

**CREDIT INSURANCE****DECLARATION PAGE**

forming part of and to be construed as one with the POLICY

Policy Number:	Effective Date:
Insured (Legal name):	
Address:	Broker:

This Declaration Page shall have effect in respect to contracts for which our liability commences during the Policy Period. All amounts stated in the policy currency.

Policy Period:	2004-07-01 to 2005-07-01
Policy Currency:	CAD
Premium Rate:	0.425%
Estimated Sales:	\$4 800 000
Estimated premium:	\$20 400
Minimum Premium:	\$17 500
Maximum Policy Liability:	\$400 000
Co-insurance:	10%
Trade:	xxxxxxxxxxxx
Country(ies):	Canada
Payment Currency:	CAD
Covered Terms of Sale:	45 Days
Maximum Extension Period:	60 Days
Credit Limit Charges	\$50 per limit application
Discretionary Credit Limit (DCL):	\$25 000
Maximum Allowable DCL Claims:	\$50 000
Annual Aggregate Deductible:	\$7 500
Non-Qualifying Loss:	\$2 500

The Endorsements listed below shall form part of and be construed as one with the Policy (copies of any new Endorsements are attached for your information; further copies are available on request).



**THE GUARANTEE COMPANY  
OF NORTH AMERICA**

HEAD OFFICE  
Place du Canada, Suite 1560  
Montreal, Quebec, H3B 2R4  
Tel (514) 866-6351  
Fax (514) 866-0157  
1-800-361-8603  
www.gcna.com

**CREDIT INSURANCE  
POLICY**

**SPECIMEN**



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## Article 1 Losses Covered

Subject to the provisions of this policy, We, THE GUARANTEE COMPANY OF NORTH AMERICA, the Insurer, agree to pay you, the Insured named in the Declaration Page, the amount (less the Coinsurance) of any loss you may sustain because of the occurrence of any of the following causes of loss:

- INSOLVENCY                      A. The Insolvency of a Buyer.
- DEFAULT                         B. The failure of a Buyer to pay you the amount owing under the contract within 6 months of original due date of payment.

## Article 2 Contracts Covered and Commencement of Coverage

- CONTRACTS COVERED                      A. The policy applies to all contracts you make with Buyers in the countries specified in connection with your Trade. Contracts must specify the nature and quantity of the goods to be sold (or the services to be performed), as well as the terms of payment, which must not exceed the period of time specified in the Covered Terms of Sale on the Declaration Page. The currency in which payment is to be made must be as set out on the Declaration Page.
- COMMENCEMENT DATE OF COVERAGE                      B. Coverage commences when the goods are dispatched or in the case of services, when each invoice for services performed is submitted to the Buyer.
- DISPATCH                         C. Dispatch is deemed to be made when you, or anyone acting on your behalf, parts with possession of the goods for the purpose of transmitting them to the Buyer.

## Article 3 Claims

- PERIOD FOR SUBMISSION                      A. Claims (including all available information) must be made within 6 months of the expiration of the Maximum Extension Period, using the Claim form we will provide.
- CALCULATION OF LOSS                      B. We will calculate your loss as being the amount owing to you from the buyer less any Specified Deductions. We will include in the amount owing any contractual interest accruing up to and including the original due date of payment, but not any interest accruing after that time.
- DATE OF ASCERTAINMENT OF LOSS                      C. The amount of your loss shall be ascertained on the date of ascertainment of loss which shall be as follows:  
a. For Insolvency, immediately upon the occurrence of the Insolvency.  
b. For Default, 6 months after original due date of payment.
- LIMITATION BY CREDIT LIMIT                      D. We shall not be liable to pay more than the Credit Limit for the buyer less the Coinsurance.

## Article 4 The Credit Limit

- WRITTEN CREDIT LIMITS**
- DISCRETIONARY CREDIT LIMITS**
- REPORTS**
- TRADING EXPERIENCE**
- COMPLIANCE WITH CREDIT LIMIT**
- CREDIT LIMIT CHARGE**
- A. You must have a Credit Limit for every Buyer. Every Credit Limit is independent and severable from all other Credit Limits.
- B. You may obtain a Credit Limit in writing from us. The amount shall be determined at our sole discretion and shall be approved on the terms and conditions we think appropriate. Those terms and conditions may vary any provision of the policy. A written Credit Limit shall override any discretionary Credit Limit you may obtain on the same Buyer.
- C. Alternatively, you may justify a Discretionary Credit Limit yourself using written credit information or trading experience, though in the two cases the amount justified must not exceed the Maximum Discretionary Limit stated on the Declaration Page.
- a. Where written credit information is used, it must be obtained from an independent credit agency or bank in your country or the Buyer's country during the 12 months preceding the dispatch of goods or, in the case of services, the submission of the invoice.
- b. With trading experience, you may justify a Credit Limit of 50% more than the highest amount which has at any time been owed by the buyer and paid on or before the expiration of the Maximum Extension Period during the 12 months preceding the dispatch of goods or, in the case of services, the submission of the invoice. However, the limit you justify may not be on more favourable terms to the Buyer than the previous business.
- D. We shall not be liable where you have not complied with the terms and conditions of the Credit Limit, or where you have not established a Credit Limit before the date of ascertainment of loss.
- E. We shall charge you for each response or decision we give in respect to written Credit Limits and for yearly reviews of the latter.

## Article 5 Report of Sales and Premium

- REPORT OF SALES**
- RISK PREMIUM**
- A. You must report the amounts due in respect to all goods dispatched or services invoiced under contracts to which the policy applies using the form we will provide. Where appropriate, a Report of Sales showing zero must be submitted. Reports of Sales must be returned to us by the time we specify.
- B. Premium is payable in relation to each contract to which the policy applies. This is calculated at the percentage rate shown in the Declaration Page in respect to the amount of sales reported. Payment of this premium must be made at the times we specify.

**Article 6****Credit Beyond Due Date****MAXIMUM  
EXTENSION  
PERIOD**

- A. You may not agree in the contract to any extension of due date of payment. However, you may, if the need arises, allow credit to run for a period beyond due date, or agree in writing to a single extension of due date, provided that the period or extension you allow is not longer than the Maximum Extension Period.
- B. Unless you obtain our prior written agreement, the granting of credit beyond due date is not permitted in the case of bills of exchange, promissory notes, cash against documents, documentary sight draft, documents against payment transactions or wherever payment is to be made out of a letter of credit.

**Article 7****Minimizing Loss and Obtaining Recoveries****NOTIFICATION**

- A. You must notify us immediately using the form we will provide, of the occurrence of any event likely to cause a loss, or if payment of any amount is still overdue from a buyer 20 days after the expiration of the Maximum Extension Period. Failure or delay to give the required notice is a cause of forfeiture of your right to any payment where we have sustained prejudice.

**DUE CARE  
& DILIGENCE**

- B. You must use due care and diligence and take all practicable measures to prevent and minimize loss. This includes ensuring that all rights against the contract goods, Buyers and third parties are properly preserved and exercised.

**TAKING ALL STEPS**

- C. You must take all steps that we may require in connection with a potential or actual loss, including the institution of legal proceedings. If we require it, you must assign to us, and take all steps to perfect such assignment, all rights against the contract goods, Buyers or third parties or appoint us as your agent or give us a power of attorney in your name to take legal proceedings or to appoint any person for the purposes of collection of amounts owing.

**INFORMATION**

- D. You must provide us with all information and documents that we may require. We may at any time examine and make copies of all letters, communications, accounts or other documents in your possession or control and relating to any matter under this policy and you shall at our request:
  1. Provide us with all information in your possession, and
  2. Take all reasonable steps to obtain any information or to provide sight of any document in the possession of a third party.

**CONTRIBUTIONS  
TO YOUR  
COSTS AND EXPENSES**

- E. We will contribute towards costs and expenses that you properly and reasonably incur in fulfilling the above obligations. Our contribution will be proportionate to our liability for the loss. However, we will not contribute towards your administrative costs and expenses, which shall include the services of any of your employees or use of any of your owned or leased equipment or premises.

REMITTANCE  
OF RECOVERIES

- F. All Recoveries shall immediately be remitted to us. Until this remittance is made, you receive and hold Recoveries in trust for us. After receipt by us, Recoveries will be divided between you and us in the proportion in which the loss is borne by each of us, whether or not the division results in our retaining a greater sum than the amount we may pay.
- G. If you fail to comply with any of the provisions of this Article after we have made a payment, then you will be liable to refund the payment to us on demand.

**Article 8 Allocation of Moneys Received**

All amounts received in connection with any contracts (including contracts not covered by the policy) shall, as between you and us, be applied to amounts owing under all your contracts with the same Buyer in chronological order of due dates.

**Article 9 Withdrawal of Coverage**

AUTOMATIC  
WITHDRAWAL

A. If payment of any amount is overdue from a Buyer at the date of expiration of the Maximum Extension Period, we shall not be liable in respect to goods dispatched or, in the case of services, for invoices submitted to that Buyer, after that date.

WITHDRAWAL  
BY US

B. We may at any time and for any reason by written notice to you cancel any Credit Limit and withdraw coverage in respect to any contract, Buyer or country. The policy will not apply to goods dispatched or, in the case of services, to invoices submitted, on or after the date specified in the notice.

**Article 10 Assignment of Policy Rights**

LOSS PAYEE

You cannot assign or transfer this policy or any of its benefits without our prior written consent. You may, however, require claim payments to be made to a named loss payee, using the form we will provide, although your obligations under the policy remain unaffected.

**Article 11 Assignment of Contract Rights**

You may assign or change your rights under a contract covered under the policy provided this does not contravene the contract terms and you give us details when making a claim. However, we shall not be liable to pay you for any loss unless the person in whose favour the assignment or charge has been made has given us in writing on a form acceptable to us that he will not make any claim to our portion of any Recoveries.

## Article 12 The Application and Disclosure of Facts

The Application for this insurance is incorporated into this policy as its basis. If any of the statements contained in the Application is untrue or incorrect in any material respect, we shall be entitled to void the policy, recover any payments made, and retain any premium paid. You must have disclosed, and continue at all times to disclose promptly, all facts which might affect the risks insured.

## Article 13 Observance of Terms and Conditions

Due payment of all premiums (and other charges) specified in the Declaration Page, and the due performance and observance of every term and condition in the policy or the Application, irrespective of actual prejudice to us, shall be conditions precedent to any liability on our part. In the event of any breach of any condition precedent, we also have the right to retain any premium paid and give written notice terminating the policy and all liability under it. No variation or waiver relating to any term and condition of the policy shall be binding unless we have specifically agreed to the same in writing.

## Article 14 Joint and Several Obligations

If more than one person is named as the Insured in the Declaration Page, their obligations shall be joint and several.

## Article 15 Retained Risk

You must retain exclusively for your own account:

- a. As an uninsured risk any amount which exceeds the amount we are liable to pay you under the policy.
- b. As a self-insured risk, the percentage of Coinsurance.

## Article 16 Exclusions

### FAILURE BY YOU

- A. We shall not be liable for any loss you may sustain where there has been any failure by you or by any person acting on your behalf to fulfill any of the terms and conditions of the contract or to comply with the provisions of any law (including any order, decree or regulation having the force of law).

### RADIOACTIVE CONTAMINATION

- B. We shall not be liable for any loss directly or indirectly caused by, contributed to, by or arising from the ionizing, radioactive, toxic, explosive or other hazardous or contaminating properties or effects of any explosive nuclear assembly or component thereto, nuclear fuel, combustion or waste.

IMPORT AND  
EXPORT LICENSES

C. We shall not be liable for any loss you may sustain where there has been a failure to obtain any import or export license or other authorization necessary for the performance of the contract.

THIRD COUNTRIES

D. Where goods are to be dispatched to, or payment is to be made from, a country other than the Buyer's country, we shall not be liable for any loss arising in connection with the third country.

FIVE GREAT  
POWERS

E. We shall not be liable for any loss arising directly or indirectly from war (whether before or after the outbreak of hostilities) between any of the following countries: China, France, the United Kingdom, the Russian Federation and the United States of America.

## Article 17 Disputes and Guarantees of Payment

DISPUTES

A. We shall not ascertain loss so long as a Buyer claims for any reason whatsoever that he is justified in withholding payment of all or part of an amount owing or in not performing any of his obligations under the contract.

GUARANTEES

B. Where we have made it a condition of coverage that there be a guarantee or surety, we shall not ascertain loss until a final judgement for the amount owing has been obtained against that guarantor or surety in a court in the country specified in such condition.

## Article 18 Misrepresentations or Fraudulent Acts

Should there be any material misrepresentation, whether fraudulent or otherwise, or fraudulent conduct on your part (or on the part of any other person who has a legal or beneficial interest in the policy or its proceeds) in relation to this policy (including the Application), to any claim under it, or to any contract to which the policy applies, we shall be entitled to render the policy void and may retain any premium paid, and you will be liable to refund to us any payment we may have made under the policy.

## Article 19 Set Off

We have the right to apply any amount payable under this policy in or towards payment of any amount owing from you to us (paying interest before principal) whether under this policy or otherwise.

## Article 20 Maximum Policy Liability

The maximum amount which we shall be liable to pay in respect to all contracts for which our liability commences during the Policy Period shall be the amount of the Maximum Policy Liability shown in the Declaration Page for that period, notwithstanding that such amount may be less than the amount (less the Coinsurance) of any Credit Limit or aggregate of Credit Limits.

## Article 21 Currencies

- A. Policy Currency as set out on the Declaration Page will be used for the purpose of making Reports of Sales, paying premium and calculating the amount of any loss. The exchange rate on the last working day of the month during which Shipment was Dispatched shall be used.
- B. Recoveries shall be converted to the Policy Currency at the exchange rate on the date of receipt by you or by any person acting on your behalf.
- C. The exchange rate on a given date shall be the closing rate quoted for that date as posted by The Bank of Montreal.

## Article 22 Variations of Terms of Coverage

We have the right at any time to vary by written notice any of the provisions of the policy in respect to contracts made with a particular Buyer. The variation will apply to goods dispatched or, in the case of services, to invoices submitted, after the date which will be specified in the notice (not being earlier than the date of the notice).

## Article 23 Definitions

- |             |   |
|-------------|---|
| INSURED     | A. "Insured" means the insured name in the Declaration Page.  |
| BUYER       | B. "Buyer" means a purchaser of insured goods or services on whom a Credit Limit has been established.  |
| COINSURANCE | C. "Coinsurance" means the percentage specified in the Declaration Page.  |
| INSOLVENCY  | D. "Insolvency" shall occur for entities in the United States of America or Canada if;<br><ul style="list-style-type: none"><li>a. An involuntary bankruptcy is made against the Buyer, or the Buyer files for relief under Title 11 of the United States Bankruptcy Code, The Canada Bankruptcy and Insolvency Act, or the Canada Companies Creditors Arrangement Act;</li></ul> |

- b. In the course of execution of a judgement, the levy of execution fails to satisfy the debt in full; or
- c. A valid assignment, compromise or other arrangement is made for the benefit of the Buyer's creditors generally; or
- d. An effective arrangement is made for the liquidation of a Buyer; or
- e. An administrative or other receiver or manager of any of the Buyer's property is appointed; or
- f. You show, to our satisfaction, that the Buyer's financial state is such that even partial payment is unlikely and that to enforce judgement or to apply for a bankruptcy or winding up order would have no foreseeable result other than one disproportionate to the likely costs of the proceedings; or

An event has occurred elsewhere than in the United States of America or Canada, which, under the law of court having jurisdiction, is substantially equivalent in effect to any of the events listed above.

**MAXIMUM  
EXTENSION PERIOD**

"Maximum Extension Period" means the period shown in the Declaration Page. However, where you have agreed in writing to extend the due date by a shorter period, the Maximum Extension Period shall mean that shorter period. We may vary this period by written notice at any time.

F. "Policy Period" shall mean the period the policy is in force, as specified in the Declaration Page. Risks shall attach in respect to those contracts or parts of contracts for which coverage commenced during this period.

**RECOVERIES**

G. "Recoveries" means all sums whatsoever received, recovered or realized whether by you, by any person acting on your behalf, or by us in relation to a contract after the date of ascertainment of loss.

**SPECIFIED  
DEDUCTIONS**

H. "Specified Deductions" means any amount which, at the date of ascertainment of loss, you are or the buyer is entitled to credit to the buyer's account whether by way of payment, set off, counterclaim or otherwise; and any expenses which you have saved.

**TRADE**

I. "Trade" has the meaning given to it in the Declaration Page.

This policy and any related dispute, suit or action shall be governed by and construed in accordance with the laws of the Canadian province named in the Declaration Page as your address. Any provision of this policy which is in conflict with the laws of the province named in the Declaration Page as your address is hereby amended to conform to the minimum requirements of such laws.

In witness whereof the Insurer has caused this policy to be signed by its President and Chief Executive Officer, but this policy shall not be valid unless completed by the attachment hereto of a Declaration Page countersigned by a duly authorized representative of the Insurer.

**SPECIMEN**

By: *Jules Quenneville*

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President and Chief Executive Officer