

EXTERNAL COUNSEL BILLING AND STAFFING GUIDELINES

1. Introduction
 - 1.1. South Bow Corporation and its affiliated entities (including any partially owned entity, collectively, “**SBC**”) expects the Firm and its External Counsel to provide SBC with the highest quality legal services in the most cost-effective manner possible. SBC values the contributions of both in-house counsel and External Counsel and strives for a collaborative relationship and team approach between the two. This approach will ensure regular communication, elimination of surprise and the efficient and economic delivery of legal services. These External Counsel Billing and Staffing Guidelines (“**Guidelines**”) describe the procedures by which the Firm and External Counsel will provide legal services to SBC in order to meet these objectives.
 - 1.2. All members of an External Counsel team working on a Matter must be familiar with these Guidelines including all lawyers, paralegals, administrative and clerical staff assigned to that Matter, before legal services begin.
 - 1.3. External Counsel may not depart from these Guidelines except as expressly agreed to in writing between the Matter Supervising Counsel and External Counsel pertaining to the Matter in question.
 - 1.4. Terms used but not defined in these Guidelines will have the meanings given in the Master Legal Services Agreement and/or any applicable Legal Representation Agreement to which these Guidelines form a part, as applicable. In addition, for purposes of these Guidelines the term “includes” or “including” means “includes (or including), without limitation”.
2. Budget Management and Changes to the Approved Billing Limit
 - 2.1. Any modification to an Approved Billing Limit, whether an If a Matter requires legal services in excess of that provided for by the Approved Billing Limit in a Legal Representation Agreement, External Counsel should contact the Matter Supervising Counsel before undertaking any further legal services. Failure to provide advance notice that the Approved Billing Limit will be exceeded may result in SBC’s refusal to pay for the unbudgeted fees, expenses or other charges.
 - 2.2. Any modification to an Approved Billing Limit, whether an increase or a decrease, must be confirmed in writing by Matter Supervising Counsel.
 - 2.3. Because Matter Supervising Counsel and External Counsel each have a role in maintaining budgetary expectations, External Counsel must promptly advise the Matter Supervising Counsel of circumstances where communications, meetings, and exchange of documents and information among the Firm and other members of SBC could be improved to make them more cost-effective and timelier to progress the Matter to completion or closing.
3. Communication with SBC
 - 3.1. Matter Supervising Counsel is the primary point of contact with External Counsel. In some situations, there may be other SBC representatives whose involvement is important. However, External Counsel must report to and take instruction only from Matter Supervising Counsel unless otherwise approved by the Matter Supervising Counsel. Contact with SBC employees must be coordinated and approved by the Matter Supervising Counsel. SBC reserves the right to refuse payment for any legal services not approved in advance by Matter Supervising Counsel.
 - 3.2. It is SBC’s expectation that there will be full and regular communications between External

Counsel and the Matter Supervising Counsel to facilitate informed decision making. It is especially important that SBC be given adequate notice of significant events such as filings, hearings, trials, settlement conferences, material meetings, conference calls, negotiating sessions, critical path events and closings for example.

- 3.3. Oral communication is the preferred method of communication, as opposed to lengthy written reporting. External Counsel should not provide written status reports unless this has been first discussed and agreed to with Matter Supervising Counsel. Any written communication should be sent to Matter Supervising Counsel electronically, whenever possible.
- 3.4. SBC expects to receive copies of all transaction documents, agreements, correspondence, pleadings, briefs, legal opinions, and memoranda, including research memoranda and memos of interviews or other contacts with counterparties, opposing counsel, witnesses or SBC personnel.
- 3.5. The Matter Supervising Counsel expects to review drafts of any documents prepared on behalf of SBC far enough in advance of any deadlines to permit careful review of the document and to have comments properly addressed by External Counsel in a timely manner.

4. Appropriate Staffing

- 4.1. Effective control and management of SBC matters require the most efficient and effective use of all available resources. SBC expects legal services of the highest quality at reasonable costs. SBC also expects the External Counsel to whom SBC approved to be on a Matter to be personally and directly responsible for it in all aspects. When SBC retains External Counsel for a Matter, it expects that External Counsel to be personally involved and, where delegation is appropriate, to select and supervise appropriate personnel in the Firm to work on the matter. Any decisions to delegate significant parts of the handling of a matter must be approved by the Matter Supervising Counsel.
- 4.2. To promote effective utilization of time and skills, SBC requests that the Firm make reasonable efforts to provide for continuity in staffing and to assign the appropriate level of legal talent to an undertaking. For instance, SBC expects that tasks that do not require the skills of a lawyer will be done by paralegals. When more complex legal services may be handled more cost-effectively by a partner with expertise in the subject matter rather than by an associate, SBC expects the partner to be used. SBC also expect the Firm to use prior relevant research that is available within or to the Firm whenever possible and to keep consultations with other lawyers in the Firm to a minimum.
- 4.3. To ensure staffing levels are within expectations, External Counsel must discuss staffing plans for specific legal services with the Matter Supervising Counsel. Additions or changes to staffing, including use of summer associates, students-at-law or law students, are not to be made without the Matter Supervising Counsel's prior agreement. SBC will not bear the cost of educating counsel or paralegals added after the start of the Matter unless the staffing change is approved in advance by SBC.
- 4.4. SBC expects External Counsel to avoid having multiple Firm representatives at meetings, on conference calls, or copied on electronic correspondence. In addition, External Counsel should include Matter Supervising Counsel on material internal meetings and discussions. Consultations with other lawyers in the Firm should be limited to those circumstances where they provide increased efficiencies or necessary expertise. SBC reserves the right to object to payment for such duplicative attendance or consultations.

5. Retention of Local Counsel and Experts

- 5.1. Except under emergency circumstances where the Matter Supervising Counsel is not



available to approve the retainer in advance, External Counsel should not retain any local counsel, consultant, expert witness, mediator, arbitrator or other such personnel outside the Firm (each, a “**Retained Person**”) without the advance approval of the Matter Supervising Counsel. In seeking such approval, External Counsel must advise the Matter Supervising Counsel as to the budgeted fees and expenses of retaining such Retained Persons and provide regular updates with respect to the Retained Persons’ budget.

- 5.2. The proposed rates, compensation, and expenses of Retained Persons should be reasonable in light of the Matter for which they are hired and the customary levels for their professions. Under no circumstances can compensation be based upon a contingent fee arrangement. Final approval of rates, compensation and expenses rests with the Matter Supervising Counsel.
- 5.3. External Counsel will be directly responsible, in consultation with the Matter Supervising Counsel, for directing and monitoring the activities of Retained Persons once they are retained and for ensuring that Retained Persons provide detailed monthly written invoices, supporting documentation, and budget updates.

6. Fees and Billing Practices

- 6.1. SBC expects its External Counsel to use good judgment to appropriately manage the number of hours charged to SBC engagements by each lawyer, paralegal or other billing Firm staff member approved by SBC. SBC expects the time charges in its bills for legal services to not exceed what is identified in the Approved Billing Limit both annually, and if applicable, over the Life of Matter, without Matter Supervising Counsel’s prior written approval.
- 6.2. SBC expects the Firm to be willing to propose other fee solutions (“**Alternative Fee Arrangements**”) and to consider alternative billing arrangements proposed by SBC at every stage of the Matter. SBC supports the use of alternatives to straight hourly billing that encourage risk sharing, efficiency, and alignment of goals, including fixed fees, incentive billing, capped fees, phased billing and caps and collars with the goal of both managing the budget of the Matter as well as reducing Matter costs.
- 6.3. The Firm should scrutinize and reduce billed time in situations involving: (a) internal conferences; (b) legal research on basic or general legal principles; (c) assignments to inexperienced lawyers or students; or (d) reassignments among lawyers.
- 6.4. SBC will not pay for: (a) time spent in processing conflict searches, preparing billing statements nor in responding to inquiries concerning Firm invoices; (b) travel time during which External Counsel are billing another client for work performed while traveling; (c) services associated with the maintenance of the Firm’s client files for SBC or similar activities that are generally attendant to having SBC as a client; and (d) unit billing or minimum charges associated with certain activities (e.g., minimum charges for telephone calls regardless of time actually expended).
- 6.5. The firm must invoice each Matter **monthly**, within 2 weeks of month end, including final accounts. Once a Matter has been closed in SBC’s matter management software, the Matter cannot be invoiced further, and no further invoices can or will be paid. Failure to invoice on a monthly basis can lead to significant delays in payment, or non-payment. For payment before the end of a calendar year, invoices must be submitted no later than December 1 of that year. SBC expects the Firm to comply strictly with its year end accrual process, which will be communicated each year by SBC’s Legal Billing team (legal.billing@SouthBow.com).
- 6.6. Invoices must reference the correct SBC Matter number as referenced in the LRA or they will be rejected.
- 6.7. Block billing is not acceptable. Unless subject to a separate Alternative Fee Arrangement,



each task performed by External Counsel requires a separate time entry, billed in increments of tenths of an hour (0.1 billing hour = 6 minutes). The description of the Services provided on the invoice should be brief but informative.

- 6.8. Entries for telephone conversations, conferences, meetings, and court and tribunal appearances must specifically describe the parties involved and the subject matter or purpose of the task. Charges for preparing or reviewing correspondence must identify the subject matter of the letter and the author.
 - 6.9. Invoices from Retained Persons contemplated in Section 5 should be paid directly by the Firm, provided that detailed invoices for such amounts and legal services have been approved in advance by Matter Supervising Counsel. Copies of these invoices should be included with the External Counsel invoice on a monthly basis and shall be charged to SBC (without markup) on External Counsel's regular invoice to SBC, unless otherwise agreed to in writing by the Matter Supervising Counsel.
 - 6.10. Interest charges are not billable to SBC.
7. Expenses/ Disbursements
- 7.1. SBC will reimburse the Firm for actual charges for filing fees, court reporter fees, expert witness fees, and other such litigation expenses as outlined in this article 7. External Counsel should not request overnight or express service for deposition or court transcripts unless immediate production is essential or has been approved in advance by the Matter Supervising Counsel.
 - 7.2. To the extent authorized within the LRA, External Counsel should promptly advise Matter Supervising Counsel of anticipated filing and registration fees and expenses and required timelines and process in a timely manner in connection with a commercial transaction. SBC will External Counsel for actual charges for such filing and registration fees to the extent they are authorized by Matter Supervising Counsel and are in accordance with this article 7 and law.
 - 7.3. SBC considers certain costs to be part of External Counsel's non-reimbursable overhead, and will not accept charges from the Firm for the following items:
 - Fees and expenses for reviewing and complying with these Guidelines
 - Word processing
 - Rent
 - Conference room charges
 - Supplies
 - Library use and materials, including subscriptions to on-line research databases (LexisNexis, Westlaw, etc.)
 - Proofreaders
 - Meals, transportation for employees to get to and from the office (including at night)
 - Support staff salaries and overtime
 - Hourly fees for time spent photocopying, sending facsimiles, etc.
 - 7.4. The Firm may bill SBC reasonable charges for the following expenses, provided that the advance approval of Matter Supervising Counsel has been secured, where indicated to be required by these Guidelines. Requirements for submitting copies of receipts are indicated below. These requirements do not alter External Counsel's duty to maintain and procure original receipts and other supporting documentation for all expenses for audit purposes.
 - Itemized copy charges. SBC will not pay more than \$0.10 per page for photocopying or printing. Where appropriate, the firm shall consider using an outside copying service



and attach receipts. Copies for Firm internal distribution or Firm convenience may not be charged to SBC.

- Itemized fax charges (telephone long distance charge (line charge) is the only acceptable charge).
- Itemized long distance telephone charges.
- Itemized postage costs, including any extraordinary postage (i.e., bulk or certified mail).
- Itemized overnight delivery. Itemization should include name of person to whom the delivery was sent, and the name and type of delivery service used.
- Itemized time to perform electronic research. Itemization should include person's name performing the research and the name of the service provider. Note that prior approval by the Matter Supervising Counsel is required for electronic research as described in section 7.7.
- Retained Persons and other professional service providers in accordance with article 5.1.
 - Investigators.
 - Court reporters.
 - Filing fees.
 - Other case-specific (non-overhead) expenses. A description of the expenses must be noted in the description for that entry on the invoice.
 - Allowable travel expenses, as discussed below.

7.5. **Travel and Other Time Away from the Office:** SBC expects its External Counsel to use good judgment and minimize travel costs where reasonably possible. Air travel must be via coach/economy air fare unless an exception to this policy must be approved in advance by the Matter Supervising Counsel. When cost-effective to do so, non-refundable air fares may be utilized. Where appropriate, SBC expects External Counsel to avoid unnecessary travel through such alternatives as teleconferencing and videoconferencing. If External Counsel is traveling on business for more than one client, the associated travel-related expenses must be apportioned appropriately between the clients. SBC should not be charged fees for time spent traveling or away from the office unless legal Services are being performed for SBC during that time. SBC expects External Counsel to make effective use of travel time by performing legal Services for SBC, where feasible.

7.6. **Meals and Accommodations:** Hotel and restaurant expenses charged to SBC must be customary and appropriate for business travel. Personal incidental expenses (e.g., sightseeing and personal entertainment expenses) incurred while traveling on SBC engagements may not be charged to SBC. In addition, SBC will not pay for meals or other incidental expenses (e.g., taxis, parking, etc.) of External Counsel or other law firm personnel when they are working in their normal office location. Appropriate summaries of hotel and restaurant expenses should include the identity of the person making the expenditure, the date, the cost, and the nature of the expenditure (e.g., "meal").

7.7. **Research:** External Counsel are selected by SBC for a Matter because of their existing expertise. The Matter Supervising Counsel must approve in advance all legal research that is anticipated to require more than 2 hours to complete. The billing entry should state the approving person. If legal research is required, associates, paralegals or external service providers who provide legal research on a fixed fee basis should be used, thereby avoiding research time by higher cost personnel. However, the Company recognizes that in certain instances it will be more cost-effective for higher-level personnel to undertake legal research. The Firm agrees to set up and utilize a confidential brief and memo bank for SBC to capture the institutional knowledge and experience gained through the Firm's representation of SBC.



8. Invoice Submission

8.1. SBC requires the Firm to submit invoices using SBC's legal billing email address legal.billing@SouthBow.com. Invoices should be submitted in PDF format as an attachment to the email.

8.2. All invoices must comply with the following requirements to ensure prompt payment:

- Invoiced to the appropriate SBC entity (reflecting the Company name stated on the LRA).
- Include the Matter Name and Number as indicated in the LRA for the Matter.
- Include Invoice Number and Date.
- Include Firm's relevant taxation information, e.g. GST number, Federal Employee Tax Identification Number (TIN).
- Provide a detailed description of legal services rendered indicating who performed each task and the time spent for each task.
- Include on the invoice the hourly rates for each person on the Matter.
- Include the person's position in the Firm (e.g., partner, associate, paralegal, etc.).
- Include the name of the Matter Supervising Counsel.
- State the period in which legal services were performed.
- Itemize disbursements separately. Separate receipts must be maintained and may be requested.

8.3. For the purposes of verification of all legal Services performed and all amounts payable under a Matter by External Counsel, permitted Retained Persons, or any permitted subcontractors, the Company and its authorized representatives shall have the right at any time upon reasonable notice to the Firm to inspect, copy and audit the Firm's, Retained Persons', and its subcontractors' invoicing records relating to the Matter at all reasonable times throughout the term of each Matter until the completion of that Matter (or the date of any termination of that Matter prior to completion of the legal services), and for a period of the later of (i) 3 years following the completion/termination of the Matter; and (ii) the termination of a Master Legal Services Agreement if applicable. The Firm shall ensure all permitted Retained Persons and permitted subcontractors are required to preserve and maintain, in accordance with Generally Accepted Accounting Principles (GAAP), such records as may be necessary to adequately reflect the accuracy of the charges and invoices for reimbursement. The Firm shall also ensure all permitted Retained Persons and permitted subcontractors are required to make available to the Company all invoicing records and related original receipts relating to the Matter in the same manner as the Firm is required to under this provision. For greater certainty, this section 8.3 does not limit the Firm's obligations under section 12.2 to preserve SBC files in respect of a Matter.

9. Litigation Matters

9.1. **Discovery Requests:** External Counsel must immediately contact the Matter Supervising Counsel when External Counsel receives a

- (i) notice of deposition or subpoena of an employee of SBC, or
- (ii) subpoena or request for production of documents generated by SBC.

SBC seeks to use third party review firms to conduct managed document review where appropriate to reduce costs. Matter Supervising Counsel must be consulted prior to engaging in any electronic discovery discussions or activities.

9.2. **Settlement and Alternative Dispute Resolution:** SBC strongly encourages External Counsel to work towards cost-effective and early disposition of its cases. Accordingly, SBC



expects early assessment and exploration of settlement or alternative dispute resolution possibilities, consistent with the known or anticipated exposure and cost of the litigation. Any settlement offer from an opposing party must be reported immediately to the responsible Matter Supervising Counsel along with an analysis and recommendation. Settlement negotiations may not be initiated without approval from the Matter Supervising Counsel.

- 9.3. **Appeals:** External Counsel must promptly notify the Matter Supervising Counsel of any adverse ruling so that a decision can be made regarding appeal. Although External Counsel are expected to take all steps necessary to protect the interests and preserve appeal rights of SBC, pending a decision whether to appeal, no appeal shall be taken without the prior approval of the Matter Supervising Counsel.

10. Project/Transactional Legal Work

- 10.1. **Initial Project Legal Services Allocation:** Transactional legal services require timely coordination between SBC (through Matter Supervising Counsel) and External Counsel. External Counsel is expected to adhere to communications guidelines and transaction-specific instructions as may be communicated by the Matter Supervising Counsel to External Counsel. External Counsel must obtain approval from Matter Supervising Counsel prior to embarking on time intensive transaction-related activities, including any due diligence, document preparation or revision, summarizing information, organizing or attending internal or external meetings, conducting or instructing searches, preparing document summaries, drafting and updating closing agendas or preparing or seeking legal opinions.
- 10.2. **Transaction Assumptions and Updates, and Requirements for Opinions:** To facilitate accurate legal budgeting, and to allow SBC to anticipate and respond to changes in circumstances in the context of a transaction, External Counsel must provide to Matter Supervising Counsel (i) relevant particulars of material assumptions involving the transaction, and (ii) necessary material updates to such assumptions in a timely manner. External Counsel shall promptly advise Matter Supervising Counsel of the occurrence of any events which could materially affect the closing, or the timing of closing, of a transaction. To the extent legal opinions are sought in connection with a commercial transaction, External Legal Counsel shall promptly identify to the Matter Supervising Counsel the anticipated need for such opinions, including relevant facts, assumptions, required materials and information from SBC and third parties, to allow Matter Supervising Counsel the opportunity to assess risks and adequacy of such opinions and to obtain instructions from SBC.
- 10.3. **Transaction Documentation:** SBC maintains a number of internal documents, including forms of term sheets, agreements, letters, agendas, checklists, working group lists, notices, opinions, and internal processes. To leverage this existing knowledge base and to adhere to SBC standards and applicable regulatory requirements, External Counsel shall confirm with the Matter Supervising Counsel the extent to which SBC precedents or documents are to be used in connection with a commercial transaction. All such SBC precedents remain the property of SBC.
- 10.4. **Inter-affiliate Requirements and Internal Controls:** SBC is involved in highly regulated businesses and maintains codes of conduct and internal controls, all of which may require lead time to progress matters in connection with a commercial transaction. External Counsel is expected to be aware of these additional constraints and must keep Matter Supervising Counsel aware of items which may require longer SBC internal lead time to minimize disruption to commercial closings.
- 10.5. **Post-Closing Matters:** External Counsel must confirm instructions with Matter Supervising Counsel prior to (i) preparing closing books and record books, or (ii) engaging in post-closing



activities which are outside the initial scope of the Matter.

11. Use of Work Product

- 11.1. To the extent that SBC is not the owner under applicable law of the Work Product resulting from External Counsel's legal Services for SBC, the Firm agrees that SBC may make any and all uses of such Work Product without further obligation to the Firm. In this context, "**Work Product**" means those pleadings, memoranda, correspondence, contracts and any other products of External Counsel's legal Services that is created or prepared on SBC's behalf, but does not include any internal resources (e.g., training materials, software tools, etc.) that External Counsel develops for internal use at no cost to SBC. SBC reserves all rights to its intellectual property. For clarity and notwithstanding anything herein to the contrary, the Firm may reserve all copyright in any written works that are licensed to the Firm from a third party and the Firm shall expressly indicate on such document what the impacted Work Product is and indicate any requirements of its use.

12. Records Retention

- 12.1. All information maintained in Matter files, whether supplied by SBC or third parties or created by External Counsel, including Work Product, is the property of SBC. Under no circumstances may the Firm or External Counsel withhold files for any reason, including any dispute over payment.
- 12.2. Except to the extent agreed by SBC and External Counsel or as otherwise specified by Matter Supervising Counsel, the Firm is responsible for the preservation of SBC files in respect of each Matter for a period of 10 years from the date of completion or termination of this Matter, unless SBC authorizes the destruction of such Matter files, or SBC orders their transfer to SBC or another organization prior to the expiry of such period.

13. Orderly Transition at Conclusion of an Engagement

- 13.1. At the conclusion of the engagement, Matter Supervising Counsel may schedule a debriefing call with External Counsel to discuss what went well, and what can be improved. External Counsel should identify any areas of risk to SBC to be communicated to our business clients by way of "lessons learned" and any recommended changes to policies, procedures and practices. Matter Supervising Counsel will advise if anything is required in writing following the oral debrief.

