

## Schedule-CAL-DERS-Foster-125(j)

### **NGX Press Release**

**March 28th, 2002: "NGX strengthens clearinghouse by amending collateral requirements"**

### **NOTICE TO ALL CONTRACTING PARTIES**

**Re: NGX Strengthens Clearinghouse by Amending Collateral Requirements**

Effective July 1, 2002, Natural Gas Exchange Inc. and NGX Financial Inc. (collectively "NGX") will migrate to a fully collateralized clearinghouse to ensure the integrity and security of exchange and clearing operations. In an effort to fully underwrite the financial risk of default by exchange participants, NGX will require all parties to post collateral in the form of cash margin or a letter of credit from an approved financial institution. Parental guarantees and credit limits based on bond ratings will no longer be accepted. The strength of NGX and its clearinghouse is based upon both the combined strength of its contracting parties and clearing assurances from NGX.

This change is in response to exchange participants requiring assurance that all counterparties can adequately perform their contractual obligations with NGX. Effective July 1, 2002 NGX will require collateral to cover all margin requirements. Margin requirements include settlement, variation margin (mark to market) and initial margin (value at risk).

The benefits of a fully collateralized clearing operation are:

- Secure trading and default free clearing
- Position netting
- Increased liquidity
- Centralized collateral and concentration of capital

The NGX Contracting Parties Agreement will be revised to reflect these changes that become effective on July 1, 2002. If you have any questions with respect to these, or other related matters, please do not hesitate to contact NGX.