenics operations and future large debt maturities.

(4) The Company has broadened its product lines, with new higher-margin performance products that account for an increasing share of total revenues. NOVA's performance products are expected to help add stability to earnings through a cycle, although they currently remain a modest share of consolidated sales.

Challenges

(1) NOVA is a producer of commodity chemicals, which are highly cyclical and impacted by prevailing industry supply/demand conditions. The Company is highly focused on two principal commodities, polyethylene and polystyrene, where earnings are heavily impacted by prices and operating rates. NOVA has generated favourable results from its polyethylene operations over the past two years. However, future industry capacity expansion, primarily in the Middle East in late-2008 and China in 2009, poses a risk to future earnings as global operating rates will likely moderate.

(2) NOVA's balance sheet is aggressively leveraged for a cyclical company, which reduces financial flexibility. Debt-to-capital (including securitizations) was approximately 66% at December 31, 2007, largely related to write-downs of former STYRENIX division assets). High debt, particularly during periods of declining earnings and cash flow, reduces financial flexibility. The Company also has several large debt repayment requirements over the next three years, which will need to be addressed.

(3) The feedstock required by NOVA for production is derived from natural gas and crude oil, and accounts for approximately 60% to 80% of total costs. These products have been historically highly volatile, and add cost pressure during periods of sharp increases. While industry competitors are also impacted (to a larger extent), the Company is limited in its ability to pass on rising gas costs through product price increases.

(4) NOVA's stryrenics operations have generated losses and cash outflows for several years, which has offset generally favourable (albeit, volatile) performance of the Olefins business. The Company's decision to create a joint venture with its STYRENIX division (start-up of INEOS NOVA joint venture on October 1, 2007) will help improve the efficiency of its styrenics-related operations. However, profitability is likely to remain weak, given continuing unfavourable market fundamentals (e.g., excess industry supply and weak demand).

Earnings

(USD millions)	2007	2006	2005	2004	2003	2002
	For the year ended December 31					
Revenues	6,732	6,519	5,616	5,270	3,949	3,091
EBITDA	885	604	461	646	238	215
Operating profit (EBIT)	639	305	171	349	(60)	(51)
Net income before extra. items	386	145	16	175	(80)	(105)
Reported net income	347	(703)	(101)	253	28	(81)
EBITDA margin	13.1%	9.3%	8.2%	12.3%	6.0%	7.0%
EBIT margin	9.5%	4.7%	3.0%	6.6%	-1.5%	-1.6%
Net margin	5.7%	2.2%	0.3%	3.3%	-2.0%	-3.4%
Return on equity	46.9%	16.5%	1.1%	10.8%	-5.6%	-8.1%

Summary

Earnings (before extraordinary items) increased over the past year, and the Company has generated growth for the second consecutive year. The improvement was related mainly to strong performance from NOVA's olefins/polyelefins business. In addition, INEOS NOVA generated close to break-even operating earnings, following large losses in 2006 (and losses from the former STYRENICS segment since 2001). However, strength in the Canadian dollar moderated earnings upside.

The earnings improvement in the olefins/polyolefins segment was driven by NOVA's Corunna Olefins segment (mainly higher sales and co-product prices, which exceeded rising feedstock costs). In addition, growth from the Company's polyethylene segment was due to lower average feedstock costs, rising volumes (both domestic and international), and price increases (namely in Q4 2007) given improved industry fundamentals and rising industry feedstock costs. Performance from the Company's Joffre Olefins segment remained strong (flat from 2006) and continued to account for the majority of consolidated operating earnings.

A widening Alberta Advantage led to higher margins relative to NOVA's U.S. Gulf-based competitors, notably in the latter part of 2007. Solid demand, both domestically and for export, and higher industry input costs contributed to price increases in the Olefins segment.

Cost cutting measures implemented in the Company's styrenics operations (namely INEOS NOVA) led to the improvement in operating performance. The joint venture closed two polystyrene plants and one styrene monomer plant (Texas City – following INEOS NOVA's acquisition of Sterling Chemicals' production rights). However, styrene industry conditions continue to be characterized by excess supply (despite a 14% reduction in polystyrene industry capacity since 2006) and relatively flat demand growth.

Outlook

Earnings (before extraordinary items) are expected to be roughly in line with 2007 levels over the near-term. The olefins/polyolefins segment is expected to continue to account for virtually all of NOVA's earnings, with roughly break-even peformance likely from the Company's INEOS NOVA and performance styrenics businesses.

Continuing favourable ethylene/polyethylene prices are expected in 2008, given a strong global supply/demand balance and high oil prices (which are significantly correlated with ethane prices, the key feedstock for ethylene in North America). The high feedstock environment should enable NOVA to maintain higher margins (namely from its Joffre, Alberta facility -- Alberta Advantage) relative to its U.S. Gulf competitors, and support volume growth. In addition, the Company's cost advantage should support favourable export shipments (23% of volume was outside of North America in Q4 2007).

NOVA's styrenics operations are expected to remain under pressure, given continuing excess industry capacity and anaemic demand growth. However, large losses are not expected as in previous years, given recent efficiency gains related to plant closures, the prospect for more capacity curtailments over the near term and low benzene prices (primary feedstock). Furthermore, the Company is expected to realize INEOS NOVA joint venture synergies of $40 million in 2008.

Despite the expectation for near-term favourable industry fundamentals, the olefins/polyolefins segment has been highly volatile and cyclical, and the strength in the Canadian dollar limits margin upside. The potential for a U.S. economic recession has recently increased, and would negatively impact ethylene/polyethylene demand. Furthermore, a wave of new capacity (namely in the Middle East in late-2008, Asia in 2009) has the potential to signficantly weaken industry operating rates and negatively impact the Company's profitability beyond 2008.

Segmented Results

(USD millions)	For the year ended December 31						
Sales	2007	2006	2005	2004	2003	2002	2001
Olefins/polyolefins (1)	4,533	4,281	3,586	3,230	2,559	1,930	2,014
Performance Styrenics	412	385	--	--	--	--	--
INEOS NOVA (2)	2,092	2,186	2,259	2,324	1,579	1,305	1,314
EBIT (3)							
Olefins/polyolefins	784	644	430	441	98	67	57
Performance Styrenics	(30)	(29)	--	--	--	--	--
INEOS NOVA (2)	(4)	(149)	(254)	(66)	(147)	(118)	(225)
EBIT Margin							
Olefins/polyolefins	17.3%	15.0%	12.0%	13.7%	3.8%	3.5%	2.8%
Performance Styrenics	-7.3%	-7.5%	--	--	--	--	--
INEOS NOVA (2)	-0.2%	-6.8%	-11.2%	-2.8%	-9.3%	-9.0%	-17.1%

(1) Includes inter-segment sales. (2) Styrenics results pre-2005 (segment reclassification in 2007).

(3) Excludes restructuring charges.

Financial Profile

	For the year ended December 31					
(USD millions)	2007	2006	2005	2004	2003	2002
EBITDA	885	604	461	646	238	215
Net income pre-extra. items	386	145	16	175	(80)	(105)
Depreciation & amortization	246	299	290	297	298	266
Deferred taxes, other items	(75)	(133)	(44)	(61)	(78)	8
Cash flow from operations	557	311	262	411	140	169
Less: dividends	31	29	27	28	54	54
Less: capital expenditures	156	198	419	242	130	71
Free cash flow pre-working capital	370	84	(184)	141	(44)	44
Changes in working capital	(228)	39	(42)	(78)	(125)	206
Net free cash flow	142	123	(226)	63	(169)	250
Acquisitions	(30)	-	-	-	-	-
Divestitures	6	3	11	225	564	82
Other	(42)	(48)	(69)	(101)	(49)	(32)
Cash flow before financing	76	78	(284)	187	346	300
Net change in debt	(13)	(192)	317	398	(157)	(307)
Net change in common equity	2	1	(112)	(169)	9	11
Net change in preferred shares	-	-	-	(383)	-	-
Net change in cash	65	(113)	(79)	33	198	4
Key Figures and Ratios						
% debt in capital structure (1)	65.7%	79.1%	64.3%	52.2%	49.4%	56.9%
Debt to EBITDA	2.39	3.42	4.75	2.80	6.58	7.80
EBITDA interest coverage	4.81	3.43	3.52	5.52	2.59	2.39
Cash flow/total debt (1)	0.26	0.15	0.12	0.23	0.09	0.10

(1) Debt adjusted for debt equivalents. Note: NOVA reclassified its USD126 million in preferred shares (net) as 100% debt in 2005 (DBRS treated the preferred shares as 80% equity pre-2005).

Summary

Free cash flow (before working capital) increased in 2007 and was positve for the second consecutive year. Improving earnings and a reduction in capex were largely responsible for the increase in 2007.

However, significant working capital uses consumed the bulk of free cash flow generated by the Company. Higher accounts receivables (mainly due to rising polyethelene prices) and rising inventory (pricing and timing-related) were largely responsible for the working capital outflow.

Gross debt was relatively unchanged from 2006, mainly due to modest free cash flow before financing. The lack of significant restructuring charges along with earnings growth led to an improvement in NOVA's debt-to-capital ratio in 2007. However, leverage remains aggressive for the rating.

Stable debt, combined with growth in earnings and operating cash flow, led to strengthening coverage ratios. Debt-to-EBITDA and cash flow coverage improved to their most favourable levels since 2002.

Outlook

NOVA is expected to fund operations internally over the near term, mainly from continuing favourable earnings. However, free cash flow (before working capital) is likely to decline from favourable 2007 levels.

Capex is forecasted to increase from modest 2007 levels (to roughly $220 million) mainly related to efficiency, expansion and de-bottlenecking projects. Capex will remain below depreciation, which provides support for free cash flow generation.

NOVA is expected to use excess cash (including cash generated in 2006) toward debt repayment; the Company's $125 million 7.25% debentures, which are due in 2028, are putable at the holders' option on August 15, 2008. DBRS expects the bonds to be redeemed in 2008.

The reduction in NOVA's debt is likely to lead to an improvement in leverage and coverage through 2008. However, measurable net debt repayment may require cash to be generated from working capital sources (as compared to large uses in 2006), given DBRS's expectation for relatively flat earnings and higher capex.

NOVA's liquidity position is favourable at approximately $552 million. However, the Company faces large debt repayment requirements over the next three years, and the financial covenants associated with the majority of NOVA's available credit facilities (discussed below) will need to be renegotiated before March 31, 2008. As a result, this creates a degree of uncertainty, particularly in the event of weaker-than-expected market conditions.

Debt and Liquidity

NOVA's liquidity position is favourable at approximately $552 million at December 31, 2007, including:

– Cash and equivalents:	$118 million
– Available credit:	$434 million

The Company has four credit facilities that total $590 million, including:
i) $100 million due March 31, 2008,
ii) $65 million due March 20, 2010,
iii) $325 million due June 30, 2010, and
iv) $100 million due March 20, 2011.

The $100 million facility due in 2008 and $325 million facility have financial covenants that were amended at year- end 2006. Covenants, as per the covenant methodology (i.e., excluding certain write-downs) include debt-to-capital of 60% (versus the Company's 48% at December 31, 2007), interest coverage of 2 times, and consolidated shareholders' equity of $1.25 billion plus 50% of positive earnings. The financial covenants will require renegotiation before March 31, 2008.

NOVA also has a U.S. accounts receivable securitization program of $350 million expiring in 2010 ($264 million used at end-2007) and 50% share of the EUR120 million INEOS NOVA program expiring 2011 (EUR37 million used at end-2007).

Debt Profile

NOVA is facing several debt maturities over the next three years, which reduces financial flexibility. The Company is expected to reduce debt partly from free cash flow, but will likely be required to refinance the majority of the maturing debt. NOVA's long-term maturity schedule (excluding credit facilities) over the next five years is as follows (in $ millions):

2008	2009	2010	2011	2012
$125	$250	$253	$ -	$400

Note:
- NOVA's 7.25% $125 million debentures due 2028 are redeemable at the holders' option on August 15, 2008, are expected to be put to NOVA (including in the maturity schedule above in 2008).

Outlook

DBRS expects the Company to maintain full access to its credit facilities and refinance maturing debt over the coming years. A measurable decline in NOVA's leverage and reduction in re-financing risk could have positive implications for the rating. Alternatively, weakening cash flow and continuing high leverage could result in a ratings downgrade.

NOVA Chemicals Corporation

Report Date:
February 11, 2008

NOVA Chemicals Corporation

Balance Sheet
(USD millions)

Assets	2007	2006	2005	**Liabilities and Equit**	2007	2006	2005
	As at December 31				As at December 31		
Cash & equivalents	118	53	166	Short-term debt	3	1	1
Accounts receivable	608	496	564	Accounts payable	1,163	983	974
Inventories	882	669	680	Current long-term	254	197	301
Other assets	4	7	-	**Total Curr. Liabs.**	1,420	1,181	1,276
Total Current Assets	1,612	1,225	1,410	Long-term debt	1,540	1,582	1,539
Fixed assets	3,047	2,719	3,626	Def. taxes & other	775	768	989
Other assets	177	133	181	Preferred shares	-	-	198
				Common equity	1,101	546	1,215
Total	4,836	4,077	5,217	**Total**	4,836	4,077	5,217

Balance Sheet Ratios	For the year ended December 31					
	2007	2006	2005	2004	2003	2002
Current ratio	1.14	1.04	1.11	1.59	1.57	1.03
Acc. receivable & inv./short-term debt	5.80	5.88	4.12	12.01	n/a	n/a
Inventory turnover (days)	48	41	46	40	34	37
Receivable turnover (days)	30	30	37	31	26	35
Cash flow/current liabilities	0.39	0.26	0.21	0.45	0.24	0.30
EBITDA interest coverage	4.81	3.43	3.52	5.52	2.59	2.39
EBIT interest coverage	3.47	1.73	1.31	2.98	(0.65)	(0.57)
% net debt in the capital structure (1)	64.4%	78.6%	62.5%	51.1%	50.9%	62.9%
% debt in the capital structure (1)	65.7%	79.1%	64.3%	52.2%	49.4%	56.9%
Debt to EBITDA (1)	2.39	3.42	4.75	2.80	6.58	7.80
Cash flow/total debt	0.31	0.17	0.13	0.26	0.10	0.11
Cash flow/total debt (1)	0.26	0.15	0.12	0.23	0.09	0.10
Asset coverage	1.47	1.20	1.60	2.05	2.72	2.28
Cash flow/capital expenditure	3.57	1.57	0.63	1.70	1.08	2.38

Income Statements	For the year ended December 31					
(USD millions)	2007	2006	2005	2004	2003	2002
Sales	6,732	6,519	5,616	5,270	3,949	3,091
Operating expenses	6,093	6,214	5,445	4,921	4,009	3,142
Operating income	639	305	171	349	(60)	(51)
Interest expense	184	176	131	117	92	90
Other expense and income	(10)	(9)	(18)	(9)	(3)	(3)
Income before taxes	465	138	58	241	(149)	(138)
Income taxes	79	(7)	42	66	(30)	(28)
Income after taxes	386	145	16	175	(119)	(110)
Non-controlling interest	-	-	-	-	39	5
Income before non-recurring items	386	145	16	175	(80)	(105)
Non-recurring items	(39)	(848)	(117)	78	108	24
Net income	347	(703)	(101)	253	28	(81)

Cash Flow (USD millions)						
Income before non-recurring items	386	145	16	175	(80)	(105)
Depreciation & amortization	246	299	290	297	298	266
Deferred taxes & other	(75)	(133)	(44)	(61)	(78)	8
Cash flow from operations	557	311	262	411	140	169
Less: capital expenditure	156	198	419	242	130	71
Less: dividends	31	29	27	28	54	54
Free cash flow pre-working capital	370	84	(184)	141	(44)	44
Working capital changes	(228)	39	(42)	(78)	(125)	206
Net free cash flow	142	123	(226)	63	(169)	250

Profitability Ratios						
Operating margin	9.5%	4.7%	3.0%	6.6%	-1.5%	-1.6%
Net margin	5.7%	2.2%	0.3%	3.3%	-2.0%	-3.4%
Return on equity	46.9%	16.5%	1.1%	10.8%	-5.6%	-8.1%
Return on capital	15.9%	8.7%	1.2%	6.6%	-0.2%	-0.9%

(1) Debt adjusted for securitizations. Note: NOVA reclassified its USD198 million in preferred shares as 100% debt (effective Jan. 1, 2005).
DBRS treated the preferred shares as 80% equity pre-2005 (prior to reclassification).

NOVA Chemicals Corporation

Report Date:
February 11, 2008

Rating

Debt	Rating	Rating Action	Trend
Unsecured Notes & Debentures	BB	Confirmed	Negative
Series A Preferred Shares	Pfd-4	Confirmed	Negative

Rating History

	Current	2007	2006	2005	2004	2003
Unsecured Notes & Debentures	BB	BB	BBB (low)	BBB (low)	BBB (low)	BBB (low)
Series A Preferred Shares	Pfd-4	Pfd-4	Pfd-3 (low)	Pfd-3 (low)	Pfd-3 (low)	Pfd-3 (low)

Note:
All figures are in U.S. dollars unless otherwise noted.

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RESEARCH

Standard & Poor's Ratings Definitions

Publication date: 30-Sep-2008

(**Editor's Note:** The Ratings Definitions have been republished to include corrections to the CaVal [Mexico] national scale rating definitions.)

ISSUE CREDIT RATING DEFINITIONS

A Standard & Poor's issue credit rating is a current opinion of the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program (including ratings on medium-term note programs and commercial paper programs). It takes into consideration the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation and takes into account the currency in which the obligation is denominated. The opinion evaluates the obligor's capacity and willingness to meet its financial commitments as they come due, and may assess terms, such as collateral security and subordination, which could affect ultimate payment in the event of default. The issue credit rating is not a recommendation to purchase, sell, or hold a financial obligation, inasmuch as it does not comment as to market price or suitability for a particular investor.

Issue credit ratings are based on current information furnished by the obligors or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any credit rating and may, on occasion, rely on unaudited financial information. Credit ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

Issue credit ratings can be either long term or short term. Short-term ratings are generally assigned to those obligations considered short-term in the relevant market. In the U.S., for example, that means obligations with an original maturity of no more than 365 days—including commercial paper. Short-term ratings are also used to indicate the creditworthiness of an obligor with respect to put features on long-term obligations. The result is a dual rating, in which the short-term rating addresses the put feature, in addition to the usual long-term rating. Medium-term notes are assigned long-term ratings.

Long-Term Issue Credit Ratings

Issue credit ratings are based, in varying degrees, on the following considerations:

- Likelihood of payment—capacity and willingness of the obligor to meet its financial commitment on an obligation in accordance with the terms of the obligation;
- Nature of and provisions of the obligation;
- Protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

Issue ratings are an assessment of default risk, but may incorporate an assessment of relative seniority or ultimate recovery in the event of default. Junior obligations are typically rated lower than senior obligations, to reflect the lower priority in bankruptcy, as noted above. (Such differentiation may apply when an entity has both senior and subordinated obligations, secured and unsecured obligations, or operating company and holding company obligations.)

AAA

An obligation rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AA

An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.

A

An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

BBB

An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

BB, B, CCC, CC, and C

Obligations rated 'BB', 'B', 'CCC', 'CC', and 'C' are regarded as having significant speculative characteristics. 'BB' indicates the least degree of speculation and 'C' the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

BB

An obligation rated 'BB' is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

B

An obligation rated 'B' is more vulnerable to nonpayment than obligations rated 'BB', but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation.

CCC

An obligation rated 'CCC' is currently vulnerable to nonpayment, and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.

CC

An obligation rated 'CC' is currently highly vulnerable to nonpayment.

C

A 'C' rating is assigned to obligations that are currently highly vulnerable to nonpayment, obligations that have payment arrearages allowed by the terms of the documents, or obligations of an issuer that is the subject of a bankruptcy petition or similar action which have not experienced a payment default. Among others, the 'C' rating may be assigned to subordinated debt, preferred stock or other obligations on which cash payments have been suspended in accordance with the instrument's terms.

D

An obligation rated 'D' is in payment default. The 'D' rating category is used when payments on an obligation are not made on the date due even if the applicable grace period has not expired, unless Standard & Poor's believes that such payments will be made during such grace period. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized.

Plus (+) or minus (-)

The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

NR

This indicates that no rating has been requested, that there is insufficient information on which to base a rating, or that Standard & Poor's does not rate a particular obligation as a matter of policy.

Short-Term Issue Credit Ratings

A-1

A short-term obligation rated 'A-1' is rated in the highest category by Standard & Poor's. The obligor's capacity to meet its

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Long-Term Obligation Ratings

Moody's long-term obligation ratings are opinions of the relative credit risk of fixed-income obligations with an original maturity of one year or more. They address the possibility that a financial obligation will not be honored as promised. Such ratings reflect both the likelihood of default and any financial loss suffered in the event of default.

Moody's Long-Term Rating Definitions:

Aaa

Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.

Aa

Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

A

Obligations rated A are considered upper-medium grade and are subject to low credit risk.

Baa

Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.

Ba

Obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk.

B

Obligations rated B are considered speculative and are subject to high credit risk.

Caa

Obligations rated Caa are judged to be of poor standing and are subject to very high credit risk.

Ca

Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.

C

Obligations rated C are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

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Insight beyond the rating.

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RATING SCALES

Commercial Paper and Short Term Debt | Bond and Long Term Debt | Preferred Share | Claims Paying Ability | Income Fund Stability | Servicer Evaluations

Rating Scale: Bond and Long Term Debt

The DBRS® long-term debt rating scale is meant to give an indication of the risk that a borrower will not fulfill its full obligations in a timely manner, with respect to both interest and principal commitments. Every DBRS rating is based on quantitative and qualitative considerations relevant to the borrowing entity. Each rating category is denoted by the subcategories "high" and "low". The absence of either a "high" or "low" designation indicates the rating is in the "middle" of the category. The AAA and D categories do not utilize "high", "middle", and "low" as differential grades.

AAA

Long-term debt rated AAA is of the highest credit quality, with exceptionally strong protection for the timely repayment of principal and interest. Earnings are considered stable, the structure of the industry in which the entity operates is strong, and the outlook for future profitability is favourable. There are few qualifying factors present that would detract from the performance of the entity. The strength of liquidity and coverage ratios is unquestioned and the entity has established a credible track record of superior performance. Given the extremely high standard that DBRS has set for this category, few entities are able to achieve a AAA rating.

AA

Long-term debt rated AA is of superior credit quality, and protection of interest and principal is considered high. In many cases they differ from long-term debt rated AAA only to a small degree. Given the extremely restrictive definition DBRS has for the AAA category, entities rated AA are also considered to be strong credits, typically exemplifying above-average strength in key areas of consideration and unlikely to be significantly affected by reasonably foreseeable events.

A

Long-term debt rated "A" is of satisfactory credit quality. Protection of interest and principal is still substantial, but the degree of strength is less than that of AA rated entities. While "A" is a respectable rating, entities in this category are considered to be more susceptible to adverse economic conditions and have greater cyclical tendencies than higher-rated securities.

BBB

Long-term debt rated BBB is of adequate credit quality. Protection of interest and principal is considered acceptable, but the entity is fairly susceptible to adverse changes in financial and economic conditions, or there may be other adverse conditions present which reduce the strength of the entity and its rated securities.

BB

Long-term debt rated BB is defined to be speculative and non-investment grade, where the degree of protection afforded interest and principal is uncertain, particularly during periods of economic recession. Entities in the BB range typically have limited access to capital markets and additional liquidity support. In many cases, deficiencies in critical mass, diversification, and competitive strength are additional negative considerations.

B

Long-term debt rated B is considered highly speculative and there is a reasonably high level of uncertainty as to the ability of the entity to pay interest and principal on a continuing basis in the future, especially in periods of economic recession or industry adversity.

CCC CC C

Long-term debt rated in any of these categories is very highly speculative and is in danger of default of interest and principal. The degree of adverse elements present is more severe than long-term debt rated B. Long-term debt rated below B often have features which, if not remedied, may lead to default. In practice, there is little difference between these three categories, with CC and C normally used for lower ranking debt of companies for which the senior debt is rated in the CCC to B range.

D

A security rated D implies the issuer has either not met a scheduled payment of interest or principal or that the issuer has made it clear that it will miss such a payment in the near future. In some cases, DBRS may not assign a D rating under a bankruptcy announcement scenario, as allowances for grace periods may exist in the underlying legal documentation. Once assigned, the D rating will continue as long as the missed payment continues to be in arrears, and until such time as the rating is discontinued or reinstated by DBRS.

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International Long-Term Credit Ratings

International Long-Term Credit Ratings (LTCR) may also be referred to as Long-Term Ratings. When assigned to most issuers, it is used as a benchmark measure of probability of default and is formally described as an Issuer Default Rating (IDR). The major exception is within Public Finance, where IDRs will not be assigned as market convention has always focused on timeliness and does not draw analytical distinctions between issuers and their underlying obligations. When applied to issues or securities, the LTCR may be higher or lower than the issuer rating (IDR) to reflect relative differences in recovery expectations.

The following rating scale applies to foreign currency and local currency ratings:

Investment Grade

AAA
Highest credit quality. 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA
Very high credit quality. 'AA' ratings denote expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A
High credit quality. 'A' ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

BBB
Good credit quality. 'BBB' ratings indicate that there are currently expectations

National Managed Funds Credit Ratings
- Volatility Ratings
National Volatility Ratings
- Asset Management Ratings
Alternative Asset Management Ratings
Real Estate Management Ratings
National Real Estate Asset Manager Ratings
Investment Process
- Fund of Hedge Fund Managers Ratings
- Country Ceiling Ratings
- Shinkin Financial Strength Ratings
- Mutual and Investment Fund Ratings
Chile

of low credit risk. The capacity for payment of financial commitments is considered adequate but adverse changes in circumstances and economic conditions are more likely to impair this capacity. This is the lowest investment grade category.

Speculative Grade

BB
Speculative. 'BB' ratings indicate that there is a possibility of credit risk developing, particularly as the result of adverse economic change over time; however, business or financial alternatives may be available to allow financial commitments to be met. Securities rated in this category are not investment grade.

B
Highly speculative.
- For issuers and performing obligations, 'B' ratings indicate that significant credit risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.
- For individual obligations, may indicate distressed or defaulted obligations with potential for extremely high recoveries. Such obligations would possess a Recovery Rating of 'RR1' (outstanding).

CCC

- For issuers and performing obligations, default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic conditions.
- For individual obligations, may indicate distressed or defaulted obligations with potential for average to superior levels of recovery. Differences in credit quality may be denoted by plus/minus distinctions. Such obligations typically would possess a Recovery Rating of 'RR2' (superior), or 'RR3' (good) or 'RR4' (average).

CC

- For issuers and performing obligations, default of some kind appears probable.
- For individual obligations, may indicate distressed or defaulted obligations with a Recovery Rating of 'RR4' (average) or 'RR5' (below average).

C

- For issuers and performing obligations, default is imminent.
- For individual obligations, may indicate distressed or defaulted obligations with potential for below-average to poor recoveries. Such obligations would possess a Recovery Rating of 'RR6' (poor).

RD
Indicates an entity that has failed to make due payments (within the applicable grace period) on some but not all material financial obligations, but continues to honor other classes of obligations. .

D
Indicates an entity or sovereign that has defaulted on all of its financial obligations. Default generally is defined as one of the following:

- Failure of an obligor to make timely payment of principal and/or interest under

APPENDIX D

Privileged and Confidential

"PRO FORMA TSA"

PRO FORMA LINE 9

TRANSPORTATION SERVICE AGREEMENT

This TRANSPORTATION SERVICE AGREEMENT (this "Agreement"), effective as of January 1, 2008 (the "Effective Date"), made by and between Enbridge Pipelines Inc. a corporation having an office at the City of Calgary, Alberta ("Carrier"), and ______________________, having an office at the ________________________(the "Committed Shipper"); each sometimes referred to as "a Party" and both referred to as the "Parties."

WITNESSETH:

WHEREAS Carrier owns and operates a Crude Petroleum pipeline system (referred to as "Line 9") that extends from Montreal, Quebec to Westover, Ontario and then to Sarnia, Ontario and onward a short distance to Corunna, Ontario;

WHEREAS, Carrier is conducting an open season from October 15, 2007 to November 15, 2007 to determine the level of shipper interest in Line 9 and to accept binding commitments to transport crude petroleum on Line 9;

WHEREAS, Shipper desires to commit to transport on Line 9 the Committed Volume over a minimum 5-year term and to pay the Committed Tolls, subject to and upon the conditions of this Agreement;

WHEREAS, this Agreement is subject to the condition precedent set forth herein; and

WHEREAS, in exchange for the commitment by Shipper and other Shippers to transport a specified minimum volume of Crude Petroleum on Line 9, Carrier is willing to establish Committed and Uncommitted Tolls, subject to and upon the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the mutual agreement hereinafter set forth and other good and valuable consideration, the receipt and sufficiency whereof are hereby acknowledged and intending to be legally bound, the Parties hereby agree as follows:

ARTICLE 1
DEFINITIONS

"**Actual Shipments**" means volumes of Crude Petroleum that originate and are physically Tendered at Montreal, Quebec for ultimate delivery to the designated Delivery Points;

"**Affiliate**" means, with respect to any Party, any other Person that is affiliated with such Party, and for the purposes hereof:

- (a) two Persons will be considered to be affiliated with one another if one of them controls the other, or if both of them are controlled by a common third party; and
- (b) one Person will be considered to control another Person (other than in the capacity of a director, officer or employee of such other Person) if it has the power to direct or cause the direction of the management and policies of the other Person, whether directly or indirectly, through one or more intermediaries or otherwise, and whether by virtue of the ownership of shares or other equity interests, the holding of voting rights or contractual rights, or otherwise.

"**Agreement**" means this document, together with the Schedules attached hereto and made a part hereof, all as amended, supplemented or modified from time to time in accordance with the provisions hereof;

"**Application**" means an application to the National Energy Board for approval of its tolls and tariffs for Transportation Service on Line 9 and associated Orders under Part IV of the *National Energy Board Act* (Canada) that will be prepared and filed by Carrier;

"**Arbitrator**" has the meaning given to it in Article 12.6(a);

"**Arbitration Act**" has the meaning given to it in Article 12.5;

"**Available Capacity**" means the capacity of Line 9 that is available to transport Crude Petroleum in a given Month, as determined by Carrier;

"**Carrier**" means Enbridge Pipelines Inc;

"**Clarkson Facilities"** has the meaning given to it in Attachment 2.

“**Committed Shipper**” means a Shipper that has executed a Transportation Service Agreement;

“**Committed Tolls**” means the tolls payable by Committed Shippers pursuant to the tariff for services relating to Committed Volumes of Crude Petroleum transported on Line 9;

“Committed Volume” means the volume of Crude Petroleum that a Committed Shipper has committed to ship as set forth in its Transportation Service Agreement;

“**Contract Year**” means a 365 or 366-day period, as the case may be, beginning on January 1, 2008 or the anniversary thereof and ending on the day immediately preceding the next anniversary thereof;

"**Court**" has the meaning given to it in Article 12.6(c);

“**Crude Petroleum**” and “**Offshore Crude Petroleum**” have the meanings given to them in the Rules;

"**Decision**" has the meaning given to it in Article 12.7(d);

“**Deferral Account”** means an account that will be established to adjust for the difference between actual Oil Loss Costs to the estimated Oil Loss Costs used in the calculation of tolls;

“**Delivery Point**” has the meaning set forth in the Pro Forma Rules that are included as Attachment 5;

“**Dispute**” has the meaning given to it in Article 12.1;

“**Dollar**” or “**$**” means dollars of lawful money of Canada;

“**Effective Date**” means January 1, 2008;

“**Evergreen Period**” has the meaning given to it in Article 4.3;

“**Final Contract Year**” means any of (i) the fifth year of the Initial Term as defined in Article 4.2 or (ii) the final year of the Evergreen Period, as defined in Article 4.3, provided written notice is given as per Article 4.4.1;

“**Force Majeure**” has the meaning given to it in Article 11.1;

“**FSA**” has the meaning given to it in Article 3.1;

“**GDPP**” for any year means the average annual Gross Domestic Product Implicit Price Index published by Statistics Canada in March (Catalogue No. 13-001-XPB “National Income and Expenditure”) for the prior year, including any amendments or replacements thereto;

“**GDPP Escalated Toll**” has the meaning given to it in Article 8.4;

“**Initial Term**” has the meaning given to it in Article 4.2;

“**Initial Tolls**” are the Tolls in effect during the first Contract Year of the Initial Term which are set forth in Attachment 3 hereto;

“**Line 9**” means the Crude Petroleum pipeline system owned and operated by Carrier as described in Attachment 2 hereto;

“Make-Up Volume” is the Monthly Deficiency Volume transported in future Months;

“**Medium Petroleum**” has the meaning given to it in the Pro Forma Rules that are attached as Attachment 5 hereto;

“**Medium Petroleum Toll**” has the meaning given to it in Article 8.8;

“**Month”** means a calendar month;

"**Monthly Deficiency Payment**" has the meaning given to it in Article 6.1;

"**Monthly Deficiency Volume**" has the meaning given to it in Article 6.2;

“**NEB**” means the National Energy Board, established by the *National Energy Board Act* (Canada), or any replacement or successor body or bodies having jurisdiction over the approval, construction, operation or tolls of interprovincial pipelines in Crude Petroleum service;

“**Net Excess Revenue**” has the meaning given to it in Article 9.1;

"**Oil Loss Costs**" as further described in Article 8.6, means the actual amount calculated based on the (i) physical loss or gain (i.e. the cost associated with losing or gaining commodity volumes as they move through Line 9), plus (ii) the effects of revaluation (i.e. the change in market value of Carrier's Line 9 inventory during a given month), and (iii) degradation (e.g. cost of losing a higher priced commodity to a lower priced commodity);

"**Party**" means a Person who is a party to this Agreement and "**Parties**" means all of them;

"**Person**" means any individual, corporation, partnership, joint venture, trust or unincorporated association;
"**Re-based Toll**" has the meaning given to it in Article 3.2;
"**Receipt Point**" means the receipt point for Line 9 in Montreal, Quebec;
"**Representatives"** has the meaning given to it in Article 12.3;
"**Rules**" means the tariff rules and regulations on file with the NEB and in effect governing Transportation Service on Line 9;

"**Shipper**" has the meaning set forth in the Rules;

"**Tender**" has the meaning set forth in the Rules;

"**Term**" means the Initial Term and the Evergreen Period;

"**Terminating Shipper**" has the meaning given to it in Article 4.4.2;

"**Toll**" means the toll, as approved by the NEB, for the transportation of Crude Petroleum on Line 9 and, if the context requires, includes an older system toll and/or Oil Loss Costs;

"**Total Committed Volume**" has the meaning given to it in Article 8.2;

"**Transportation Service Agreement**" or "**TSA**" means an agreement executed by a Committed Shipper with Carrier pursuant to the Open Season;

"**Transportation Service**" means the transportation of Crude Petroleum on Line 9 from the Receipt Point to the applicable Delivery Point;

"**Uncommitted Toll**" means the toll payable pursuant to the Toll approved for transportation of Uncommitted Volumes of Crude Petroleum; and

"**Uncommitted Volume**" means the sum of (1) volumes of Crude Petroleum received by Carrier for transportation on Line 9 for any shipper that is not a Committed Shipper and (2) volumes of Crude Petroleum received by Carrier for transportation for a Committed Shipper in a Month that are in excess of the product of such Committed Shipper's Committed Volume (excluding Make-Up Volumes) [and the number of days in the Month.][wording doesn't quite work- think it should say something like sum or 1 and 2 for each day in the Month]

ARTICLE 2
ATTACHMENTS[INTERPRETATION WOULD BE A BETTER HEADING]

2.1 This Agreement sets out the terms and conditions upon which the Parties are prepared to transport Crude Petroleum on Line 9 commencing on the Effective Date. Such terms and conditions have been negotiated and agreed to as a whole and no single term or condition, individually, evidences the agreement of the Parties on its subject matter except when such term or condition is read together with the remaining terms and conditions of this Agreement.

2.2 Whenever the singular or masculine or neuter is used in this Agreement, it shall be interpreted as meaning the plural or feminine or Person, and vice versa, as the context requires. Where a term is defined herein, a capitalized derivative of such term shall have a corresponding meaning unless the context otherwise requires.

2.3 If any of the provisions of this Agreement should be determined to be invalid, illegal or unenforceable in any respect, whether by virtue of an order of the NEB or otherwise, the validity, legality or enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired.

2.4 The Parties agree that Attachment 5 to the TSA may be amended from time to time and shall become effective at such time as they are filed and become effective with the NEB.

2.5 The following are attached to and form part of this Agreement:

Attachment 1	Commitment Volume
Attachment 2	Description of the Line 9 Assets
Attachment 3	Initial Tolls
Attachment 4	Initial Year Power Cost Schedule
Attachment 5	Pro Forma Rules

ARTICLE 3
TOLLS

3.1 After the Initial Tolls are approved and in effect, Carrier is permitted to file an Application to establish new Tolls that will be in effect for each subsequent Contract Year. The Application will put in effect Tolls that are escalated by 75% of GDPP each year thereafter (the “GDPP Escalated Toll”).

3.2 No more than once every five (5) years, either Party may request, by providing at least six (6) months prior written notice to the other Parties, that tolls be re-calculated on a cost of service basis (the “Re-based Toll”). The earliest year that Re-based Tolls could be made effective is for Contract Year 2013.

In the event that a Committed Shipper terminates its Agreement pursuant to 4.4.1, Carrier will also file a Re-based Toll for the years following any Final Contract Year.

3.3 Carrier agrees to file an Application to amend the Rules to conform with the *pro-forma* Rules tariff attached hereto as Attachment 5. Throughout this Agreement references are made to the Rules. The definitions and applicable terms of the Rules form part of this Agreement, which defined terms shall for purposes of this Agreement have the meanings ascribed herein, to the extent that there is any other conflict or inconsistency between a provision of the body of this Agreement and a provision of the Rules, the latter shall prevail.

3.4 Carrier agrees to file the Applications set forth above. [The Parties agree to take actions reasonably necessary in connection with the Applications that are filed, so that the Orders requested in the Applications are obtained.] The Parties agree to file for all other regulatory and governmental permits and approvals as may be required for the use and operation of Line 9 and the performance by them of the terms and provisions of this Agreement.

ARTICLE 4
TERM AND TERMINATION RIGHTS

4.1 This Agreement is binding and shall continue in full force until either superseded or terminated pursuant to the terms hereof.

4.2 This Agreement takes effect January 1, 2008 and will remain in effect until at least December 31, 2012 (the "Initial Term").

4.3 The Agreement will continue in effect for subsequent one-year periods until terminated in accordance with the terms of Section 4.4 (the "Evergreen Period").

4.4 Events of Termination:

4.4.1 Committed Shipper Termination Right:

Committed Shipper shall have the right to terminate this Agreement by providing written notice given to Carrier three (3) months prior to the start of the Final Contract Year of the Initial Term or Evergreen Period. Upon receipt of written notice, Carrier will calculate new Tolls for the "Final Contract Year", which is the last year of this Agreement.

4.4.2 Carrier's Right Upon Termination:

In the event that a Committed Shipper provides written notice of its intent to terminate the Agreement (the "Terminating Shipper"), the Carrier will file an Application to increase the Tolls for the Terminating Shipper for the Final Contract Year. The Tolls will be increased to recover that Terminating Shipper's proportionate share (calculated as the ratio of the Terminating Shipper's Committed Volume to Total Committed Volume) of the debt portion of the outstanding rate base as of January 1st of the Final Contract Year, plus the tax allowance associated with the debt portion. Committed Shipper(s) agree to take actions reasonably necessary in connection with the Applications that are filed, so that the Orders requested in the Applications are obtained.

A Committed Shipper that does not provide written notice of intent to terminate will continue to receive Transportation Service and will continue to be charged the GDPP Escalated Toll each year calculated in accordance with Article 8.4.

Payments received from the Terminating Shipper will be utilized to decrease the rate base and Carrier will file a Toll Application to reset the Tolls to reflect the reduced rate base. The reduced rate base will be calculated as the ratio of the remaining Committed Volumes to the Total Committed Volumes times the outstanding rate base at the end of a Final Contract Year.

4.4.3 Re-Reversal of Line 9:

When, and if, the Committed Shippers (by majority volume-weighted vote) and Carrier agree to re-reverse Line 9 to flow in a west to east direction and the NEB approves rolling-the Line 9 rate base and capital costs into Carrier’s older system toll, then the Committed Shipper’s obligations under this Agreement will terminate. The rate base would be adjusted based on any capital additions required to re-reverse the line.

If a rolled in toll is not secured for re-reversal, Committed Shippers (by majority volume-weighted vote) will have the option of cancelling this Agreement, or by mutual agreement between the Parties to enter into a separate agreement for the re-reversed Line 9.

ARTICLE 5
TRANSPORTATION SERVICE AND RIGHTS TO CAPACITY

5.1 Subject to the terms of this Agreement, commencing on the Effective Date and continuing for the Term of this Agreement, Carrier shall provide to each Shipper, Transportation Service for its Committed and Uncommitted Volumes.

5.2 The Parties agree that Carrier is entitled to accept Tenders from all Shippers. All Transportation Services will be provided at the applicable posted Toll and will be subject to the Rules.

ARTICLE 6
MONTHLY DEFICIENCY PAYMENTS.

6.1 Commencing on January 1, 2008, if the Actual Shipments of a Committed Shipper through Line 9 in any month total less than one hundred percent (100%) of the product of (a) the Committed Volume, multiplied by (b) the number of days in that Month, the Committed Shipper will make a payment to Carrier equal to the Monthly Deficiency Volume multiplied by the Committed light crude Toll from Montreal to Sarnia for light crude volumes (the "Monthly Deficiency Payment"). Make-Up Volumes delivered to Westover will receive a Dollar credit equal to the difference between the Tolls to Sarnia and Westover. Enbridge shall pay the Committed Shipper any credits, annually, within thirty (30) days of Enbridge distributing to Shippers the year-end statement described in Article 10.

6.2 For the purposes of this Article 6, the term "Monthly Deficiency Volume" shall mean the amount by which the product of (a) the Committed Volume, multiplied by (b) the number of days in any given Month, exceeds the Actual Shipments by a Committed Shipper on Line 9 during the same Month.

6.3 At the end of any Month during the Term of this Agreement when a Monthly Deficiency Payment is owed by the Committed Shipper to the Carrier pursuant to this Article 6, such Monthly Deficiency Payment will be included as an additional statement to standard transportation charges billed by the Carrier, with payment to be made pursuant to the Rules. The Carrier shall include information with the billing statement sufficient to calculate the Monthly Deficiency Payment described above.

6.4 As consideration for these Monthly Deficiency Payments, Carrier agrees that Committed Shipper shall have the right to transport the Monthly Deficiency Volume as future Make-Up Volume in accordance with the terms set forth herein:

6.4.1 The Monthly Deficiency Payment constitutes pre-payment for the transportation of Make-Up Volume;

6.4.2 Committed Shipper shall be entitled to transport no less than fifty percent (50%) of its Monthly Deficiency Volume during the next twelve (12) month period. No more than fifty percent (50%) of the Monthly Deficiency Volume may be Tendered over the subsequent twelve (12) month period. At the end of the applicable twelve (12) month period, the right to Tender any outstanding Monthly Deficiency Volume expires unless there was an event of Force Majeure. If an event of Force Majeure occurs, the applicable twelve (12) month period of time during which Committed Shipper may Tender its Monthly Deficiency Volume will be extended by the greater of one (1) month or the actual period of the Force Majeure event.

6.4.3 The Carrier agrees to accept Make-Up Volumes, provided that, the total amount of Make-Up Volume that can be Tendered is limited to twenty percent (20%) of the total Committed Volume each Month and operations permit. Following an event of Force Majeure, a Committed Shipper will be allowed to Tender up to fifty percent (50%) of its Make-Up Volume attributable to the Force Majeure period in each of the two (2) Months following the Force Majeure event.

ARTICLE 7
APPORTIONMENT

7.1 During any Contract Year, in the event that Tenders for the Month exceed Available Capacity, then, having regard to the operating conditions of the Carrier, the Available Capacity shall be allocated by the Carrier as follows:

7.1.1 Firstly, amongst Committed Shippers for Tenders of Committed Volumes, excluding any Make-Up Volume, on a pro rata basis;

7.1.2 Secondly, among Shippers for their Uncommitted Volumes on a pro rata basis; and

7.1.3 Thirdly, to the extent there is remaining Available Capacity, amongst those Committed Shippers who have submitted a Tender for transportation of their Make-Up Volumes, on a pro rata basis.

Carrier agrees that it will amend its current Rules to incorporate the apportionment process set forth herein. Nothing in this apportionment policy shall require the Carrier's total allocations to be more than the Available Capacity.

If a Shipper releases or is otherwise unable to use any or all of its allocated volume, Carrier will notify all the remaining shippers of the available space and will redistribute the space on a first-come, first-serve basis.

7.2 Nothing in this Article is intended to preclude a Shipper from conforming to the minimum batch size requirements as stated in the Rules. To the extent practical, Carrier will work with the Shippers on an equitable basis with regard to meeting the minimum batch sizes.

ARTICLE 8
PAYMENT OF TOLLS AND TOLL DESIGN

8.1 Subject to the terms of this Agreement, and in consideration for Carrier providing Transportation Service for Committed Volumes, each Committed Shipper will, throughout the Term, pay to Carrier in accordance with the Rules, the applicable Toll, as hereinafter defined, in respect of its entire Committed Volume and Uncommitted Volume, if any, and such other amounts as it may be required to pay to Carrier pursuant to this Agreement.

8.2 The Initial Committed Toll will be as set forth in Attachment 3. Carrier agrees to calculate the Tolls utilizing a 25-year depreciation period, a capital structure of 55% debt and 45% equity and all Committed Volumes (the “Total Committed Volume”).

8.3 Further, any Re-based Toll will be calculated utilizing the applicable revenue requirement for that Contract Year, a 25-year depreciation period, using the remaining total

Committed Volumes and a capital structure of 55% debt and 45% equity applied to the re-based rate base.

8.4 The Committed and Re-based Tolls may be escalated each year, starting January 1, 2009 and annually thereafter, by seventy-five percent (75%) of GDPP (the “GDPP Escalated Toll”).

8.5 Carrier agrees to file for and use its best efforts to obtain the NEB's approval of an Uncommitted Toll twenty percent (20%) higher than the Committed Toll in effect during the Initial Year and to maintain this percentage differential thereafter. The Committed Shipper agrees to support an Application filed to establish the Uncommitted Toll.

8.6 In addition to the Committed and Uncommitted Tolls, Carrier will establish a Deferral Account for the purpose of managing Oil Loss Costs and recovering any applicable taxes or charges. Oil Losses are financially recorded on a one month lag utilizing the previous month’s commodity pricing, which is a simple average calculation based upon prices supplied by Line 9 Shippers for specific Line 9 commodities. Carrier agrees that within three (3) months of the end of each Contract Year, it will reconcile the estimates utilized in establishing the Deferral Account with the actual Oil Loss Costs incurred on Line 9. The difference between actual and estimated annual Oil Loss Costs will be invoiced if positive, or, if negative, a credit issued to Committed and Uncommitted Shippers in proportion to the actual barrel kilometres shipped by each Shipper to the total actual barrel kilometres shipped.

8.7 Older system tolls (if applicable), Estimated Oil Loss Costs, Initial and GDPP Escalated Tolls will be recovered on a per barrel or cubic metre basis.

8.8 Tolls to be charged for transportation of Medium Petroleum on Line 9 shall include an eight percent (8%) surcharge over the light crude Toll for Committed and Uncommitted Volumes (the “Medium Petroleum Toll”).

8.9 The Parties agree that Carrier is permitted to file, and Committed Shipper(s) will take actions reasonably necessary in connection with the Applications to make Toll adjustments to recover the cost of unforeseen events such as:

8.9.1 Increases in costs resulting from Committed Shipper requested programs or new services (by majority volume weighted vote); NEB order; legislation; regulation, order or directions by governmental authorities resulting in changes to safety or environmental requirements; or new integrity issues;

8.9.2 Incremental costs resulting from industry adopted changes in Canadian Generally Accepted Accounting Principles; or

8.9.3 Sabotage.

8.10 Throughout the term of this Agreement, Committed Shipper(s) agree to take actions reasonably necessary in connection with the Applications filed by Carrier to put into effect the Tolls. In consideration for this support, Carrier agrees that it will provide to the Committed Shipper(s) an overview of its proposed final Toll Application in advance of filing an Application.

ARTICLE 9
REVENUE SHARING

9.1 Carrier agrees to calculate Monthly revenue received from the transportation of Uncommitted Volumes less the incremental power costs (if positive), as the net excess revenue ("Net Excess Revenue"). Monthly incremental power is calculated as the difference between actual monthly power costs and the monthly power cost in Schedule "D", and annual updates thereof, corresponding to the Total Committed Volume. The Net Excess Revenue will be shared with the Committed Shippers on the following basis:

9.1.1 One Hundred Percent (100 %) of the Monthly Net Excess Revenue resulting from the transportation of Uncommitted Volume "A", which is derived by subtracting the total Committed and Make-Up Volumes from the lesser of 180,000 barrels per day and actual volumes shipped during a Month, will be to the account of Committed Shippers.

9.1.2 The Monthly Net Excess Revenue resulting from the transportation of Uncommitted Volume "B", which is derived by subtracting Uncommitted

Volume "A" from the total of all Uncommitted Volumes shipped during a Month, will be shared with Committed Shippers, such that Carrier retains fifty percent (50%) of the Monthly Net Excess Revenue and distributes the remainder to Committed Shippers.

9.2 Net Excess Revenue shall be reported and distributed annually in accordance with Article 10, amongst all Committed Shippers in proportion to the actual barrel kilometres Tendered by a Committed Shipper to the total actual barrel kilometres Tendered by all Committed Shippers (including Make-Up but excluding Uncommitted Volumes) during the Contract Year.

ARTICLE 10
YEAR END STATEMENT

10.1 Within ninety (90) days of the end of every Contract Year, Carrier shall provide to the Committed Shipper a statement setting out:

(a) the total number of Committed and Uncommitted barrels and barrel kilometres of Crude Petroleum shipped on Line 9 during such Contract Year;

(b) the total number of barrels of Crude Petroleum shipped on Line 9 that are attributable to the transportation of Make-Up Volumes;

(c) any credit required pursuant to Article 6.1;

(d) the amount of the Net Excess Revenue, if any; and

(e) the Oil Loss Costs.

10.2 Payment will be made to or by Carrier, as the case may be, within thirty (30) days of Carrier sending the year-end statement to the Shippers.

ARTICLE 11
FORCE MAJEURE

11.1 Definition of Force Majeure

As used in this Agreement, the term “Force Majeure” means any cause that is beyond the control of the applicable Party and which by the exercise of its reasonable efforts such Party is unable to prevent or overcome, including, without limitation, acts of God, war, civil insurrection or disobedience, acts of the public enemy, strikes, lockouts or other industrial disturbances, accidents, acts of civil or military authority, fire, floods, earthquakes, the act, regulation, order, direction or requisition of any governmental or other authority having jurisdiction, or other cause whether of the kind enumerated or otherwise provided however that lack of funds or other financial cause shall not be an event of Force Majeure.

11.2 Strikes and Lockouts

Notwithstanding anything to the contrary in Article 11.4, either expressed or implied, the settlement of strikes, lockouts or other industrial disturbances shall be entirely within the discretion of the Party involved therein. That Party may make settlement of any strike, lockout or other industrial disturbance at the time and on such terms and conditions, as that Party deems advisable.

11.3 Effect

If a Party fails to perform any obligation or obligations under this Agreement and such failure is caused by an event of Force Majeure then, subject to the provisions of Article 11.4 of this Agreement, such failure shall be deemed not to be a breach of such obligation or obligations of such Party.

11.4 Obligations

A Party that fails to perform any obligation or obligations under this Agreement where such failure is caused by an event of Force Majeure shall use its reasonable efforts to remove the event of Force Majeure.

11.5 Limitations

Notwithstanding the above provisions no event of Force Majeure shall:

(a) relieve any Party from any obligation or obligations pursuant to this Agreement unless such Party gives notice with reasonable promptness of such even to all other Parties; or

(b) relieve any Party from any obligation or obligations pursuant to this Agreement after the expiration of a reasonable period of time within which, by the use of its reasonable efforts, such Party could have removed the event of Force Majeure or remedied or overcome the consequences of the event of Force Majeure.

11.6 Payments

No event of Force Majeure shall relieve a Shipper of its obligations pursuant to this Agreement to make payments to Carrier. However, the Shipper shall be entitled to ship the affected Volumes as Make-Up Volumes in subsequent Months, subject to the Make-Up Provisions in Article 6.4.

ARTICLE 12
DISPUTE RESOLUTION

12.1 Disputes

In the event of any dispute, controversy or claim over which the NEB does not have jurisdiction, (a “Dispute”) arising out of or relating to this Agreement or the performance, non-performance, breach, termination or invalidity hereof, the Parties to the Dispute will undertake the following steps to promote resolution of the Dispute in the following order:

(a) first, by negotiation; and

(b) second, by arbitration.

12.2 Confidentiality

Subject to a limited waiver of 12.2, to the extent that the disclosure of information is required to give effect to Article 12.7, all information disclosed by a Party to the other Party pursuant to this Article 12, shall be treated as confidential and neither the delivery nor disclosure thereof shall represent any waiver of privilege by a Party disclosing the same. Each Party agrees to not disclose any information provided by the other Party for purposes of this Article 12 to any other Person for any other purpose, and such information cannot be used in any subsequent proceedings without the consent of the Party who has made disclosure of the same hereunder. The Parties agree that any negotiator or Arbitrator appointed hereunder shall not be subpoenaed or otherwise compelled as a witness in any proceedings for any purpose whatsoever in relation to any matter that is a subject of the Agreement. Nothing in this Article 12.2 shall cause or require a Party to disclose information that is subject to confidentiality provisions with Third Parties.

12.3 Negotiation

Upon the request of either Party by giving Notice thereof to the other Party, any Dispute shall be immediately referred to representatives of the Parties for negotiation and resolution, each Party being represented by one individual who had no direct operational responsibility for the matters comprising the Dispute and who is authorized to negotiate a settlement of the Dispute (the “Representatives”). The Representatives shall within thirty (30) Days of receipt of such Notice meet and attempt in good faith, to resolve the Dispute.

12.4 Failed Negotiation

If the Representatives cannot resolve the Dispute within thirty (30) Days after their first meeting, then, upon the request of a Party by giving Notice thereof to the other Party, the Dispute shall be referred to arbitration, to be conducted in accordance with the provisions of this Article 12.

12.5 Arbitration

Arbitrations shall take place before an Arbitrator in Calgary, Alberta. Arbitration shall be conducted in accordance the *Arbitration Act* (Alberta) and any amendments thereto (the “Arbitration Act”) except to the extent that the Arbitration Act is inconsistent with or in conflict with any terms of this Article 12. Any other statute, which applies to a Dispute shall apply only to the extent that it is not inconsistent with this Article 12. The decision of the Arbitrator shall be final and binding.

12.6 Appointment of Arbitrator

(a) There shall be one arbitrator (the “Arbitrator”) appointed by, subject to Article 12.6(c), mutual agreement of the Parties to the Dispute.

(b) The Arbitrator shall sign a declaration attesting as to his or her impartiality with respect to the Parties to the Dispute and to the Dispute.

(c) If, after twenty (20) Days following the receipt of the Notice referred to in Article 12.4, the Parties to the Dispute have not agreed on the appointment of the Arbitrator, a Justice of the Court of Queen’s Bench, Alberta in the Judicial District of Calgary (the “Court”) shall, on application by either Party, appoint the Arbitrator.

(d) Any person serving as an Arbitrator shall have training or experience in serving as an arbitrator, and shall have legal training if the Dispute involves legal issues and shall, in any event, be qualified by education and experience to rule on the matters raised by the Dispute.

(e) Where the mandate of an Arbitrator terminates for any reason, a substitute Arbitrator shall be mutually appointed in accordance with this Article 12.6.

12.7 Arbitration Procedure

(a) The Parties to the Dispute shall agree in advance as to the manner in which the Arbitrator shall promptly hear witnesses and arguments, review documents and otherwise conduct the arbitration procedure. Failing agreement between the Parties to the Dispute and within five (5) Days from the date of selection of the Arbitrator, the Arbitrator shall set the procedure and promptly commence and expeditiously conduct the arbitration proceedings.

(b) Subject only to the express agreement by the Parties to the Dispute, to amend the date for Decision, the Arbitrator shall issue a decision in writing within forty five (45) Days from the date of his or her appointment.

(c) Nothing in this Article 12.7 shall prevent a Party to the Dispute from applying to the Court for equitable relief pending the Decision.

(d) The decision (the "Decision") of the Arbitrator shall be given in writing, and shall be final and binding on the Parties and not subject to any appeal and shall deal with the question of costs of Arbitration and all other related matters.

If a judgment forms a part of the Decision of the Arbitrator then any award rendered may be entered in any court having jurisdiction, or, application may be made to such court for a judicial recognition of the award or an order of enforcement thereof, as the case may be.

12.8 Costs

The costs of the arbitration shall be awarded at the discretion of the Arbitrator.

12.9 National Energy Board

It is not the intention of any of the Parties to in any way limit, through the provisions of this Agreement including this Article, any right that any Party may have apart from this Agreement to approach the NEB or participate in any NEB proceeding or hearing in which there are at issue matters pertaining to Line 9 and nothing in this Article shall be interpreted as restricting the right of any Party to challenge or dispute the jurisdiction of the NEB over any matter; provided that, no Party shall apply for or support an application for an Order of the NEB which would, if granted, have the effect of amending or preventing the performance of any provision of this Agreement.

ARTICLE 13
LIMITATIONS ON LIABILITY

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, NEITHER PARTY SHALL BE LIABLE OR RESPONSIBLE TO THE OTHER PARTY HERETO OR SUCH OTHER PARTY'S AFFILIATES FOR ANY CONSEQUENTIAL, INCIDENTAL, OR PUNITIVE DAMAGES, OR FOR LOSS OF PROFITS OR REVENUES (COLLECTIVELY REFERRED TO AS "SPECIAL DAMAGES") INCURRED BY SUCH PARTY OR ITS AFFILIATES THAT ARISE OUT OF OR

RELATE TO THIS AGREEMENT, REGARDLESS OF WHETHER SUCH CLAIM ARISES UNDER OR RESULTS FROM CONTRACT, TORT OR STRICT LIABILITY; PROVIDED THAT THE FOREGOING LIMITATION IS NOT INTENDED AND SHALL NOT AFFECT SPECIAL DAMAGES IMPOSED IN FAVOR OF PERSONS THAT ARE NOT PARTIES TO THIS AGREEMENT

ARTICLE 14
COMMON CARRIER: COMPLIANCE WITH LAWS

14.1 It is understood that Line 9 will be operated as common carrier property, and Shipper's rights hereunder shall be subject to all applicable laws related to common carrier pipelines. The terms and provisions of the Rules and the Tolls shall apply to the transportation services provided hereunder.

14.2 Both Parties shall, in carrying out the terms and provisions hereof, abide by all present and future applicable laws of any governmental authorities having jurisdiction. This Agreement shall be governed and construed according to the laws of the Province of Alberta, without regard to principles of conflict of laws that, if applied, might require the application of the laws of another jurisdiction.

If any part of this Agreement is found invalid by a court of competent jurisdiction or is in conflict with any such valid and applicable law, statute, regulation, order, or rule, the Parties shall negotiate in good faith to appropriately amend this Agreement so that the revised Agreement validly accomplishes as nearly as possible the terms and conditions that existed under this Agreement upon the date of execution or most recent amendment.

ARTICLE 15
NOTICES

15.1 Notwithstanding anything to the contrary contained herein, all notices required or permitted to be given hereunder shall be in writing. Any notice to be given hereunder shall be deemed to be served properly if served to the Party at the address set forth below in any of the following ways:

(a) personally, by delivering the notice to the Party on which it is to be served at the Party's address for service. Personally served noticed shall be deemed to be received by the addressee when actually delivered as aforesaid, provided that such delivery shall be during normal business hours on any Business Day. If a notice is not delivered on a Business Day or is delivered after the addressee's normal business hours, such notice shall be deemed to have been received by such Party at the commencement of the addressee's first Business Day next following the time of the delivery; or

(b) by facsimile (or by any other like method by which a written message may be sent) if directed to the Party on which it is to be served at that Party's address for service. A notice so served shall be deemed to be received by the addressee when actually received by it, if received within normal business hours on any Business Day or at the commencement of the next ensuing Business Day following transmission if such notice is not received during such normal business hours.

15.2 <u>Addresses for Notices</u>

The address for service of notices hereunder of each of the Parties shall be as follows:

Enbridge Pipelines Inc.
Address: 3000, 425 – 1st Street S.W.
Calgary, Alberta T2P 3L8
Attention: Director, Planning and Analysis
Facsimile: (403) 231-5787

Shipper:
Address:

Attention:
Facsimile:

provided that a Party may specify by Notice that it wishes to receive a particular form of Notice by other means which the other Parties may, but are not obliged to, use in sending such particular form of Notice.

15.3 Right to Change Address

A Party may change its address for service of Notices by notice and such changed address for service thereafter shall be effective for all purposes of this Agreement.

15.4 Method of Payment

All payments required to be made under this terms of this Agreement shall be made to the Party entitled to receive the same by electronic funds transfer to an account designated by such Party and no paying Party shall be in default of its obligation to make payment if the Party to be paid has not provided such account number.

ARTICLE 16
ASSIGNMENT

16.1 Any Party may assign all or a portion of its interest in this Agreement to any Affiliate or to a third party, without the prior written consent of the other Parties, provided that the Assignor retains liability for all obligations under this Agreement.

16.2 Any Party may assign all or a portion of its interest in this Agreement to a third party with the prior written consent of the other Parties, such consent not to be unreasonably withheld.

16.3 It shall be reasonable for a Shipper to withhold its consent if it reasonably believes that the proposed assignee does not have the financial or operating capability to meets its obligations arising under this Agreement.

16.4 It shall be reasonable for Enbridge to withhold its consent if it reasonably believes that the proposed assignee does not have the financial capability to meets its obligations arising under this Agreement.

ARTICLE 17
AUDIT RIGHTS

17.1 Within 2 months after either giving written notice to terminate this Agreement or to calculate a Re-based Toll pursuant to Articles 3.2 and 4.4.1, Shipper may perform an audit or review of the records and files required for the conduct of an audit or review in the nature of the principles described in the Canada Institute of Chartered Accountants Handbook. Such records or files would be limited to the documents required to determine Tolls in the Final Contract Year or a Re-based Toll pursuant to Articles 3.2 and 4.4.2.

17.2 No audit or review to be conducted pursuant to Article 17.1 shall be commenced less than 30 days following receipt by Enbridge of written notice from Shipper of his or her intention to conduct such audit or review. The auditors selected by Shipper pursuant to Article 17.1 must be recognized, major firm of Chartered Accountants and the audit must be conducted during normal business hours with a minimum of interruption to the carrying on by Enbridge of its normal business activities. Enbridge will provide the auditors with reasonable access to records and files necessary for the conduct of the audit or review; provided that the auditors will maintain confidentiality in respect of any information pertaining to other Shippers on Reversed Line 9 which is identified by Enbridge as confidential and will, as a condition of their being permitted to review such information execute whatever confidentiality agreement Enbridge may reasonably require, provided that the terms thereof will not obstruct the communication by the auditor to Shipper of information requited by Shipper to contest charges made by Enbridge. Shipper will be responsible for all costs of any audits conducted hereunder, and for considering and resolving all exceptions identified by the auditor.

ARTICLE 18
MISCELLANEOUS PROVISIONS

18.1 Entire Agreement

This Agreement including the documents attached hereto sets forth the entire agreement and understanding of the Parties with respect to the subject matter hereof and supersedes all prior or contemporaneous agreements, discussions, negotiations, representations and understandings between the Parties with respect to such subject matter. There are no collateral or other statements, understandings, covenants, agreements, representations, warranties, conditions, written or oral, or other duties expressed or implied, relating to the subject matter hereof.

18.2 Conditions Precedent

Notwithstanding anything in this Agreement to the contrary, sub-Articles 18.2.1 and 18.2.2 set forth conditions precedent to Carrier's agreements and obligations under this Agreement. If any of these conditions precedent are not satisfied to the satisfaction of Carrier in its sole discretion, Carrier shall have the right to terminate this Agreement by written notice to Shipper. If this Agreement is terminated pursuant to this Article 18.2, Carrier and Shipper shall be released from any and all obligations under this Agreement.

18.2.1 Acceptable Commitments. Receipt by Carrier on or before the close of the Open Season, in form and substance acceptable to Carrier in its sole discretion, executed by shippers, committing to ship on Line 9, or otherwise pay for, such minimum volumes of crude petroleum, as Carrier shall deem sufficient to support the long-term need and use of Line 9. Carrier deems 100,000 barrels per day to be sufficient Total Committed Volume to support the long-term need and use of Line 9.

18.2.2 Governmental Approvals. Receipt and acceptance by Carrier of all necessary certificates, approvals and authorizations of all governmental authorities to establish the Committed and Uncommitted Tolls, including approval by the NEB of the Tolls contemplated herein.

18.3 Duty to Support.

[Shipper hereby agrees (a) to take actions reasonably necessary in connection with all Applications that are filed, so that the Orders requested in the Applications are obtained and (b) not to take any action that is designed to or may delay review or approval of the Applications to NEB or indicate a lack of support for the Committed Tolls.][this is obviously a key point for Enbridge as this is the third time they have asked for this very broadly]

18.4 Enurement.

This Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors, permitted assigns, trustees and receivers.

18.5 Waivers and Amendments

A waiver by or on behalf of a Party of any breach of a provision of this Agreement shall not be binding upon the Party unless it is expressed in writing and duly executed by the Party or signed by its authorized representatives, and such a waiver shall not operate as a waiver of any future breach, whether of a like or different character. This Agreement may be amended only by written instrument executed by all of the Parties.

18.6 Relationship of the Parties

Nothing contained in this Agreement shall be construed as creating a partnership or joint venture between the Parties, nor shall it constitute any Party as the fiduciary, agent or legal representative of the other Party, nor shall any Party have the power or authority to act for, bind, or assume any obligations or responsibilities on behalf of the other Party, except as expressly stated herein.

18.7 Shipper's Credit Rating

At all times when this Agreement is in force, Shipper shall maintain all Financial Assurances required in accordance with the Rules.

18.8 Offer

As provided in the Open Season procedures, the signing and delivery of this Agreement by Shipper constitutes an offer that is not binding on Carrier unless and until this Agreement is executed and delivered by Carrier, subject always to the satisfaction of the conditions precedent set forth in Article 18.2 hereof.

18.9 Severability

It is intended that all provisions of this Agreement shall be fully binding and effective between the Parties, but if any provision or part of this Agreement is found to be void, voidable or unenforceable for any reason whatsoever, then that provision or part thereof shall be deemed severed and all other provisions shall remain in force.

18.10 Time of the Essence

Time is of the essence in this Agreement.

18.11 Counterpart Execution

This Agreement may be executed in counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute one and the same instrument. Signatures delivered by facsimile or other electronic means of communication shall be deemed for all purposes to be original counterparts of this Agreement. In witness whereof the Parties hereto have executed this Agreement as of the date first written above.

ENBRIDGE PIPELINES INC.

Name: Title:	Name: Title:
Name: Title:	Name: Title:

"PRO FORMA TSA"

APPENDIX E

Verification Statement

Form
2C

Ontario: Financing Change Statement / Change Statement

Part 1

01
Registration No.: 20081030131918622379
Expiry Date:
Caution Filing:
Page: 1 of Total Page: 18
Motor Vehicle Schedule:
PPSA/RSLA:

21
Reference File No.: 857491074

22
Page No. of page to be amended:
No Specific Page: X
Letter for Change: A
Additional Years:
Total Correct Registration Period:

23
Individual Debtor — First Given Name: | Initial: | Surname:

24
Business Debtor — Name: NOVA CHEMICALS CORPORATION
Name cont'd:

Part 2

25
Other Change:

26 27 28
Reasons for Amendment: TO INCLUDE A COLLATERAL DESCRIPTION.

Part 3

02/05
Individual Debtor / Transferee — Date of Birth: | First Given Name: | Initial: | Surname:

03/06
Business Debtor / Transferee — Name:
Name cont'd:
Ontario Corporation No.:

04/07
Address: | City: | Prov.: | Postal Code:

Part 4

29
Assignor (as recorded):

08
Secured Party:

09
Address: | City: | Prov.: | Postal Code:

Part 5

10
Section 1: Collateral Classification — Consumer Goods: | Inventory: | Equipment: | Accounts: | Other:
Section 2: Vehicle Included — Type 'X' if Motor Vehicle included:
Section 3: Principal Amount Secured — $ .00
Section 4: Date of Maturity: | No Fixed Date of Maturity:

11 12
Year: | Make: | Model: | Vehicle Identification No.:

13 14 15
General Collateral Description:
THIS FINANCING STATEMENT RELATES SOLELY TO THE FOLLOWING
ALL OF THE DEBTOR'S RIGHT, TITLE AND INTEREST IN AND TO (A) ALL
PRESENT AND FUTURE "RECEIVABLES" (OR INTERESTS THEREIN) SOLD,

Part 6

16
Registering Agent / Secured Party Name: BLAKE, CASSELS & GRAYDON LLP (MJSE/LLB)

17
Address: BOX 25, COMMERCE COURT WEST | City: TORONTO | Prov.: ON | Postal Code: M5L 1A9

Verification Statement

Form
2C

Ontario: Financing Change Statement / Change Statement

Part 1

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		20081030131918622379		

01
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21 Reference File No.: 857491074

22
Page No. of page to be amended	No Specific Page	Letter for Change	Additional Years	Total Correct Registration Period

23 Individual Debtor — First Given Name / Initial / Surname

24 Business Debtor — Name / Name cont'd

Part 2

25 Other Change

26 Reasons for Amendment

27

28

Part 3

02/05 Individual Debtor / Transferee — Date of Birth / First Given Name / Initial / Surname

03/06 Business Debtor / Transferee — Name / Name cont'd / Ontario Corporation No.

04/07 Address / City / Prov. / Postal Code

Part 4

29 Assignor (as recorded)

08 Secured Party

09 Address / City / Prov. / Postal Code

Part 5

10
Section 1: Collateral Classification					Section 2: Vehicle Included	Section 3: Principal Amount Secured	Section 4:	
Consumer Goods	Inventory	Equipment	Accounts	Other	Type 'X' if Motor Vehicle Included		Date of Maturity	No Fixed Date of Maturity
						$ .00		

11 / 12
Year	Make	Model	Vehicle Identification No.

General Collateral Description

13 TRANSFERRED AND/OR ASSIGNED (WHETHER ABSOLUTELY OR BY WAY OF

14 SECURITY) FROM TIME TO TIME BY THE DEBTOR TO THE SECURED PARTY, (B)

15 ALL "RELATED SECURITY" WITH RESPECT TO SUCH "RECEIVABLES", AND (C)

Part 6

16 Registering Agent / Secured Party Name

17 Address / City / Prov. / Postal Code

Verification Statement

Form
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Ontario: Financing Change Statement / Change Statement

Part 1

01
Registration No.: 20081030131918622379
Expiry Date:

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21
Reference File No.: 857491074

22

Page No. of page to be amended	No Specific Page	Letter for Change	Additional Years	Total Correct Registration Period

23
Individual Debtor

First Given Name	Initial	Surname

24
Business Debtor
Name
Name cont'd

Part 2

25
Other Change

26 27 28
Reasons for Amendment

Part 3

02/ 05
Individual Debtor / Transferee

Date of Birth	First Given Name	Initial	Surname

03/ 06
Business Debtor / Transferee
Name
Name cont'd
Ontario Corporation No.

04/ 07

Address	City	Prov.	Postal Code

Part 4

29
Assignor (as recorded)

08
Secured Party

09

Address	City	Prov.	Postal Code

Part 5

10

Section 1: Collateral Classification

Consumer Goods	Inventory	Equipment	Accounts	Other

Section 2: Vehicle Included
Type 'X' if Motor Vehicle included

Section 3: Principal Amount Secured
$ .00

Section 4:

Date of Maturity	No Fixed Date of Maturity

11 12

Year	Make	Model	Vehicle Identification No.

General Collateral Description

13 ALL "COLLECTIONS" WITH RESPECT TO, AND OTHER PROCEEDS OF, SUCH
14 "RECEIVABLES" AND "RELATED SECURITY". PROCEEDS INCLUDES GOODS,
15 CHATTEL PAPER, INVESTMENT PROPERTY, DOCUMENTS OF TITLE, INSTRUMENTS,

Part 6

16
Registering Agent / Secured Party Name

17

Address	City	Prov.	Postal Code

Verification Statement

Form
2C

Ontario: Financing Change Statement / Change Statement

Part 1

01
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Motor Vehicle Schedule
PPSA/RSLA

21 Reference File No. 857491074

22 Page No. of page to be amended
No Specific Page
Letter for Change
Additional Years
Total Correct Registration Period

23 Individual Debtor
First Given Name
Initial
Surname

24 Business Debtor
Name
Name cont'd

Part 2

25 Other Change

26 Reasons for Amendment

27

28

Part 3

02/05 Individual Debtor / Transferee
Date of Birth
First Given Name
Initial
Surname

03/06 Business Debtor / Transferee
Name
Name cont'd
Ontario Corporation No.

04/07
Address
City
Prov.
Postal Code

Part 4

29 Assignor (as recorded)

08 Secured Party

09
Address
City
Prov.
Postal Code

Part 5

10
Section 1: Collateral Classification
Consumer Goods
Inventory
Equipment
Accounts
Other
Section 2: Vehicle Included
Type 'X' if Motor Vehicle included
Section 3: Principal Amount Secured
$ .00
Section 4:
Date of Maturity
No Fixed Date of Maturity

11
Year
Make
Model
Vehicle Identification No.

12

General Collateral Description

13 INTANGIBLES AND MONEY. IN THE ABOVE COLLATERAL DESCRIPTION THE

14 FOLLOWING TERMS IN QUOTATIONS SHALL HAVE THE FOLLOWING MEANINGS

15 "COLLECTIONS" MEANS WITH RESPECT TO ANY "RECEIVABLE", ALL CASH

Part 6

16 Registering Agent / Secured Party Name

17
Address
City
Prov.
Postal Code

Verification Statement

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Ontario: Financing Change Statement / Change Statement

Part 1

01

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21 Reference File No.: 857491074

22

Page No. of page to be amended	No Specific Page	Letter for Change	Additional Years	Total Correct Registration Period

23 Individual Debtor — First Given Name: — Initial: — Surname:

24 Business Debtor — Name:

Name cont'd:

Part 2

25 Other Change:

26 Reasons for Amendment:

27

28

Part 3

02/05 Individual Debtor / Transferee — Date of Birth: — First Given Name: — Initial: — Surname:

03/06 Business Debtor / Transferee — Name:

Name cont'd: — Ontario Corporation No.:

04/07 Address: — City: — Prov.: — Postal Code:

Part 4

29 Assignor (as recorded):

08 Secured Party:

09 Address: — City: — Prov.: — Postal Code:

Part 5

10

Section 1: Collateral Classification					Section 2: Vehicle Included	Section 3: Principal Amount Secured	Section 4:	
Consumer Goods	Inventory	Equipment	Accounts	Other	Type 'X' if Motor Vehicle included		Date of Maturity	No Fixed Date of Maturity
						$ .00		

Year	Make	Model	Vehicle Identification No.
11			
12			

General Collateral Description

13 COLLECTIONS AND OTHER CASH PROCEEDS IN RESPECT OF SUCH "RECEIVABLE",

14 INCLUDING, WITHOUT LIMITATION, ALL CASH PROCEEDS OF "RELATED

15 SECURITY" WITH RESPECT TO SUCH "RECEIVABLE" AND ANY AMOUNTS PAYABLE

Part 6

16 Registering Agent / Secured Party Name:

17 Address: — City: — Prov.: — Postal Code:

Verification Statement

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Ontario: Financing Change Statement / Change Statement

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22
Page No. of page to be amended
No Specific Page
Letter for Change
Additional Years
Total Correct Registration Period

23
Individual Debtor
First Given Name
Initial
Surname

24
Business Debtor
Name
Name cont'd

Part 2

25
Other Change

26 27 28
Reasons for Amendment

Part 3

02/05
Individual Debtor / Transferee
Date of Birth
First Given Name
Initial
Surname

03/06
Business Debtor / Transferee
Name
Name cont'd
Ontario Corporation No.

04/07
Address
City
Prov.
Postal Code

Part 4

29
Assignor (as recorded)

08
Secured Party

09
Address
City
Prov.
Postal Code

Part 5

10
Section 1: Collateral Classification
Consumer Goods
Inventory
Equipment
Accounts
Other
Section 2: Vehicle Included
Type 'X' if Motor Vehicle included
Section 3: Principal Amount Secured
$ .00
Section 4:
Date of Maturity
No Fixed Date of Maturity

11 12
Year
Make
Model
Vehicle Identification No.

General Collateral Description
13 BY THE APPLICABLE "OBLIGOR" ON ACCOUNT OF RELATED GOODS AND SERVICES
14 TAXES, BUT EXCLUDING ANY PAYMENTS OF FINANCING CHARGES.
15 "CONTRACT" MEANS, WITH RESPECT TO ANY "RECEIVABLE", ANY AND ALL

Part 6

16
Registering Agent / Secured Party Name

17
Address
City
Prov.
Postal Code

Verification Statement

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Ontario: Financing Change Statement / Change Statement

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21 Reference File No.: 857491074

22

Page No. of page to be amended	No Specific Page	Letter for Change	Additional Years	Total Correct Registration Period

23 Individual Debtor

First Given Name	Initial	Surname

24 Business Debtor

Name

Name cont'd

Part 2

25 Other Change

26 Reasons for Amendment

27

28

Part 3

02/05 Individual Debtor / Transferee

Date of Birth			First Given Name	Initial	Surname

03/06 Business Debtor / Transferee

Name

Name cont'd

Ontario Corporation No.

04/07

Address	City	Prov.	Postal Code

Part 4

29 Assignor (as recorded)

08 Secured Party

09

Address	City	Prov.	Postal Code

Part 5

Section 1: Collateral Classification

Section 2: Vehicle Included

Section 3: Principal Amount Secured

Section 4:

10

Consumer Goods	Inventory	Equipment	Accounts	Other	Type 'X' if Motor Vehicle included		Date of Maturity			No Fixed Date of Maturity
						$ .00				

	Year	Make	Model	Vehicle Identification No.
11				
12				

General Collateral Description

13 INSTRUMENTS, AGREEMENTS, INVOICES OR OTHER WRITINGS PURSUANT TO WHICH

14 SUCH "RECEIVABLE" ARISES OR WHICH EVIDENCE SUCH "RECEIVABLE".

15 "FINANCING CHARGES" MEANS, WITH RESPECT TO A "CONTRACT", ANY FINANCE,

Part 6

16 Registering Agent / Secured Party Name

17

Address	City	Prov.	Postal Code

Verification Statement

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Ontario: Financing Change Statement / Change Statement

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22
Page No. of page to be amended
No Specific Page
Letter for Change
Additional Years
Total Correct Registration Period

23 Individual Debtor
First Given Name
Initial
Surname

24 Business Debtor
Name
Name cont'd

Part 2

25 Other Change

26 Reasons for Amendment
27
28

Part 3

02/05 Individual Debtor / Transferee
Date of Birth
First Given Name
Initial
Surname

03/06 Business Debtor / Transferee
Name
Name cont'd
Ontario Corporation No.

04/07
Address
City
Prov.
Postal Code

Part 4

29 Assignor (as recorded)

08 Secured Party

09
Address
City
Prov.
Postal Code

Part 5

10
Section 1: Collateral Classification
Consumer Goods
Inventory
Equipment
Accounts
Other
Section 2: Vehicle Included
Type 'X' if Motor Vehicle included
Section 3: Principal Amount Secured
$ .00
Section 4:
Date of Maturity
No Fixed Date of Maturity

11
12
Year
Make
Model
Vehicle Identification No.

General Collateral Description
13 INTEREST, LATE PAYMENT CHARGES OR SIMILAR CHARGES OWING BY AN
14 "OBLIGOR" PURSUANT TO SUCH "CONTRACT".
15 "OBLIGOR" MEANS, A "PERSON" OBLIGATED TO MAKE PAYMENTS PURSUANT TO A

Part 6

16 Registering Agent / Secured Party Name

17
Address
City
Prov.
Postal Code

Verification Statement

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21
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22
Page No. of page to be amended
No Specific Page
Letter for Change
Additional Years
Total Correct Registration Period

23
Individual Debtor
First Given Name
Initial
Surname

24
Business Debtor
Name
Name cont'd

Part 2

25
Other Change

26
27
28
Reasons for Amendment

Part 3

02/05
Individual Debtor / Transferee
Date of Birth
First Given Name
Initial
Surname

03/06
Business Debtor / Transferee
Name
Name cont'd
Ontario Corporation No.

04/07
Address
City
Prov.
Postal Code

Part 4

29
Assignor (as recorded)

08
Secured Party

09
Address
City
Prov.
Postal Code

Part 5

10
Section 1: Collateral Classification
Consumer Goods
Inventory
Equipment
Accounts
Other
Section 2: Vehicle Included
Type 'X' if Motor Vehicle included
Section 3: Principal Amount Secured
$ .00
Section 4:
Date of Maturity
No Fixed Date of Maturity

11
12
Year
Make
Model
Vehicle Identification No.

General Collateral Description
13 "CONTRACT".
14 "PERSON" MEANS AN INDIVIDUAL, PARTNERSHIP, CORPORATION, JOINT STOCK
15 COMPANY, TRUST, UNINCORPORATED ASSOCIATION, JOINT VENTURE OR OTHER

Part 6

16
Registering Agent / Secured Party
Name

17
Address
City
Prov.
Postal Code

Verification Statement

Form
2C

Ontario: Financing Change Statement / Change Statement

Part 1

01		Registration No. 20081030131918622379		Expiry Date	
	Caution Filing	Page 10 of 18	Total Page	Motor Vehicle Schedule	PPSA/RSLA
21	Reference File No. 857491074				
22	Page No. of page to be amended	No Specific Page	Letter for Change	Additional Years	Total Correct Registration Period
23	Individual Debtor	First Given Name	Initial	Surname	
24	Business Debtor	Name			
		Name cont'd			

Part 2

25 Other Change

26 Reasons for Amendment

27

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Part 3

02/ 05	Individual Debtor / Transferee	Date of Birth	First Given Name	Initial	Surname	
03/ 06	Business Debtor / Transferee	Name				
		Name cont'd				Ontario Corporation No.
04/ 07	Address		City	Prov.	Postal Code	

Part 4

29 Assignor (as recorded)

08 Secured Party

09	Address	City	Prov.	Postal Code

Part 5

	Section 1: Collateral Classification					**Section 2:** Vehicle Included	**Section 3:** Principal Amount Secured	**Section 4:**		
	Consumer Goods	Inventory	Equipment	Accounts	Other	Type 'X' if Motor Vehicle Included		Date of Maturity		No Fixed Date of Maturity
10							$ .00			

	Year	Make	Model	Vehicle Identification No.
11				
12				

General Collateral Description

13 ENTITY, OR A GOVERNMENT OR ANY POLITICAL SUBDIVISION OR AGENCY

14 THEREOF.

15 "RECEIVABLES" SHALL MEAN, WITH RESPECT TO THE DEBTOR, THE

Part 6

16 Registering Agent / Secured Party Name

17	Address	City	Prov.	Postal Code

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Ontario: Financing Change Statement / Change Statement

Part 1

01
Registration No. 20081030131918622379
Expiry Date
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Motor Vehicle Schedule
PPSA/RSLA

21
Reference File No. 857491074

22
Page No. of page to be amended
No Specific Page
Letter for Change
Additional Years
Total Correct Registration Period

23
Individual Debtor
First Given Name
Initial
Surname

24
Business Debtor
Name
Name cont'd

Part 2

25
Other Change

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Reasons for Amendment

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Part 3

02/05
Individual Debtor / Transferee
Date of Birth
First Given Name
Initial
Surname

03/06
Business Debtor / Transferee
Name
Name cont'd
Ontario Corporation No.

04/07
Address
City
Prov.
Postal Code

Part 4

29
Assignor (as recorded)

08
Secured Party

09
Address
City
Prov.
Postal Code

Part 5

10
Section 1: Collateral Classification
Consumer Goods
Inventory
Equipment
Accounts
Other
Section 2: Vehicle Included
Type 'X' if Motor Vehicle included
Section 3: Principal Amount Secured
$ .00
Section 4:
Date of Maturity
No Fixed Date of Maturity

11
Year
Make
Model
Vehicle Identification No.

12

General Collateral Description
13 INDEBTEDNESS AND OTHER OBLIGATIONS OWED TO THE DEBTOR, WHETHER
14 CONSTITUTING AN ACCOUNT OR INTANGIBLE, ARISING IN CONNECTION WITH THE
15 SALE OF GOODS OR THE RENDERING OF SERVICES BY THE DEBTOR.

Part 6

16
Registering Agent / Secured Party Name

17
Address
City
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Postal Code

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Ontario: Financing Change Statement / Change Statement

Part 1

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Registration No.: 20081030131918622379
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PPSA/RSLA

21
Reference File No.: 857491074

22
Page No. of page to be amended:
No Specific Page:
Letter for Change:
Additional Years:
Total Correct Registration Period:

23
Individual Debtor
First Given Name:
Initial:
Surname:

24
Business Debtor
Name:
Name cont'd:

Part 2

25
Other Change:

26 27 28
Reasons for Amendment:

Part 3

02/ 05
Individual Debtor / Transferee
Date of Birth:
First Given Name:
Initial:
Surname:

03/ 06
Business Debtor / Transferee
Name:
Name cont'd:
Ontario Corporation No.:

04/ 07
Address:
City:
Prov.:
Postal Code:

Part 4

29
Assignor (as recorded):

08
Secured Party:

09
Address:
City:
Prov.:
Postal Code:

Part 5

10
Section 1: Collateral Classification
Consumer Goods:
Inventory:
Equipment:
Accounts:
Other:

Section 2: Vehicle Included
Type 'X' if Motor Vehicle included:

Section 3: Principal Amount Secured
$ .00

Section 4:
Date of Maturity:
No Fixed Date of Maturity:

11 12
Year:
Make:
Model:
Vehicle Identification No.:

General Collateral Description
13 "RECORDS" MEANS, WITH RESPECT TO ANY "RECEIVABLE", ALL "CONTRACTS"
14 AND OTHER DOCUMENTS, BOOKS, RECORDS AND OTHER INFORMATION RELATING TO
15 SUCH "RECEIVABLE", THE "RELATED SECURITY" THEREFOR AND THE RELATED

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16
Registering Agent / Secured Party Name:

17
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Postal Code:

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Total Correct Registration Period:

23
Individual Debtor
First Given Name:
Initial:
Surname:

24
Business Debtor
Name:
Name cont'd:

Part 2

25
Other Change:

26
Reasons for Amendment:

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Part 3

02/05
Individual Debtor / Transferee
Date of Birth:
First Given Name:
Initial:
Surname:

03/06
Business Debtor / Transferee
Name:
Name cont'd:
Ontario Corporation No.:

04/07
Address:
City:
Prov.:
Postal Code:

Part 4

29
Assignor (as recorded):

08
Secured Party:

09
Address:
City:
Prov.:
Postal Code:

Part 5

10
Section 1: Collateral Classification
Consumer Goods:
Inventory:
Equipment:
Accounts:
Other:

Section 2: Vehicle Included
Type 'X' if Motor Vehicle included:

Section 3: Principal Amount Secured
$ .00

Section 4:
Date of Maturity:
No Fixed Date of Maturity:

11
Year:
Make:
Model:
Vehicle Identification No.:

12

General Collateral Description
13 "OBLIGOR".
14 "RELATED SECURITY" MEANS, WITH RESPECT TO ANY RECEIVABLE (I) ALL OF
15 THE DEBTOR'S INTEREST IN RETURNED OR REPOSSESSED INVENTORY OR GOODS,

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Name:

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Address:
City:
Prov.:
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		Registration No.	20081030131918622379	Expiry Date	
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22	Page No. of page to be amended	No Specific Page	Letter for Change	Additional Years	Total Correct Registration Period
23	Individual Debtor	First Given Name	Initial	Surname	
24	Business Debtor	Name	Name cont'd		

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Part 3

02/05	Individual Debtor / Transferee	Date of Birth	First Given Name	Initial	Surname
03/06	Business Debtor / Transferee	Name	Name cont'd	Ontario Corporation No.	
04/07	Address	City	Prov.	Postal Code	

Part 4

29 Assignor (as recorded)

08 Secured Party

09 Address | City | Prov. | Postal Code

Part 5

	Section 1: Collateral Classification					**Section 2:** Vehicle Included	**Section 3:** Principal Amount Secured	**Section 4:**	
	Consumer Goods	Inventory	Equipment	Accounts	Other	Type 'X' if Motor Vehicle included		Date of Maturity	No Fixed Date of Maturity
10							$ .00		

	Year	Make	Model	Vehicle Identification No.
11				
12				

General Collateral Description

13 IF ANY, THE SALE OF WHICH BY THE DEBTOR GAVE RISE TO SUCH RECEIVABLE,

14 AND ALL INSURANCE CONTRACTS WITH RESPECT THERETO, (II) ALL OTHER

15 SECURITY INTERESTS OR LIENS AND PROPERTY SUBJECT THERETO FROM TIME TO

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16 Registering Agent / Secured Party Name

17 Address | City | Prov. | Postal Code

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23
Individual Debtor
First Given Name
Initial
Surname

24
Business Debtor
Name
Name cont'd

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25
Other Change

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Part 3

02/05
Individual Debtor / Transferee
Date of Birth
First Given Name
Initial
Surname

03/06
Business Debtor / Transferee
Name
Name cont'd
Ontario Corporation No.

04/07
Address
City
Prov.
Postal Code

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Assignor (as recorded)

08
Secured Party

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Address
City
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Part 5

10
Section 1: Collateral Classification
Consumer Goods
Inventory
Equipment
Accounts
Other
Section 2: Vehicle Included
Type 'X' if Motor Vehicle included
Section 3: Principal Amount Secured
$ .00
Section 4:
Date of Maturity
No Fixed Date of Maturity

11
Year
Make
Model
Vehicle Identification No.

12

General Collateral Description

13 TIME, IF ANY, PURPORTING TO SECURE PAYMENT OF SUCH "RECEIVABLE" OR

14 OTHERWISE, TOGETHER WITH ALL FINANCING STATEMENTS AND SECURITY

15 AGREEMENTS DESCRIBING ANY COLLATERAL SECURITY SUCH "RECEIVABLE",

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21 Reference File No.: 857491074

22 Page No. of page to be amended:
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Total Correct Registration Period:

23 Individual Debtor — First Given Name: Initial: Surname:

24 Business Debtor — Name:
Name cont'd:

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25 Other Change:

26 27 28 Reasons for Amendment:

Part 3

02/05 Individual Debtor / Transferee — Date of Birth: First Given Name: Initial: Surname:

03/06 Business Debtor / Transferee — Name:
Name cont'd: Ontario Corporation No.:

04/07 Address: City: Prov. Postal Code:

Part 4

29 Assignor (as recorded):

08 Secured Party:

09 Address: City: Prov. Postal Code:

Part 5

10 **Section 1:** Collateral Classification — Consumer Goods: Inventory: Equipment: Accounts: Other:
Section 2: Vehicle Included — Type 'X' if Motor Vehicle included:
Section 3: Principal Amount Secured — $ .00
Section 4: Date of Maturity: No Fixed Date of Maturity:

11 12 Year: Make: Model: Vehicle Identification No.:

General Collateral Description

13 (III) ALL GUARANTIES, INSURANCE AND OTHER AGREEMENTS OR ARRANGEMENTS
14 OF WHATEVER CHARACTER FROM TIME TO TIME SUPPORTING OR SECURING
15 PAYMENT OF SUCH RECEIVABLE WHETHER PURSUANT TO THE "CONTRACT" RELATED

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16 Registering Agent / Secured Party Name:

17 Address: City: Prov. Postal Code:

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Individual Debtor
First Given Name
Initial
Surname

24
Business Debtor
Name
Name cont'd

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Other Change

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Part 3

02/05
Individual Debtor / Transferee
Date of Birth
First Given Name
Initial
Surname

03/06
Business Debtor / Transferee
Name
Name cont'd
Ontario Corporation No.

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Part 5

10
Section 1: Collateral Classification
Consumer Goods
Inventory
Equipment
Accounts
Other
Section 2: Vehicle Included
Type 'X' if Motor Vehicle included
Section 3: Principal Amount Secured
$ .00
Section 4:
Date of Maturity
No Fixed Date of Maturity

11
Year
Make
Model
Vehicle Identification No.

12

General Collateral Description
13 TO SUCH "RECEIVABLE" OR OTHERWISE, (IV) ALL OTHER CONTRACTS AND
14 AGREEMENTS ASSOCIATED WITH SUCH "RECEIVABLE", (V) ALL "RECORDS"
15 RELATED TO SUCH "RECEIVABLE", (VI) ALL OF THE DEBTOR'S RIGHT, TITLE

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22 Page No. of page to be amended | No Specific Page | Letter for Change | Additional Years | Total Correct Registration Period

23 Individual Debtor | First Given Name | Initial | Surname

24 Business Debtor | Name | Name cont'd

Part 2

25 Other Change

26 Reasons for Amendment

27

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Part 3

02/05 Individual Debtor / Transferee | Date of Birth | First Given Name | Initial | Surname

03/06 Business Debtor / Transferee | Name | Name cont'd | Ontario Corporation No.

04/07 Address | City | Prov. | Postal Code

Part 4

29 Assignor (as recorded)

08 Secured Party

09 Address | City | Prov. | Postal Code

Part 5

Section 1: Collateral Classification | **Section 2:** Vehicle Included | **Section 3:** Principal Amount Secured | **Section 4:**

10 Consumer Goods | Inventory | Equipment | Accounts | Other | Type 'X' if Motor Vehicle included | $ .00 | Date of Maturity | No Fixed Date of Maturity

11 Year | Make | Model | Vehicle Identification No.

12

General Collateral Description

13 AND INTEREST IN, TO AND UNDER THE "CONTRACT" IN RESPECT OF SUCH

14 "RECEIVABLE", BUT ONLY TO THE EXTENT RELATING TO SUCH "RECEIVABLE",

15 (VII) ALL PROCEEDS OF ANY OF THE FOREGOING.

Part 6

16 Registering Agent / Secured Party Name

17 Address | City | Prov. | Postal Code

IMPORTANT INFORMATION

Due to the manner in which registrations are handled by the PPSR system, your original 3C Verification Statement ('Original Verification Statement') produced by the PPSR Registrar may contain warnings or error messages generated by the Ministry of Government and Consumer Services, Companies and Personal Property Security Branch. Your Cyberbahn verification statement will NOT contain these messages, and Cyberbahn strongly recommends, in all cases, that you review your Original Verification Statement to ensure that you are aware of any potential errors or warnings generated by the PPSA system. Cyberbahn is not responsible for system errors.

Should you have any questions, please do not hesitate to contact Cyberbahn.