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GENERAL TERMS AND CONDITIONS Creditworthiness

7. CREDITWORTHINESS

Pipeline shall not be required to commence service or to continue service for any Customer who fails to meet the creditworthiness criteria set forth in Section 7.1 acceptable to Pipeline.

7.1 Acceptable creditworthiness is demonstrated by meeting the following criteria:

- A. At Pipeline's request, each Customer must properly complete and sign a "Confidential Request for Certain Credit & Financial Information," supplied by Pipeline, which shall include Customer's legal structure; its officers, partners, or proprietors, its previous suppliers; trade references; bank references; recent financial statements; and other credit information considered relevant by Pipeline. The results of reference checks must show that Customer's obligations are being paid on a reasonably prompt basis and that the Customer has sufficient assets to warrant the extension of unsecured credit. This form is not required on subsequent requests for service unless there is a substantial change in Customer's financial or operational conditions, i.e., change in management, change in ownership. Trade and bank references must be provided annually.
- B. At Pipeline's request, Customer must provide its most recent audited twelve month financial statements (including balance sheet, income statement, cash flow statement and accompanying notes) on an annual basis. If audited financial statements are not available,

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then Customer must provide an attestation by its chief financial officer that the information shown in the unaudited statements submitted is true, correct and a fair representation of Customer's financial condition. Annual reports, 10-K reports, filings with regulatory

agencies and any reports from credit reporting agencies which are available will be analyzed. Current financial information must be provided not less than annually for purposes of determining creditworthiness. Pipeline shall apply consistent evaluative practices to determine acceptability of the Customer's overall financial condition, working capital and profitability trends.

- C. Customer must not be operating under any chapter of the bankruptcy laws and must not be subject to liquidation or debt reduction procedures under state laws such as an assignment for the benefit of creditors, or any informal creditors' committee agreement. An exception can be made for a Customer who is a debtor in possession operating under Chapter XI of the Federal Bankruptcy Act, but only with adequate assurances that the billing will be paid promptly as a cost of administration under the federal court's jurisdiction.
- D. Customer should not be subject to the uncertainty of pending liquidation or regulatory proceedings in state or federal courts which could cause a substantial deterioration in its financial condition, which could cause a condition of insolvency, or the ability to exist as an ongoing business entity.
- E. No significant collection lawsuits or judgements are outstanding which would seriously reflect upon the business entity's ability to remain solvent.
- F. If any of the events or actions described in Sections 7.1.C., 7.1.D., & 7.1.E. above shall be initiated or imposed during the terms of service hereunder, Customer shall provide notification thereof to Pipeline within two (2) working days of any such initiated or imposed event or action.

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- G. If Customer has an ongoing business relationship with Pipeline, no delinquent balances should be consistently outstanding for billings made previously by Pipeline and Customer must have paid its account in the past according to the establish terms and not made deductions or withheld payment for claims not

authorized by contract.

- H. A new credit appraisal shall not be conducted when an existing contract is amended or a request for a new contract is made unless the Customer's payment history with Pipeline has not been satisfactory or there is a bona fide basis for questioning Customer's creditworthiness.
- 7.2 If a Customer fails to demonstrate creditworthiness prior to receiving service, or after service has commenced, such Customer may still obtain service hereunder if it elects one of the following options:
- A. to provide a security deposit equal to three (3) months' service to be deposited into an interest bearing escrow account; or
 - B. to make a payment in advance for three (3) months' service; or
 - C. to provide a standby irrevocable letter of credit drawn upon a bank acceptable to Pipeline; or
 - D. to provide a guarantee by a person or another entity which satisfies the credit appraisal; or
 - E. to provide such other security as is mutually acceptable to both Pipeline and Customer.