

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
IN BANKRUPTCY AND INSOLVENCY
IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF QUALITY RUGS OF CANADA LIMITED AND
THE APPLICANTS LISTED IN SCHEDULE "A" (the "**Applicants**")

SECOND SUPPLEMENTAL AFFIDAVIT OF JOHN A. PACIONE
(affirmed August 22, 2023)

I, John Pacione, of the City of Vaughan, in the Province of Ontario, MAKE OATH AND SAY AS FOLLOWS:

1. I am a Co-Chief Executive Officer of Quality Rugs of Canada Limited (variously referred to herein as "QRCL and the "Company"), which with various affiliates does business as the Quality Sterling Group of Companies (variously referred to below as the "QSG Group" or the "Group" or the "Companies"). As such, I have knowledge of the matters to which I depose in this supplemental affidavit, save and except for such facts or matters which are stated to be based on information and belief, and where so stated, I believe same to be true.
2. This further supplemental affidavit is sworn (i) in response to the Responding materials of LiUNA Local 183 (defined below) filed in the Waygar CCAA Application and (ii) to provide the court with a copy of the D&O Insurance policy which is referenced in the proposed Director's Charge. All defined terms used in my original and supplementary affidavits apply herein unless otherwise indicated..

PART A – ISSUES RAISED IN UNION COURT MATERIALS

**BACKGROUND – LABOURERS INTL UNION OF NA LOCAL 183 (LIUNA 183)
RELATIONSHIP WITH QSG GROUP**

3. QSG Group uses about 200 different flooring installers. Certain of the flooring installers used by QSG are unionized. One of those unions with which there is a Collective Agreement is LiUNA 183.

4. The Collective Agreement LiUNA 183 only pertains to installers involved in one of QSG's 6 product lines – 'Low Rise Tile'. The other 5 product lines are Low Rise Wood, Low Rise Carpet, Hi Rise Tile Wood, and Carpet.
5. Moreover, only some of the builders in that one product line requires, and in Ontario Labour Relations Board Areas (OLRB) 8, 9, and 18 only, the use of installers unionized by Local 183. Hence LiUNA183 sites are a small percentage of the overall QSG business.
6. There are 32 OLRB areas in Ontario. OLRB areas 8, 9, and 18 are in GTA and are large volumes areas. However, the low-rise market to which the LiUNA 183 tile bargaining rights pertain are not the growth markets for low rise residential.
7. LiUNA 183 has abandoned bargaining rights in respect of flooring installers used by the QSG Group. The abandonment took effect in May 2023.
8. As that abandonment shut QSG out of certain builder sites that require the installers to be unionized by LiUNA 183, and QSG alleged that this was done to punish it for switching union relationships to another union, the matter went to the Labour Board earlier this year.
9. The matter was settled. The Settlement Agreement allows QSG Group to complete builder projects where the site requires LiUNA 183 installers until May 2024, and also to provide warranty/service work on all of its sites indefinitely.

QSG GROUP USE OF INSTALLERS

10. Installers are trades people who specialize in installing flooring at builder project sites. Some installers are sole proprietors and some have a team of installers.
11. When QSG Group enters into a contract with a Builder, it generally provides for the supply of the flooring material and the conduct of the installation as well as the subsequent addressing of any warranty or workmanship claims. When the time comes for the installation to occur, it engages an installer to conduct the work.
12. The Installers are paid only for the projects they undertake. They are not required to undertake any projects requested to be performed by QSG, and can also elect to do installations for other flooring suppliers.

PAYMENT OF THE INSTALLERS

13. QSG makes remittances to LiUNA 183 to cover pension and benefit contributions and union dues and similar amounts, based on rate schedules of the Collective Agreement, for piecework and hourly work completed in any month on the 15th day of the following month. The payments to LiUNA 183 are current.
14. QSG pays installers on a weekly basis, every Friday, for prior weeks installations. These payments are current.
15. QSG Group administers the above payments through an Accounts Payables process (i.e. not a payroll process).
16. The installers have been treated as critical suppliers further to August 4 Order and their accounts have been kept current.
17. The total pay to the installers operating under the Liuna L183 collective agreement for the month of July was around \$367,699 and the associated union remittances were approximately \$93,495. QSG expects August payments to be lower given the difficult operating environment it has experienced.
18. QSG will continue paying the installers on a weekly basis and the union remittances on the 15th of each month during the CCAA until the closing of the sale of its business. Following the closing nothing further would be owing to Installers other than for work done in the period immediately proceeding closing. QSG supports a provision being inserted in the order ensuring that stub amount gets paid.

HOLDBACK

19. The Collective Agreement permits up to \$2000 per installer to be held back as security for warranty work to address installation errors and deficiencies. The total holdback is approximately \$95,000.
20. If that amount is paid out to the Installers, when the purchaser takes over the business, the installers would have to pay it back in. QSG proposes to have an amount equal to the holdback set aside and held for the Installers, to be transferred to the Newco once purchaser

takes over business, and these amounts to continue to be governed by the Liuna L183 collective agreement.

GRIEVANCES

21. QSG does not have a material number of pending grievances. There is none that raise particularly pressing issues that require determination at this time. QSG is not opposed to grievances continuing but would prefer not to spend limited cash flow on that before the business is sold, as that cash is needed to protect the whole business which benefits the installers as a group.

CONTINUATION OF INSTALLER SERVICES

22. As the Collective Agreement does not require the installers to work for QSG, the continuation of services clause in any CCAA Order would not require them to work for QSG either since it only provides for the continuation of existing arrangements. Accordingly the continuation of services clause is not a risk to the installers.

LEGAL STATUS OF INSTALLERS

23. Installers are used across the flooring industry, not just by QSG. The question of the legal status of the relationship between flooring suppliers and installers would affect the whole industry, not just QSG. As long as the Collective Agreement is being observed, there is no reason to decide that question at this time.

PART B – D&O INSURANCE

24. Attached herewith and marked as **Exhibit “A”** is a copy of the only D&O Insurance Policy held by QSG Group (D&O Policy renewal for 2022-2023 plus list of notable exclusions from coverage). It is a claims made policy. The coverage limit is \$1 million. The policy is complex and it is not possible to be certain at this stage which possible claims the insurer (Chubb) would admit to be covered by the policy and not subject to the various exclusions in the policy.

AFFIRMED by John Pacione at the City of Toronto, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, on August 22, 2023 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely



DocuSigned by:
Saisha Mahil

6DD86C80A890492

Commissioner for Taking Affidavits
(or as may be)
Saisha Mahil LSO #80083T


DocuSigned by:
John Pacione

D59AF63ECDD04EA...

JOHN PACIONE



This is Exhibit "A"
to the Affidavit of John Pacione
affirmed before me
on August 22, 2023

DocuSigned by:


6DDE6C80A890492...
Saisha Mahil
LSO# 80083T

Forefront Portfolio

CHUBB®

**CUSTOMER NOTICE REGARDING HIGH POLITICAL RISK JURISDICTIONS AND
ECONOMIC SANCTIONS LAWS**

This notice is intended to inform you of: the difficulties we may have in servicing claims in jurisdictions with high political risk or instability; and, the consequences of our obligations to comply with Canadian and international economic sanctions laws. Though your coverage may apply on a world-wide basis, claims arising from events in certain jurisdictions may be very difficult to service. Such difficulties could include our inability to: retain appropriate third parties to assist with the adjustment of the claim; investigate or confirm the circumstances of the claim; and, process transactions with respect to claim investigation and payment. Furthermore, many countries are subject to Canadian, United States and international economic sanctions laws. Economic sanctions laws are legal measures imposed by countries to promote their foreign policy by prohibiting or restricting trade, travel or economic activity with particular countries or targeted entities or individuals. Insurance policies and transactions are often the subject of economic sanctions. Whether economic sanctions laws apply to any particular policy or claim may depend on several factors including where the policy was issued, the nationality, place of residence or place of incorporation of you, your parent company, your subsidiaries, other or additional insureds or the insurer as well as the location where events leading to a claim occur. We will strictly comply with Canadian and applicable international economic sanctions laws. Particularly with respect to international economic sanctions laws, as a wholly owned subsidiary of a United States based corporation, we may be subject to United States economic sanctions laws. Furthermore, services provided to us by our United States based parent which are critical to our ability to conduct business may not be available to us if United States economic sanctions laws apply. It is important that our customers are aware that the servicing difficulties and economic sanctions laws described above may have serious consequences on their coverage. Such consequences could include:

- delays and difficulties in the processing and payment of claims;
- delays and difficulties in responding to underwriting requests;
- the “freezing” of policies, resulting in the inability to process any transactions, including claims payments;
- the denial of claims; or
- the voiding or cancellation of policies (with or without refunded premium).

CHUBB®

ForeFront Portfolio
Premium Bill

Date: August 25, 2022

Insured: Quality Rugs Of Canada ; Quality Sterling Group

Producer: Benson, Kearley IFG
17705 Leslie Street, Suite 101
Newmarket, Ontario, L3Y3E3

Company: Chubb Insurance Company of Canada

THIS BILLING IS TO BE ATTACHED TO, AND FORMS PART OF THE POLICY REFERENCED BELOW.

Policy Number: 82427885

Policy Period: August 30, 2022 to August 30, 2023

NOTE: PLEASE RETURN THIS BILL WITH REMITTANCE AND NOTE HEREON ANY CHANGES, BILL WILL BE RECEIPTED AND RETURNED TO YOU PROMPTLY UPON REQUEST.

Product	Effective Date	Premium
ForeFront	August 30, 2022	\$8,850 CAD
	TOTAL POLICY PREMIUM	\$8,850 CAD

WHEN REMITTING PLEASE INDICATE POLICY NUMBER

CHUBB®**ForeFront Portfolio**
General Terms and Conditions (GTC)

GTC Declarations Chubb Insurance Company of Canada
 herein called the Company
 Policy Number: 82427885

NOTICE: THE LIABILITY COVERAGE PARTS PROVIDE CLAIMS-MADE COVERAGE, WHICH APPLIES ONLY TO "CLAIMS" FIRST MADE DURING THE "POLICY PERIOD", OR ANY APPLICABLE EXTENDED REPORTING PERIOD. EXCEPT AS REQUIRED BY THE LAW OF THE PROVINCE OF QUEBEC, THE LIMIT OF LIABILITY TO PAY DAMAGES OR SETTLEMENTS WILL BE REDUCED AND MAY BE EXHAUSTED BY "DEFENCE COSTS", AND "DEFENCE COSTS" WILL BE APPLIED AGAINST THE RETENTION. IN NO EVENT, WILL THE COMPANY BE LIABLE FOR "DEFENCE COSTS" OR THE AMOUNT OF ANY JUDGMENT OR SETTLEMENT IN EXCESS OF THE APPLICABLE LIMIT OF LIABILITY. READ THE ENTIRE POLICY CAREFULLY.

THIS POLICY CONTAINS A CLAUSE THAT MAY OR WHICH MAY LIMIT THE AMOUNT PAYABLE.

Item 1. Parent Organization: Quality Rugs Of Canada ; Quality Sterling Group
 Principal Address: 1-505 Cityview Blvd
 Vaughan, Ontario, L0J1C0

Item 2. Policy Period:
 (A) From: August 30, 2022
 (B) To: August 30, 2023
 At 12:01 AM local time at the address shown in Item 1.

Item 3. A Combined Maximum Aggregate Limit of Liability applies:
 Yes No
 The Combined Maximum Aggregate Limit of Liability for all **Claims** under all **Liability Coverage Parts** shall be: \$1,000,000

Item 4. Coverage applicable to this Policy:

- Directors & Officers and Entity Liability Coverage Part
- Employment Practices Liability Coverage Part
- Fiduciary Liability Coverage Part
- Miscellaneous Professional Liability Coverage Part
- Employed Lawyers Liability Coverage Part
- Cyber Enterprise Risk Management Coverage Part
- Crime Coverage Part
- Kidnap, Ransom and Extortion Coverage Part
- Workplace Violence Expense Coverage Part

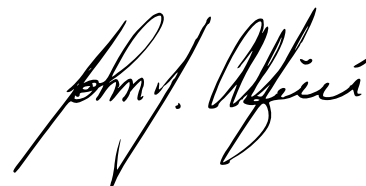
Item 5. Extended Reporting Period:
 (A) Additional Period: 365 days
 (B) Additional Premium: 150% of Annual Premium

CHUBB®

ForeFront Portfolio
General Terms and Conditions (GTC)

In witness whereof, the Company issuing this Policy has caused this Policy to be signed by its authorized officers, but it shall not be valid unless also signed by a duly authorized representative of the Company.

Chubb Insurance Company of Canada



President

August 25, 2022

Date

In consideration of payment of the premium and subject to the Declarations and the limitations, conditions, provisions and other terms of this Policy, the Company and the Insureds agree as follows:

I. Terms And Conditions

Except for these General Terms and Conditions or unless stated to the contrary in any Coverage Part, the terms and conditions of each Coverage Part apply only to that Coverage Part. If any provision in these General Terms and Conditions is inconsistent or in conflict with the terms and conditions of any Coverage Part, the terms and conditions of such Coverage Part shall control for purposes of that Coverage Part. All references to "Section", "Subsection", "Paragraph" or "Subparagraph" in these General Terms and Conditions shall apply only to these General Terms and Conditions, unless otherwise stated. All references to "Section", "Subsection", "Paragraph" or "Subparagraph" in a Coverage Part, shall apply only to such Coverage Part, unless otherwise stated.

II. Definitions

Anniversary Date means the date and time exactly one (1) year after the date and time set forth in Item 2(A), Policy Period, of the GTC Declarations and each succeeding date and time exactly one (1) year after the previous **Anniversary Date**.

Claim shall have the meaning ascribed to that term in each applicable Coverage Part.

Coverage Event means the event or loss which must occur or be sustained or discovered, in order to invoke coverage under each **Non-Liability Coverage Part**.

Defence Costs shall have the meaning ascribed to that term in each applicable Coverage Part.

Derivative Demand Evaluation Costs shall have the meaning ascribed to that term in each applicable Coverage Part.

D&O Crisis Management Expenses shall have the meaning ascribed to that term in each applicable Coverage Part.

Expense shall have the meaning ascribed to that term in each applicable Coverage Part.

Incident shall have the meaning ascribed to that term in each applicable Coverage Part.

Insured shall have the meaning ascribed to that term in each applicable Coverage Part.

Insured Person shall have the meaning ascribed to that term in each applicable Coverage Part.

Liability Coverage Part means:

(A) the Directors & Officers and Entity Liability (D&O); Employment Practices Liability (EPL); Fiduciary Liability (FL); Miscellaneous Professional Liability (MPL); and Employed Lawyers Liability (ELL) Coverage Parts; and

(B) the Third Party Liability Insuring Clauses (E) Cyber, Privacy and Network Security Liability, and (F) Electronic, Social and Printed Media Liability, of the Cyber Enterprise Risk Management (Cyber ERM) Coverage Part,

if purchased as set forth in Item 4, Coverage applicable to this Policy, of the GTC Declarations.

Loss shall have the meaning ascribed to that term in each applicable Coverage Part.

Non-Liability Coverage Part means:

- (A) the Crime; Kidnap, Ransom and Extortion (KR&E); and Workplace Violence Expense (WPV) Coverage Parts; and
- (B) the First Party Insuring Clauses (A) Cyber Incident Response Fund, (B) Business Interruption and Extra Expenses, (C) Digital Data Recovery, and (D) Network Extortion, of the Cyber ERM Coverage Part,

if purchased as set forth in Item 4, Coverage applicable to this Policy, of the GTC Declarations.

Organization means the **Parent Organization** and any **Subsidiary**. **Organization** shall also mean any such entity operating under the protection of the Companies' Creditors Arrangement Act of Canada or as a debtor in possession under United States of America bankruptcy law or the equivalent of a debtor in possession under the law of any other country.

Parent Organization means the entity named in Item 1 of the GTC Declarations.

Policy Period means the period of time set forth in Item 2, Policy Period, of the GTC Declarations, subject to any prior termination in accordance with Section IX, Termination of Policy.

Policy Year means the period, within the **Policy Period**, from the date and time set forth in Item 2(A), Policy Period, of the GTC Declarations to the first **Anniversary Date**, or the period from an **Anniversary Date** to its next succeeding **Anniversary Date**, subject to any prior termination in accordance with Section IX, Termination of Policy.

Potential Claim shall have the meaning ascribed to that term in each applicable Coverage Part.

Related Claims means all **Claims** for **Wrongful Acts** or **Incidents** based upon, arising from, or in consequence of the same or related acts, facts, circumstances, situations, transactions, events, causes or the same or related series of facts, circumstances, situations, transactions, events, or causes.

Subsidiary means:

- (A) any entity while more than fifty percent (50%) of the outstanding securities representing the present right to vote for election of or to appoint directors, trustees, managers, members of the Board of Managers or equivalent positions of such entity are owned, or controlled, by the **Parent Organization**, directly or through one or more **Subsidiaries**;
- (B) any entity while:
 - (1) exactly fifty percent (50%) of the voting rights representing the present right to vote for election of or to appoint directors, trustees, managers, members of the Board of Managers or equivalent positions of such entity are owned, or controlled, by the **Parent Organization**, directly or through one or more **Subsidiaries**; and
 - (2) the **Parent Organization**, pursuant to a written contract with the owners of the remaining and outstanding voting stock of such entity, solely controls the management and operating of such entity; or
- (C) any foundation, charitable trust or political action committee while such entity is controlled by the **Parent Organization**.

Voluntary Program Loss shall have the meaning ascribed to that term in each applicable Coverage Part.

Voluntary Program Notice shall have the meaning ascribed to that term in each applicable Coverage Part.

Wrongful Act shall have the meaning ascribed to that term in each applicable Coverage Part.

III. Limit Of Liability

(A) With respect to the **Liability Coverage Parts**:

- (1) If the Combined Maximum Aggregate Limit of Liability set forth in Item 3 of the GTC Declarations is elected, the amount stated in such Item 3 shall be the maximum aggregate limit of liability of the Company for all **Loss, Voluntary Program Loss, D&O Crisis Management Expenses** and **Derivative Demand Evaluation Costs** during each **Policy Year** under all **Liability Coverage Parts** combined. However, any **Loss, Voluntary Program Loss, D&O Crisis Management Expenses** or **Derivative Demand Evaluation Costs** paid under any **Liability Coverage Part** shall not exceed the Maximum Aggregate Limit of Liability set forth in Item 2 of the Declarations of such Coverage Part.
- (2) If the Combined Maximum Aggregate Limit of Liability set forth in Item 3 of the GTC Declarations is not elected, the maximum aggregate limit of liability of the Company for all **Loss, Voluntary Program Loss, D&O Crisis Management Expenses** and **Derivative Demand Evaluation Costs** during each **Policy Year** under each **Liability Coverage Part** shall be the Maximum Aggregate Limit of Liability set forth in Item 2 of the Declarations for each **Liability Coverage Part**.
- (3) **Defence Costs** are part of, and not in addition to, the Maximum Aggregate Limit of Liability set forth in Item 2 of the Declarations of each **Liability Coverage Part** and payment by the Company of **Defence Costs** shall reduce and may exhaust such Limits of Liability.

(B) With respect to the **Non-Liability Coverage Parts**, the Company's maximum liability shall be the Limits of Liability set forth in the Declarations of each **Non-Liability Coverage Part**.

IV. Related Claims

With respect to the **Liability Coverage Parts**:

- (A) All **Related Claims** shall be deemed a single **Claim** made in the **Policy Year** in which the earliest of such **Related Claims** was first made or first deemed to have been made in accordance with the Reporting section of the applicable **Liability Coverage Part** (the "Earliest Related Claim").
- (B) All **Related Claims** shall be subject to the same Retention and Limits of Liability applicable to the Earliest Related Claim.

V. Extended Reporting Period

With respect to the **Liability Coverage Parts**:

- (A) If this Policy does not renew or otherwise terminates for a reason other than for failure to pay premium (each a "Termination of Coverage"), then an **Insured** shall have the right to purchase an Extended Reporting Period for the Additional Period and Additional Premium set forth in Item 5 of the GTC Declarations.
- (B) In the event of a Termination of Coverage and upon request from an **Insured**, the Company shall, in its sole discretion, provide a quote for Additional Periods other than as set forth in Item 5, Extended Reporting Period, of the GTC Declarations. Any such additional quote offered shall be subject to such Additional Premium as the Company may require.

- (C) The offer of renewal terms and conditions or premiums different from those in effect prior to renewal shall not constitute a refusal to renew.
- (D) This right to purchase an Extended Reporting Period shall lapse unless written notice of election to purchase the Extended Reporting Period, together with payment of the applicable Additional Premium, is received by the Company within sixty (60) days after the effective date of the Termination of Coverage.
- (E) If an Extended Reporting Period is purchased, then coverage otherwise afforded by this Policy shall be extended to apply to **Claims**: (1) first made during such Extended Reporting Period; and (2) reported to the Company pursuant to the Reporting section of the applicable Coverage Part, but only to the extent such **Claims** are for **Wrongful Acts** or **Incidents** before the effective date of such Termination of Coverage or the date of any conversion of coverage described in Section VI, Changes in Exposure, whichever is earlier. Any **Claim** made during the Extended Reporting Period shall be deemed to have been made during the **Policy Year** immediately preceding the Extended Reporting Period.
- If coverage for such Extended Reporting Period is purchased with respect to the Cyber ERM Coverage Part, then such Extended Reporting Period shall also apply to Insuring Clause (A) Cyber Incident Response Fund, of the Cyber ERM Coverage Part, with respect to **Incidents** first discovered during such Extended Reporting Period and arising from **Incidents** taking place prior to the effective date of such termination or non-renewal.
- (F) The entire premium for the Extended Reporting Period shall be deemed fully earned at the inception of such Extended Reporting Period.
- (G) The limit of liability for the Extended Reporting Period is part of and not in addition to any maximum aggregate limit of liability for the **Policy Year** immediately preceding the Extended Reporting Period.
- (H) In the event that any time period relating to the Extended Reporting Period provided under this Policy is less than any such time period required by applicable provincial law, the Company shall apply the applicable provincial law.

VI. Changes In Exposure (A) Acquisition of Another Organization

- (1) If before or during the **Policy Period** an **Organization** acquires voting rights in another entity such that the acquired entity becomes a **Subsidiary**,
- (2) then coverage shall be provided for such **Subsidiary** and its **Insureds** with respect to any:
- (a) **Liability Coverage Part**, solely for **Claims** for **Wrongful Acts** or **Incidents** after such acquisition; or
- (b) **Non-Liability Coverage Part**, solely after the effective date of such acquisition subject to the Liability for Prior Losses section of such **Non-Liability Coverage Part**.
- (B) **Cessation of Subsidiaries**
- (1) If before or during the **Policy Period** an **Organization** ceases to be a **Subsidiary**,

(2) then with respect to any:

- (a) **Liability Coverage Part**, coverage for such **Subsidiary** and its **Insureds** shall continue until termination of this Policy in accordance with Section VI(C), Conversion of Coverage Under Certain Circumstances, or Section IX, Termination of Policy, whichever occurs first, but only for **Claims** for **Wrongful Acts** or **Incidents** while such **Organization** was a **Subsidiary**; or
- (b) **Non-Liability Coverage Part**, such **Subsidiary** and its **Insureds** shall cease to be **Insureds** as of the effective date of such cessation, and coverage under this Policy shall apply as provided in such **Non-Liability Coverage Part**.

(C) Conversion of Coverage Under Certain Circumstances

(1) If during the **Policy Period** any of the following events occur:

- (a) another entity, person or group of entities or persons acting in concert, acquires more than fifty percent (50%) of the outstanding securities representing the present right to vote for the election of directors, trustees, members of the Board of Managers or management committee members of the **Parent Organization**;
- (b) the acquisition of all or substantially all of the **Parent Organization's** assets, by another entity, person or group of entities or persons acting in concert, or the merger of the **Parent Organization** into or with another entity such that the **Parent Organization** is not the surviving entity; or
- (c) the **Parent Organization** emerges from bankruptcy as of the effective date stated in the plan of reorganization,

(2) then:

- (a) any applicable coverage under this Policy with respect to:
 - (i) any **Liability Coverage Part**, shall continue until the expiration of the current **Policy Period**, solely for **Claims** for **Wrongful Acts** or **Incidents** prior to such event;
 - (ii) the Crime Coverage Part, shall terminate subject to Exclusions III(C), Loss Sustained Option, or III(D), Loss Discovered Option, of such Coverage Part;
 - (iii) the Kidnap, Ransom and Extortion Coverage Part, shall terminate subject to Exclusion III(A)(9), Notice, of such Coverage Part;
 - (iv) the Workplace Violence Expense Coverage Part, shall terminate subject to Exclusion III(E) Notice, of such Coverage Part; or
 - (v) the First Party Insuring Clauses: (A) Cyber Incident Response Fund, (B) Business Interruption and Extra Expenses, (C) Digital Data Recovery, and (D) Network Extortion, of the Cyber ERM Coverage Part, shall continue until the expiration of the current **Policy Period** but solely with respect to an **Incident** that first occurs prior to such event; and
- (b) the **Parent Organization** shall give written notice of such event to the Company as soon as practicable together with such information as the Company may require.

VII. Spouses, Common Law Partners, Estates And Legal Representatives

With respect to the **Liability Coverage Parts**, coverage under this Policy shall extend to **Claims** for **Wrongful Acts** of, or **Incidents** involving, an **Insured Person** made against:

- (A) the lawful spouse or common law partner of such **Insured Person** solely by reason of such spouse or common law partner's status as a spouse or common law partner, or such spouse or common law partner's ownership interest in property which the claimant seeks as recovery for an alleged **Wrongful Act** or **Incidents** of such **Insured Person**; or
- (B) the estate, heirs, legal representatives or assigns of such **Insured Person** if such **Insured Person** is deceased, or the legal representatives or assigns of such **Insured Person** if such **Insured Person** is legally incompetent, insolvent or bankrupt,

provided that no coverage afforded by this Section VII shall apply with respect to any loss arising from an act, error or omission by an **Insured Person's** spouse, common law partner, estate, heirs, legal representatives or assigns.

VIII. Notice

(A) Notice to the Company of any **Claim, Potential Claim, Incident, D&O Crisis Management Event, Voluntary Program Notice** or circumstances under any **Liability Coverage Part**, or any **Coverage Event** under any **Non-Liability Coverage Part**, shall be deemed notice under this Policy in its entirety.

(B) All notices to the Company under this Policy of any **Claim, Potential Claim, Incident, D&O Crisis Management Event, Voluntary Program Notice** or circumstances under any **Liability Coverage Part**, or any **Coverage Event** under any **Non-Liability Coverage Part**, shall be given in writing to one of the following addresses:

(1) canadaclaims@chubb.com; or

(2) *Chubb Insurance Company of Canada*

199 Bay Street, Suite 2500,
P.O. Box 139,
Commerce Court Postal Station,
Toronto, Ontario M5C 2V9

Attn: Claim Department

provided that solely with respect to the Cyber ERM Coverage Part, notice to the Company under such Coverage Part may also be given pursuant to the additional methods shown in Item 6 of the Cyber ERM Coverage Part Declarations.

(C) All other notices to the Company under this Policy shall be given in writing addressed to:

Chubb Insurance Company of Canada
199 Bay Street, Suite 2500,
P.O. Box 139,
Commerce Court Postal Station
Toronto, Ontario M5C 2V9

Attn: Chubb Financial Lines Underwriting Department

(D) Any notice described above shall be effective on the date of receipt by the Company.

- IX. Termination Of Policy** (A) This Policy shall terminate at the earliest of the following times:
- (1) upon receipt by the Company of written notice of termination from the **Parent Organization**, provided that this Policy may not be terminated by the **Parent Organization** after the effective date of any event described in Section VI(C), Conversion of Coverage Under Certain Circumstances;
 - (2) upon expiration of the **Policy Period** set forth in Item 2 of the GTC Declarations;
 - (3) twenty (20) days after receipt by the **Parent Organization** of a written notice of termination from the Company based upon non-payment of premium, unless the premium is paid within such twenty (20) day period; or
 - (4) at such other time as may be agreed upon by the Company and the **Parent Organization**.
- (B) The Company shall refund the unearned premium computed pro rata. Payment or tender of any unearned premium by the Company shall not be a condition precedent to the effectiveness of such termination, but such payment shall be made as soon as practicable.
- (C) In the event that any time period relating to the notice of termination provided under this Policy is less than any such time period required by applicable provincial law, the Company shall apply the applicable provincial law.

X. Bankruptcy Bankruptcy or insolvency of an **Insured** shall not relieve the Company of its obligations nor deprive the Company of its rights or defences under this Policy.

XI. Coordination Of Coverage Any **Loss** covered under more than one **Liability Coverage Part** shall be first covered under the Cyber ERM Coverage Part, if applicable, subject to its terms, conditions and limitations. Any remaining portion of such **Loss** which is not paid under the Cyber ERM Coverage Part shall then be covered under the Employment Practices Liability Coverage Part, if applicable, subject to its terms, conditions and limitations. Any remaining portion of such **Loss** otherwise covered under any other applicable **Liability Coverage Part** which is not paid under the Cyber ERM or Employment Practices Liability Coverage Parts shall be covered under such other **Liability Coverage Part**, subject to the terms, conditions and limitations of such **Liability Coverage Part**.

Any **Expense** or **Loss** covered under the Cyber ERM Coverage Part and the Kidnap, Ransom and Extortion Coverage Part shall be first covered under the, Cyber ERM Coverage Part, subject to its terms, conditions and limitations. Any remaining portion of such **Expense** or **Loss** otherwise covered under the Kidnap, Ransom and Extortion Coverage Part which is not paid under the Cyber ERM Coverage Part shall be covered under the Kidnap, Ransom and Extortion Coverage Part, subject to its terms, conditions and limitations.

XII. Valuation And Foreign Currency

If all premiums, limits, and retentions are expressed in the currency of Canada, then loss and other amounts under this Policy are expressed and payable in the currency of Canada. If all premiums, limits and retentions are expressed in the currency of the United States of America, then loss and other amounts under this Policy are expressed and payable in the currency of the United States of America. Except as otherwise provided in this Policy, if a judgment is rendered, a settlement is denominated or any element of loss under this Policy is stated in a currency other than Canadian dollars or American dollars (including Bitcoin or other crypto-currency), payment under this Policy shall be made in Canadian dollars at the closing rate of exchange published on the Bank of Canada website for the date the judgment becomes final, the amount of the settlement is agreed upon or any element of loss is due, respectively.

XIII. Action Against The Company

No action may be taken against the Company unless, as a condition precedent thereto, there shall have been full compliance with all the terms of this Policy. No person or entity shall have any right under this Policy to join the Company as a party to any action against any **Insured** to determine such **Insured's** liability nor shall the Company be impleaded by such **Insured** or legal representatives of such **Insured**.

XIV. Role Of Parent Organization

By acceptance of this Policy, the **Parent Organization** agrees that it shall be considered the sole agent of, and shall act on behalf of, each **Insured** with respect to:

- (A) the payment of premiums and the receiving of any return premiums that may become due under this Policy;
- (B) the negotiation, agreement to and acceptance of endorsements; and
- (C) the giving or receiving of any notice provided for in this Policy (except the giving of notice to apply for an Extended Reporting Period as provided in Section V, Extended Reporting Period, the giving of notice as provided in Section VIII, Proof of Loss for First Party Insuring Clauses, of the Cyber ERM Coverage Part and the giving of notice of **Claim**, **Potential Claim**, **Voluntary Program Notice** or circumstances as provided in the Reporting section of the applicable **Liability Coverage Part**).

Each **Insured** agrees that the **Parent Organization** shall act on its behalf with respect to all such matters.

XV. Alteration And Assignment

No change in, modification of, or assignment of interest under this Policy shall be effective except when made by written endorsement to this Policy which is signed by an authorized representative of the Company.

XVI. Territory

This Policy shall apply anywhere in the world and for the Cyber ERM Coverage Part, anywhere in the universe.

XVII. Headings

The descriptions in the headings and subheadings of this Policy are solely for convenience and form no part of the terms and conditions of coverage.

XVIII. Compliance With Trade Sanctions

This insurance does not apply to the extent that trade or economic sanctions or other similar laws or regulations prohibit the Company from providing insurance.

**XIX. Quebec
Amendatory Provision**

With respect to the **Liability Coverage Parts**, and only to the extent required under the insurance laws of the province of Quebec:

- (A) **Defence Costs** shall be paid by the Company in addition to the Maximum Aggregate Limit of Liability set forth in Item 2 of the Declarations of each **Liability Coverage Part**.
- (B) That part of **Loss** which is interest on a settlement or judgement is in addition to the Maximum Aggregate Limit of Liability set forth in Item 2 of the Declarations of each **Liability Coverage Part**, and the payment by the Company of such interest shall not reduce the applicable Limit of Liability.
- (C) With respect to any **Claim** covered under this Policy which gives rise to legal proceedings (as set out in the definition of **Claim**) against any **Insured** in the Province of Quebec, the applicable Retention(s) will not apply to **Defence Costs**.

CHUBB®**ForeFront Portfolio
Endorsement**

Issue Date: August 25, 2022	Endorsement No.:	1
Company:	To be attached to and	
Chubb Insurance Company of Canada herein called the Company	form a part of Policy no:	82427885
Issued to:	Effective date of this	
Quality Rugs Of Canada ; Quality Sterling Group	endorsement:	August 30, 2022

This Endorsement applies to the following forms:

General Terms and Conditions

**STATUTORY CONDITIONS FOR CONTRACTS OF INSURANCE MADE IN ALBERTA, BRITISH COLUMBIA,
AND MANITOBA**

This policy has been issued with this Statutory Conditions Endorsement that amends sections of this policy. These Statutory Conditions apply where an insured under this policy of insurance is domiciled or where any insured property in issue is located in Alberta, British Columbia, or Manitoba.

In consideration of the premium charged and notwithstanding anything to the contrary in this policy, it is agreed that in the event of any conflict between the terms and conditions of this Endorsement (in part or in its entirety) and the terms and conditions of the other policy terms and conditions or endorsements (in part or in their entirety), the provisions that are more favourable to the insured shall govern. Nothing in this Endorsement is intended nor shall be construed to violate or vary from the requirements of the Insurance Acts of Alberta, British Columbia, or Manitoba. Statutory Condition 1 and Statutory Conditions 6 to 13 apply only to contracts that include insurance against loss or damage to property, Statutory Conditions 2 to 5 and Statutory Condition 14 apply only to contracts that include liability insurance.

Every action or proceeding against an insurer for the recovery of insurance money payable under the contract is absolutely barred unless commenced within the time set out in the Insurance Act.

Any provision in this Policy that specifically excludes an actual or alleged criminal or intentional act or omission of the insured shall only exclude coverage otherwise provided to the natural person insured who actually or allegedly committed the aforementioned conduct. All other insureds seeking coverage must fully cooperate with the insurer investigating the loss, including submission to an examination under oath if the insurer so requests, and production of documents requested by the insurer which relate to the loss.

STATUTORY CONDITIONS

MISREPRESENTATION

- 1 If a person applying for insurance falsely describes the property to the prejudice of the insurer, or misrepresents or fraudulently omits to communicate any circumstance that is material to be made known to the insurer in order to enable it to judge the risk to be undertaken, the contract is void as to any property in relation to which the misrepresentation or omission is material.

PROPERTY OF OTHERS

- 2 The insurer is not liable for loss or damage to property owned by a person other than the insured unless
 - (a) otherwise specifically stated in the contract, or
 - (b) the interest of the insured in that property is stated in the contract.

CHANGE OF INTEREST

- 3 The insurer is liable for loss or damage occurring after an authorized assignment under the Bankruptcy and Insolvency Act (Canada) or a change of title by succession, by operation of law or by death.

MATERIAL CHANGE IN RISK

- 4 (1) The insured must promptly give notice in writing to the insurer or its agent of a change that is
 - (a) material to the risk, and

- (b) within the control and knowledge of the insured.
- (2) If an insurer or its agent is not promptly notified of a change under subparagraph (1) of this condition, the contract is void as to the part affected by the change.
- (3) If an insurer or its agent is notified of a change under subparagraph (1) of this condition, the insurer may
 - (a) terminate the contract in accordance with Statutory Condition 5, or
 - (b) notify the insured in writing that, if the insured desires the contract to continue in force, the insured must, within 15 days after receipt of the notice, pay to the insurer an additional premium specified in the notice.
- (4) If the insured fails to pay an additional premium when required to do so under subparagraph (3)(b) of this condition, the contract is terminated at that time and Statutory Condition 5(2)(a) applies in respect of the unearned portion of the premium.

TERMINATION OF INSURANCE

- 5 (1) The contract may be terminated
 - (a) by the insurer giving to the insured 15 days' notice of termination by registered mail or 5 days' written notice of termination personally delivered, or
 - (b) by the insured at any time on request.
- (2) If the contract is terminated by the insurer,
 - (a) the insurer must refund the excess of premium actually paid by the insured over the prorated premium for the expired time, but in no event may the prorated premium for the expired time be less than any minimum retained premium specified in the contract, and
 - (b) the refund must accompany the notice unless the premium is subject to adjustment or determination as to amount, in which case the refund must be made as soon as practicable.
- (3) If the contract is terminated by the insured, the insurer must refund as soon as practicable the excess of premium actually paid by the insured over the short rate premium for the expired time specified in the contract, but in no event may the short rate premium for the expired time be less than any minimum retained premium specified in the contract.
- (4) The 15-day period referred to in subparagraph (1)(a) of this condition starts to run on the day the registered letter or notification of it is delivered to the insured's postal address.

REQUIREMENTS AFTER LOSS

- 6 (1) On the happening of any loss or damage to insured property, the insured must, if the loss or damage is covered by the contract, in addition to observing the requirements of Statutory Condition 9,
 - (a) immediately give notice in writing to the insurer,
 - (b) deliver as soon as practicable to the insurer a proof of loss in respect of the loss or damage to the insured property verified by statutory declaration
 - (i) giving a complete inventory of that property and showing in detail quantities and costs of that property and particulars of the amount of loss claimed,
 - (ii) stating when and how the loss occurred, and if caused by fire or explosion due to ignition, how the fire or explosion originated, so far as the insured knows or believes,
 - (iii) stating that the loss did not occur through any wilful act or neglect or the procurement, means or connivance of the insured,
 - (iv) stating the amount of other insurances and the names of other insurers,
 - (v) stating the interest of the insured and of all others in that property with particulars of all liens, encumbrances and other charges on that property,
 - (vi) stating any changes in title, use, occupation, location, possession or exposure of the property since the contract was issued, and

- (vii) stating the place where the insured property was at the time of loss,
- (c) if required by the insurer, give a complete inventory of undamaged property showing in detail quantities and cost of that property, and
- (d) if required by the insurer and if practicable,
 - (i) produce books of account and inventory lists,
 - (ii) furnish invoices and other vouchers verified by statutory declaration, and
 - (iii) furnish a copy of the written portion of any other relevant contract.
- (2) The evidence given, produced or furnished under subparagraph (1)(c) and (d) of this condition must not be considered proofs of loss within the meaning of Statutory Conditions 12 and 13.

FRAUD

- 7 Any fraud or wilfully false statement in a statutory declaration in relation to the particulars required under Statutory Condition 6 invalidates the claim of the person who made the declaration.

WHO MAY GIVE NOTICE AND PROOF

- 8 Notice of loss under Statutory Condition 6(1)(a) may be given and the proof of loss under Statutory Condition 6(1)(b) may be made
- (a) by the agent of the insured if
 - (i) the insured is absent or unable to give the notice or make the proof, and
 - (ii) the absence or inability is satisfactorily accounted for, or
 - (b) by a person to whom any part of the insurance money is payable, if the insured refuses to do so, or in the circumstances described in clause (a) of this condition.

SALVAGE

- 9 (1) In the event of loss or damage to insured property, the insured must take all reasonable steps to prevent further loss or damage to that property and to prevent loss or damage to other property insured under the contract, including, if necessary, removing the property to prevent loss or damage or further loss or damage to the property.
- (2) The insurer must contribute on a prorated basis towards any reasonable and proper expenses in connection with steps taken by the insured under subparagraph (1) of this condition.

ENTRY, CONTROL, ABANDONMENT

- 10 After loss or damage to insured property, the insurer has
- (a) an immediate right of access and entry by accredited representatives sufficient to enable them to survey and examine the property, and to make an estimate of the loss or damage, and
 - (b) after the insured has secured the property, a further right of access and entry by accredited representatives sufficient to enable them to appraise or estimate the loss or damage, but
 - (i) without the insured's consent, the insurer is not entitled to the control or possession of the insured property, and
 - (ii) without the insurer's consent, there can be no abandonment to it of the insured property.

IN CASE OF DISAGREEMENT

- 11 (1) In the event of disagreement as to the value of the insured property, the value of the property saved, the nature and extent of the repairs or replacements required or, if made, their adequacy, or the amount of the loss or damage, those questions must be determined using the applicable dispute resolution process set out in the Insurance Act whether or not the insured's right to recover under the contract is disputed, and independently of all other questions.
- (2) There is no right to a dispute resolution process under this condition until
- (a) a specific demand is made for it in writing, and

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Endorsement**

(b) the proof of loss has been delivered to the insurer.

WHEN LOSS PAYABLE

12 Unless the contract provides for a shorter period, the loss is payable within 60 days after the proof of loss is completed in accordance with Statutory Condition 6 and delivered to the insurer.

REPAIR OR REPLACEMENT

13 (1) Unless a dispute resolution process has been initiated, the insurer, instead of making payment, may repair, rebuild or replace the insured property lost or damaged, on giving written notice of its intention to do so within 30 days after receiving the proof of loss.

(2) If the insurer gives notice under subparagraph (1) of this condition, the insurer must begin to repair, rebuild or replace the property within 45 days after receiving the proof of loss and must proceed with all due diligence to complete the work within a reasonable time.

NOTICE

14 (1) Written notice to the insurer may be delivered at, or sent by registered mail to, the chief agency or head office of the insurer in the province.

(2) Written notice to the insured may be personally delivered at, or sent by registered mail addressed to, the insured's last known address as provided to the insurer by the insured.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

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**ForeFront Portfolio
Endorsement**

Issue Date: August 25, 2022	Endorsement No.:	2
Company:	To be attached to and form a part of Policy no:	82427885
Chubb Insurance Company of Canada herein called the Company		
Issued to:	Effective date of this endorsement:	August 30, 2022
Quality Rugs Of Canada ; Quality Sterling Group		

This Endorsement applies to the following forms:

General Terms and Conditions

TERRITORIAL RESTRICTION ENDORSEMENT

In consideration of the premium charged it is agreed that notwithstanding anything to the contrary in this policy/bond or any attached endorsement, this insurance does not apply to any:

- loss, damages, costs, or expenses incurred;
- wrongful act committed;
- claim, occurrence, suit, injury or damage that takes place; or
- property situated,

in Iran, North Korea, Syria, Cuba and Sudan. To the extent any such terms are defined in this policy, such definition applies to this endorsement.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

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ForeFront Portfolio
Directors & Officers and Entity Liability (D&O)
Coverage Part

D&O Declarations Chubb Insurance Company of Canada
 herein called the Company
 Policy Number: 82427885

NOTICE: THIS COVERAGE PART PROVIDES CLAIMS MADE COVERAGE, WHICH APPLIES ONLY TO "CLAIMS" FIRST MADE DURING THE "POLICY PERIOD", OR ANY APPLICABLE EXTENDED REPORTING PERIOD. EXCEPT AS REQUIRED BY THE LAW OF THE PROVINCE OF QUEBEC, THE LIMIT OF LIABILITY TO PAY DAMAGES OR SETTLEMENTS WILL BE REDUCED AND MAY BE EXHAUSTED BY "DEFENCE COSTS", AND "DEFENCE COSTS" WILL BE APPLIED AGAINST THE RETENTION. IN NO EVENT, WILL THE COMPANY BE LIABLE FOR "DEFENCE COSTS" OR THE AMOUNT OF ANY JUDGMENT OR SETTLEMENT IN EXCESS OF THE APPLICABLE LIMIT OF LIABILITY. READ THE ENTIRE POLICY CAREFULLY.

THIS POLICY CONTAINS A CLAUSE THAT MAY OR WHICH MAY LIMIT THE AMOUNT PAYABLE.

Item 1. Parent Organization: Quality Rugs Of Canada ; Quality Sterling Group

Item 2. Maximum Aggregate Limit of Liability for this Coverage Part: \$1,000,000

Item 3. Optional Coverage Applicable to this Coverage Part:
 Additional Limit of Liability Dedicated for **Insured Persons**

Item 4. Retentions:

(A) Insuring Clause (A): Individual Non-Indemnified Liability Coverage:	None
(B) Insuring Clause (B): Individual Indemnified Liability Coverage:	\$25,000
(C) Insuring Clause (C): Entity Liability Coverage:	\$25,000

Item 5. Pending or Prior Proceedings Dates:

(A) Insuring Clauses (A) and (B):	May 8, 2015
(B) Insuring Clause (C):	May 8, 2015

In witness whereof, the Company issuing this Policy has caused this Policy to be signed by its authorized officers, but it shall not be valid unless also signed by a duly authorized representative of the Company.

Chubb Insurance Company of Canada



 President

 August 25, 2022

 Date

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Directors & Officers and Entity Liability (D&O)
Coverage Part

In consideration of payment of the premium and subject to the Declarations, General Terms and Conditions, and the limitations, conditions, provisions and other terms of this Coverage Part, the Company and the Insureds agree as follows:

I. Insuring Clauses

Insuring Clause (A): Individual Non-Indemnified Liability Coverage

(A) The Company shall pay, on behalf of an **Insured Person**, **Loss** on account of a **Claim** first made against the **Insured Person** during the **Policy Period**, or the Extended Reporting Period if applicable, to the extent that such **Loss** is not indemnified by an **Organization**.

Insuring Clause (B): Individual Indemnified Liability Coverage

(B) The Company shall pay, on behalf of an **Organization**, **Loss** on account of a **Claim** first made against an **Insured Person** during the **Policy Period**, or the Extended Reporting Period if applicable, to the extent the **Organization** indemnifies the **Insured Person** for such **Loss** as permitted or required by law.

Insuring Clause (C): Entity Liability Coverage

(C) The Company shall pay, on behalf of an **Organization**, **Loss** on account of a **Claim** first made against the **Organization** during the **Policy Period**, or the Extended Reporting Period if applicable.

II. Derivative Demand Evaluation Coverage

The Company shall pay, on behalf of an **Organization**, **Derivative Demand Evaluation Costs** incurred with the Company's prior written consent on account of any derivative demand that is first made during the **Policy Period**, or, if exercised, during the Extended Reporting Period, for **Wrongful Acts** by an **Executive** before or during the **Policy Period** in an aggregate amount not to exceed \$500,000 per **Policy Period** which amount is part of, and not in addition to, the Maximum Aggregate Limit of Liability set forth in Item 2 of the D&O Declarations and no Retention shall apply to such amount.

III. D&O Crisis Management Coverage

The Company shall pay, on behalf of an **Organization**, **D&O Crisis Management Expenses** on account of a **D&O Crisis Management Event** occurring during the **Policy Period** in an aggregate amount not to exceed \$25,000 per **Policy Period**, which amount is part of, and not in addition to, the Maximum Aggregate Limit of Liability set forth in Item 2 of the D&O Declarations and no Retention shall apply to such amount.

IV. Retired Executive Coverage

(A) If this Coverage Part expires (or is otherwise terminated) without being replaced or renewed with any other similar directors and officers liability coverage, then coverage under Insuring Clause (A), Individual Non-Indemnified Liability Coverage, shall be extended for any **Retired Executive** for no additional premium for a period of six (6) years from the official retirement date of such **Retired Executive** (the "Retirement Extension Period") for **Wrongful Acts** before the official retirement date of such Retired Executive; provided this Section IV **Retired Executive Coverage** and any outstanding Retirement Extension Period shall terminate upon:

- (1) the occurrence of any event described in Section VI(C), Conversion of Coverage Under Certain Circumstances, of the General Terms and Conditions; or

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Directors & Officers and Entity Liability (D&O)
Coverage Part

(2) the **Financial Impairment** of the **Organization**.

- (B) Any coverage afforded under Subsection (A) above is not intended, nor shall be construed to increase the Maximum Aggregate Limit of Liability set forth in Item 2 of the D&O Declarations for all **Loss** on account of all **Claims** first made during the **Policy Period**.
- (C) If the Company or any subsidiary or affiliate of The Chubb Corporation makes payment under another policy on account of such **Retired Executive**, the Limit of Liability for this Coverage Part with respect to such **Claim** shall be reduced by the amount of such payment.

V. Additional Limit of Liability Dedicated For Insured Persons (optional)

- (A) Notwithstanding anything in this Policy to the contrary, the Additional Limit of Liability Dedicated For Insured Persons, if purchased, as set forth in Item 3 of the D&O Declarations, shall be an additional Limit of Liability in an amount not to exceed \$1,000,000, which amount is in addition to, and not part of, the Maximum Aggregate Limit of Liability set forth in Item 2 of the D&O Declarations.
- (B) The Additional Limit of Liability Dedicated For Insured Persons is available solely for **Loss** resulting from any **Claim** against any **Insured Person** covered under Insuring Clause (A), Individual Non-Indemnified Liability Coverage.
- (C) The Additional Limit of Liability Dedicated For Insured Persons shall be excess of any insurance available that is specifically excess to this Coverage Part and such excess insurance must be completely exhausted by payment of loss, damages or defence costs thereunder before the Company shall have any obligation to make any payment on account of the Additional Limit of Liability Dedicated For Insured Persons.

VI. Definitions

For purposes of this Coverage Part:

Application means:

- (A) any portion of an application given to the Company for this Policy, including any attachments, written information and materials provided to the Company by or on behalf of an **Insured** for the purposes of the Company's underwriting of this Coverage Part; and
- (B) any warranty provided to the Company within the past three (3) years in connection with any coverage part or policy of which this Coverage Part is a renewal or replacement.

Benefit Law means:

(A) in Canada:

- (1) the Pension Benefit Standards Act, R.S.C, 1985, c. 32, including any rules or regulations thereunder, as amended, or the same or similar provisions of any legislation, rules or regulations in each of the provinces or territories of Canada, as amended or as applicable;
- (2) the Income Tax Act, R.S.C, 1985, c. 1, including any rules or regulations thereunder, as amended, or the same or similar provisions of any legislation, rules or regulations in each of the provinces or territories of Canada, as amended or as applicable, but solely in connection with any obligations or duties of fiduciaries with respect to any employee benefit plan;

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Coverage Part

- (3) any common, civil or statutory law or regulation applicable to fiduciaries of any employee benefit plan; or
- (4) any similar federal, provincial, territorial or local law or regulation or any amendment thereunder as described in (1), (2), or (3) above; or
- (B) in the United States of America: the Employee Retirement Income Security Act of 1974, as amended, and any rules or regulations promulgated thereunder (including amendments relating to the Consolidated Omnibus Budget Reconciliation Act of 1985, and the Health Insurance Portability and Accountability Act of 1996); or
- (C) any similar employee benefit law to (A) or (B) above anywhere in the world.

Canadian Securities Legislation means the Securities Act of Ontario R. S. O., 1990, c. S.5 and any amendments thereto or any rules or regulations promulgated thereunder or any similar provision of any federal, provincial or territorial Canadian legislation, rules or regulations, as amended or as applicable.

Claim means any:

- (A) written demand (other than a derivative demand) first received by an **Insured** for monetary or non-monetary relief, including injunctive relief;
- (B) civil proceeding commenced by the service of a statement of claim, complaint or similar pleading, or any foreign equivalent thereof;
- (C) criminal proceeding commenced by: (a) an arrest; (b) a summons to appear; (c) a return of an indictment, information or foreign equivalent thereof; or (d) receipt of an official request for **Extradition**;
- (D) administrative or regulatory proceeding commenced by the service of a notice of charges, or other originating process or foreign equivalent thereof; or
- (E) arbitration or mediation proceeding commenced by receipt of a demand for arbitration or a demand for mediation,

against an **Insured** for a **Wrongful Act**, including any appeal therefrom;

- (F) investigation or interview by an **Enforcement Unit** against an **Insured Person** for a **Wrongful Act**, commenced by the service of a written request from such **Enforcement Unit** upon an **Insured Person** compelling witness testimony or document production and identifying such **Insured Person** as the target for such investigation or interview, including a subpoena, civil investigative demand, grand jury subpoena, search warrant or target letter; provided that the Company shall take into reasonable consideration all extrinsic evidence presented by the **Insured** when determining whether such written request identifies such **Insured Person** as a target of such investigation or interview; or
- (G) written request first received by an **Insured** to toll or waive a limitation period or statute of limitations relating to a potential **Claim** described in Subsections (A) through (F) above;

D&O Crisis Management Event means any one of the following events first occurring during the **Policy Period**:

- (A) an unanticipated death, incapacity or resignation of the chief executive officer or chief financial officer of the **Organization**;
- (B) an unanticipated financial loss to the **Organization** arising from a product recall, delay in production, loss of intellectual property rights, loss of a major contract or customer;

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Coverage Part

(C) a reorganization proceeding relating to the **Organization** brought in Canada under the Companies' Creditors Arrangement Act; or

(D) an **Organization's** voluntary or involuntary bankruptcy;

which results in the publication of unfavourable information regarding the **Organization** and which could reasonably be considered to lessen public confidence in the competence of the **Organization**.

D&O Crisis Management Expenses means the reasonable costs, charges, fees and expenses, incurred by an **Organization** with the Company's prior written consent, of an independent public relations consultant or crisis management consultant retained on behalf of the **Organization** with the Company's prior written consent to:

(A) make a public communication; or

(B) prevent or minimize business disruption and adverse publicity,

with respect to a **D&O Crisis Management Event**.

Defence Costs means that part of **Loss** consisting of reasonable costs, charges, fees (including legal fees and experts' fees) and expenses (other than regular or overtime wages, salaries, fees or benefits of **Insured Persons**) incurred in investigating, defending, opposing or appealing any **Claim** and the premium for appeal, attachment or similar bonds.

Derivative Demand Evaluation Costs means reasonable costs, fees (including but not limited to legal fees and experts' fees) and expenses (other than regular or overtime wages, salaries, fees, or benefits of the directors, officers or employees of an **Organization**) incurred by an **Organization** (including its Board of Directors or any committee of its Board of Directors) solely with respect to an evaluation required to determine whether it is in the best interest of the **Organization** to prosecute the claims alleged in a derivative demand and prior to any **Claim** first made in connection with such derivative demand. In no event shall **Derivative Demand Evaluation Costs** include any costs, fees or expenses incurred in a **Claim**.

Employee means any natural person whose labour or service is, was or will be engaged and directed by an **Organization**, including a part-time, seasonal, leased and temporary employee, intern or volunteer. **Employee** shall not include any independent contractor.

Enforcement Unit means any federal, provincial, territorial, state or local law enforcement or governmental authority worldwide (including the U.S. Department of Justice or any attorney general).

Executive means any natural person who is, was or will be:

(A) a duly elected or appointed: (1) director (including a *de facto* director); (2) officer; (3) trustee; (4) governor; (5) member of the Advisory Board; or (6) in-house general counsel of any **Organization** incorporated in Canada or the United States of America;

(B) a duly elected or appointed: (1) manager or member of the Board of Managers or equivalent position; (2) member of the Advisory Board; or (3) in-house general counsel, of any **Organization** formed as a limited liability company in Canada or the United States of America; or

(C) a holder of an equivalent position to those described in Subsections (A) or (B) above in any **Organization** incorporated, formed or organized anywhere in the world.

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Extradition means: (A) any formal process by which an **Insured Person** located in any country is surrendered to any other country for trial or otherwise to answer any criminal accusation; or (B) the execution of a warrant for the arrest of an **Insured Person** where such execution is an element of **Extradition**.

Financial Impairment means the status of an **Organization** resulting from:

- (A) the appointment by any federal, provincial, territorial or state court, agency or official of any receiver, conservator, liquidator, trustee, rehabilitator or similar official to take control of, supervise, manage or liquidate such **Organization**;
- (B) such **Organization** operating as a debtor as that term is defined and used in Canada within the provisions of the Bankruptcy and Insolvency Act, rules, regulations, orders and orders in council promulgated thereunder and amendments thereto, and, including when any receiver, conservator, liquidator, trustee, sequestrator or similar official has been appointed by a federal, provincial, territorial or state court, agency or official or by a creditor to take control of, supervise, manage or liquidate such **Organization**; or
- (C) such **Organization** operating under protection of the Companies' Creditor Arrangement Act of Canada or becoming a debtor in possession under the United States of America bankruptcy law or the equivalent of a debtor in possession under the law of any other country,

provided that the court or other judicial or administrative body overseeing the restructuring, receivership, conservatorship, liquidation, rehabilitation, bankruptcy or equivalent proceeding has denied a request by the **Organization**, or other party determined to have standing, for authorization of the **Organization** to indemnify an **Insured Person** for **Loss**; provided further that, the Company may, in its sole discretion, waive the foregoing requirement.

Financial Institution means any bank, savings and loan company, trust company, credit union, securities fund, mutual fund, pension fund, broker or dealer in securities or commodities, mortgage broker, investment advisor, stock exchange, commodities exchange, futures exchange, insurance company, insurance agent, venture capital firm, private equity firm, finance company, leasing company, fund manager or any similar enterprise.

Insured means any **Organization** and any **Insured Person**.

Insured Person means any **Executive** or **Employee** of an **Organization** acting either in his or her capacity as such or in an **Outside Capacity**.

Loss means the amount which an **Insured** becomes legally obligated to pay as a result of any **Claim**, including:

- (A) compensatory damages;
- (B) punitive, exemplary or multiplied damages, if and to the extent such damages are insurable under the law of the jurisdiction most favourable to the insurability of such damages, provided such jurisdiction has a substantial relationship to the **Insured**, the Company, or to the **Claim** giving rise to such damages;
- (C) civil fines or civil penalties assessed against an **Insured Person**, including civil penalties assessed against an **Insured Person** pursuant to the Corruption of Foreign Public Officials Act of Canada and 15 U.S.C. §78dd-2(g)(2)(B) of the Foreign Corrupt Practices Act of the United States of America, provided that such violation is neither intentional nor willful and such fines or penalties are insurable under the law pursuant to which this Coverage Part is construed;

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- (D) judgments, including pre-judgment and post-judgment interest;
- (E) settlements; and
- (F) **Defence Costs**;

provided that **Loss** does not include any portion of such amount that constitutes any:

- (1) cost of compliance with any order for, grant of or agreement to provide non-monetary relief, including injunctive relief;
- (2) amount uninsurable under the law pursuant to which this Coverage Part is construed;
- (3) tax, except solely for the purposes of Insuring Clause (A), Individual Non-Indemnified Liability Coverage, any: (i) tax imposed upon an **Insured Person** in his or her capacity as such in connection with any bankruptcy, receivership, conservatorship, or liquidation of an **Organization**, to the extent that such tax is insurable under the law pursuant to which this Coverage Part is construed; or (ii) tax imposed upon an **Insured Person** if such **Insured Person** has become personally liable to make such payment under any applicable Canadian statutory provision;
- (4) amount (other than **Derivative Demand Evaluation Costs**) incurred by an **Insured** in the defence or investigation of any action, proceeding or demand that was not then a **Claim** even if (a) such amount also benefits the defence of a covered **Claim**; or (b) such action, proceeding or demand subsequently gives rise to a **Claim**;
- (5) amount that represents or is substantially equivalent to an increase in the consideration paid (or proposed to be paid) by an **Organization** in connection with its purchase of any securities or assets; or
- (6) cost incurred in cleaning-up, removing, containing, treating, detoxifying, neutralizing, assessing the effects of, testing for, or monitoring **Pollutants**.

Outside Capacity means service by an **Insured Person** in an **Outside Entity** as any: (A) director or officer; (B) manager or member of the Board of Managers; (C) trustee, regent, governor; (D) member of an Advisory Board; or (E) equivalent executive position of any of the foregoing, but solely during the time that such service is at the written request of the **Organization**.

Outside Entity means:

- (A) any not-for-profit corporation that is incorporated or granted a certificate of continuance under the Canada Not-for-profit Corporations Act S.C. 2009, c. 23 or under any similar provisions of any provincial or territorial act;
- (B) any non-profit corporation, community chest, fund or foundation that is exempt from federal income tax in the United States of America as an entity described in Section 501(c)(3), 501(c)(4), 501(c)(7) or 501(c)(10) of the Internal Revenue Code of 1986, as amended;
- (C) any other entity organized for a religious or charitable purpose under any non-profit organization act or statute anywhere in the world;
- (D) any private corporation, joint venture, partnership, trust or other private enterprise that is not registered or approved for direct or indirect trading on a national securities exchange or over the counter trading system anywhere in the world and in which the **Parent Organization** is a shareholder, unit holder, partner, creditor, trustee, or executor except for any such entity that is a **Financial Institution** or in the biotech, life science, pharmaceutical or telecom industry; or

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(E) any other entity specifically added as an **Outside Entity** by written endorsement attached to this Coverage Part,

that is not an **Organization**.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including, smoke, vapour, soot, fumes, acids, alkalis, chemicals, asbestos, asbestos products or waste. Waste includes materials to be recycled, reconditioned or reclaimed.

Professional Services means services which are performed for others for a fee.

Retired Executive means any **Executive** who retires and no longer serves in his or her capacity as such during the **Policy Period**,

Wrongful Act means any actual or alleged error, misstatement, misleading statement, act, omission, neglect, or breach of duty committed, attempted, or allegedly committed or attempted by:

(A) for purposes of coverage under Insuring Clause (A), Individual Non-Indemnified Liability Coverage, and Insuring Clause (B), Individual Indemnified Liability Coverage, any **Insured Person** while acting in his or her capacity as such or any matter claimed against any **Insured Person** solely by reason of his or her status as such; or

(B) for purposes of coverage under Insuring Clause (C), Entity Liability Coverage, any **Organization**.

VII. Exclusions

(A) EXCLUSIONS APPLICABLE TO ALL INSURING CLAUSES

The Company shall not be liable for **Loss** on account of any **Claim**:

(1) Prior Notice

based upon, arising from or in consequence of any fact, circumstance, situation, transaction, event or **Wrongful Act** that, before the inception date set forth in Item 2(A), Policy Period, of the GTC Declarations, was the subject of any notice accepted under any policy or coverage part of which this Coverage Part is a direct or indirect renewal or replacement;

(2) Pending or Prior Proceedings

based upon, arising from or in consequence of any written demand, suit or other proceeding pending against, or order, decree or judgment entered for or against any **Insured**, on or prior to the applicable Pending or Prior Proceedings Date set forth in Item 5 of the D&O Declarations, or the same or substantially the same fact, circumstance or situation underlying or alleged therein;

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(3) Bodily Injury or Property Damage

for bodily injury, mental anguish, humiliation, emotional distress, sickness, disease or death of any person or damage to or destruction of any tangible property including loss of use thereof whether or not it is damaged or destroyed, provided that this Exclusion (A)(3) shall not apply to: (i) **Loss** for any mental anguish, humiliation or emotional distress asserted in an employment-related **Claim** afforded coverage under Insuring Clause (A), Individual Non-Indemnified Liability Coverage, or Insuring Clause (B), Individual Indemnified Liability Coverage; (ii) **Defence Costs** on account of any **Claim** which is a criminal proceeding pursuant to section 217.1 of the Criminal Code of Canada (as amended by Bill C-45) against an **Insured**; or (iii) **Defence Costs** incurred by an **Insured Person** on account of any **Claim** which is a criminal proceeding for manslaughter (or any other similar offence);

(4) Pollution

based upon, arising from or in consequence of any:

- (a) discharge, emission, release, dispersal or escape of any **Pollutants** or any threat thereof;
- (b) treatment, removal or disposal of any **Pollutants**; or
- (c) regulation, order, direction or request to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize any **Pollutants**,

including any **Claim** for financial loss to an **Organization**, its securityholders or its creditors based upon, arising from or in consequence of any matter described in Subparagraphs (a), (b) or (c) of this Exclusion (A)(4), provided that this Exclusion (A)(4) shall not apply to **Loss** which an **Insured Person** becomes legally obligated to pay and for which such **Insured Person** is not indemnified by an **Organization** or **Outside Entity** either because the **Organization** or **Outside Entity** is not permitted by common, civil or statutory law to grant such indemnification or because of the **Financial Impairment** of the **Organization** or **Outside Entity**, provided that this exception shall only apply to **Claims** first made during the **Policy Period** or the Extended Reporting Period, if applicable;

(5) Benefit Law

for any violation of the responsibilities, obligations or duties imposed by any **Benefit Law**;

(6) Insured versus Insured

- (a) brought by an **Organization** against any other **Organization**;
- (b) brought by an **Organization** against an **Insured Person** of such **Organization**, provided that this Subparagraph (b) shall not apply to any **Claim** brought:
 - (i) outside Canada or the United States of America;
 - (ii) in the event of **Financial Impairment** of the **Organization**; or
 - (iii) as a derivative action;
- (c) brought by an **Insured Person** in any capacity against an **Insured**, except with respect to a **Claim**:
 - (i) for employment-related **Wrongful Acts** against an **Insured Person**;

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- (ii) brought by an **Employee**, other than an **Executive**, in his or her capacity as a shareholder of an **Organization**;
- (iii) for contribution or indemnity arising from another **Claim** otherwise covered under this Policy;
- (iv) brought by an **Executive** who has ceased serving in his or her capacity as an **Executive** for at least one (1) year; or
- (v) brought by a whistleblower pursuant to any federal, provincial, territorial, state, local or foreign law against an **Insured Person**.

(7) Publicly Traded Securities

based upon, arising from or in consequence of: (a) any public offering of securities issued by any **Organization** or **Outside Entity**; or (b) the purchase or sale of any publicly traded securities for which the **Organization** is subject to **Canadian Securities Legislation** or the United States Securities Exchange Act of 1934, provided that, this Exclusion (A)(7) shall not apply to any **Claim**:

- (i) based upon, arising from or in consequence of a private offering, sale or purchase of private securities that is not required to be qualified by a prospectus under **Canadian Securities Legislation** or any similar law that regulates the private offering, sale or purchase of private securities;
- (ii) based upon, arising from or in consequence of an offering, sale or purchase of securities that are not required to be registered under the United States Securities Act of 1933 or any similar foreign law that regulates the offering, sale or purchase of securities;
- (iii) made by any securityholder of an **Organization** for the failure of the **Organization** to undertake or complete the initial public offering or sale of securities of the **Organization**;
- (iv) for any **Wrongful Act** relating to an **Organization's** preparation for any public offering, including any road show presentation to potential investors or other similar presentation, made by the **Organization** and its **Executives** via any medium in connection with such public offering, if such offering does not occur; or
- (v) based upon, arising from or in consequence of any offering, sale or purchase of securities that qualifies for a Securities Act registration exemption created pursuant to Title IV, Small Company Capital Formation, of the Jumpstart Our Business Startups Act of the United States of America ("Title IV Small Company Capital Formation Claim"), provided the Company's maximum aggregate Limit of Liability for **Loss** on account of all such Title IV Small Company Capital Formation Claims shall be \$250,000, which amount shall be part of, and not in addition to, the Maximum Aggregate Limit of Liability set forth in Item 2 of the D&O Declarations;

(8) Outside Entity versus Insured

for a **Wrongful Act** by an **Insured Person** while serving in an **Outside Capacity** where such **Claim** is brought:

- (a) by an **Outside Entity** against an **Insured Person** who is acting in his or her **Outside Capacity** in such **Outside Entity** at the time such **Claim** is first made, except with respect to a **Claim** brought as a derivative action; or

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(b) by a director, officer, trustee, governor or equivalent position of the **Outside Entity** in any capacity against an **Insured**, except with respect to a **Claim** for contribution or indemnity arising from another **Claim** otherwise covered under this Policy; or

(9) Conduct

based upon, arising from or in consequence of:

(a) any deliberately fraudulent act or omission, or any wilful violation of any statute or regulation, by an **Insured**, if a final, non-appealable adjudication in any underlying proceeding or action (other than a declaratory proceeding or action brought by or against the Company) establishes such act, omission or violation;

(b) an **Insured Person** having gained any personal profit, remuneration or other financial advantage to which such **Insured Person** was not legally entitled, if a final, non-appealable adjudication in any underlying proceeding or action (other than a declaratory proceeding or action brought by or against the Company) establishes the gaining of such profit, remuneration or financial advantage; or

(c) an **Organization** having gained any profit, remuneration or other financial advantage to which such **Organization** was not legally entitled, if a final, non-appealable adjudication in any underlying proceeding or action (other than a declaratory proceeding or action brought by or against the Company) establishes the gaining of such profit, remuneration or financial advantage.

(B) EXCLUSIONS APPLICABLE TO INSURING CLAUSE (C), ENTITY LIABILITY COVERAGE, ONLY

The Company shall not be liable for **Loss** on account of any **Claim** against an **Organization**:

(1) Contract

based upon, arising from or in consequence of any liability in connection with any oral or written contract or agreement to which an **Organization** is a party, provided that this Exclusion (B)(1) shall not apply to the extent that such **Organization** would have been liable in the absence of such contract or agreement;

(2) Employment Practices

based upon, arising from or in consequence of any employment-related **Wrongful Act**;

(3) Third Party Discrimination or Sexual Harassment

based upon, arising from or in consequence of any discrimination against, or sexual harassment of, any third party;

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(4) Antitrust, Competition Act or Unfair Trade Practices

based upon, arising from or in consequence of price fixing, restraint of trade, monopolization, unfair trade practices or any violation of the Canadian Competition Act, R.S.C. 1985, c. C-34, the United States of America Federal Trade Commission Act, the Sherman Anti-Trust Act, the Clayton Act, or any other federal statutory provision involving anti-trust, monopoly, price fixing, price discrimination, predatory pricing or restraint of trade activities, and any amendments thereto or any rules or regulations promulgated thereunder or in connection with such statutes; or any similar provision of any federal, provincial, territorial, state, or local statutory law, common law, or civil law anywhere in the world;

(5) Personal Injury

based upon, arising from or in consequence of any libel, slander, oral or written publication of defamatory or disparaging material, invasion of privacy, wrongful entry, eviction, false arrest, false imprisonment, malicious prosecution, malicious use or abuse of process, assault, battery or loss of consortium; or

(6) Product Defect/Intellectual Property/Professional Services

based upon, arising from or in consequence of:

- (a) any malfunction of any product or failure of any product to perform in any manner as a result of any defect, deficiency, inadequacy or dangerous condition in such product or in its design or manufacture;
- (b) any infringement of copyright, patent, trademark, trade name, trade dress, or service mark; any misappropriation of ideas, trade secrets or other intellectual property rights; any false patent marking; or any violation of a federal, provincial, territorial, state, local or foreign intellectual property law, or a rule or regulation promulgated under any such intellectual property law; or
- (c) the rendering of, or failure to render, any **Professional Services** by an **Insured**, provided that this Exclusion (B)(6) shall not apply to **Loss** on account of any securities **Claim**, derivative demand or derivative action.

VIII. Severability of Exclusions

With respect to the Exclusions, where applicable, in this Coverage Part: (i) no fact or conduct pertaining to or knowledge possessed by any **Insured Person** shall be imputed to any other **Insured Person** to determine if coverage is available; and (ii) only facts or conduct pertaining to, and knowledge possessed by, any past, present or future chief executive officer, chief financial officer, or president (or any equivalent position to any of the foregoing) of an **Organization** shall be imputed to such **Organization** and its **Subsidiaries** to determine if coverage is available.

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IX. Reporting

- (A) An **Insured** shall, as a condition precedent to exercising any right to coverage under this Coverage Part, give to the Company written notice of any **Claim** as soon as practicable after the chief executive officer, chief financial officer, in-house general counsel, or any person with the responsibility for the management of insurance claims (or any equivalent position to any of the foregoing) of an **Organization** becomes aware of such **Claim**, but in no event later than:
- (1) if this Coverage Part expires (or is otherwise terminated) without being renewed with the Company, ninety (90) days after the effective date of such expiration or termination of this Coverage Part; or
 - (2) the expiration date of the Extended Reporting Period, if applicable.
- (B) If during the **Policy Period**, or any applicable Extended Reporting Period, an **Insured** becomes aware of:
- (1) circumstances which could give rise to a **Claim**;
 - (2) a derivative demand; or
 - (3) a **D&O Crisis Management Event**,
- and gives written notice thereof to the Company, then any **Claim** subsequently arising from such circumstances, derivative demand or **D&O Crisis Management Event** described in Paragraphs (B) (1),(2) or (3) above shall be deemed to have been first made against the **Insured** during the **Policy Year** in which such written notice was first given by the **Insured** to the Company, provided any such subsequent **Claim** is reported to the Company as soon as practicable, but in no event later than ninety (90) days after the chief executive officer, chief financial officer, in-house general counsel or any person with the responsibility for the management of insurance claims (or any equivalent position to any of the foregoing) of an **Organization** becomes aware of such **Claim**.
- (C) An **Insured** shall, as a condition precedent to exercising any right to coverage under this Coverage Part, give to the Company such information, assistance and cooperation as the Company may reasonably require and shall include in any notice under Subsections (A) or (B) above a description of the **Claim** or circumstances, the nature of the alleged **Wrongful Act**, the nature of the alleged or potential damage, the names of the actual or potential claimants, and the manner in which such **Insured** first became aware of the **Claim**, circumstances or alleged **Wrongful Act**

X. Retention and Presumptive Indemnification

- (A) The Company's liability under this Coverage Part shall apply only to that part of each **Loss** which is in excess of the applicable Retention set forth in Item 4 of the D&O Declarations, and such Retention shall be borne by the **Insureds** uninsured and at their own risk.
- (B) If different parts of a single **Claim** are subject to different Retentions in different Insuring Clauses within this Coverage Part, the applicable Retentions shall be applied separately to each part of such **Claim**, but the sum of such Retentions shall not exceed the largest applicable Retention.
- (C) If different parts of a single **Claim** are subject to different Retentions in different Coverage Parts, the applicable Retentions shall be applied separately to each part of such **Claim**, but the sum of such Retentions shall not exceed the largest applicable Retention.
- (D) **Claims** shall be subject to the Retention(s) applicable to the **Policy Year** during which such **Claims** are first made or first deemed to have been made.

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- (E) If an **Organization** fails or refuses, other than for reason of **Financial Impairment**, to indemnify an **Insured Person** for **Loss** to the fullest extent permitted by any statutory law, common law or civil law, then any payment by the Company of such **Loss**, shall be excess of the Insuring Clause (B), Individual Indemnified Liability Coverage, Retention set forth in Item 4 of the D&O Declarations.

Furthermore, if an **Organization** refuses in writing, or fails within sixty (60) days of an **Insured Person's** written request for indemnification, to advance, pay or indemnify an **Insured Person** for **Loss** on account of a **Claim**, then upon the reporting of the **Claim** pursuant to Section IX, Reporting, the Company shall advance covered **Defence Costs** until such time that the **Organization** accepts the **Insured Person's** request for indemnification or the applicable Limit of Liability set forth in Item 2 of the Declarations has been exhausted, whichever occurs first.

- (F) For the purposes of determining an **Organization's** indemnification obligation to any Advisory Board Member, each Advisory Board Member shall be deemed a director or officer of such **Organization**. Accordingly, the **Organization** shall be deemed to have granted indemnification to each Advisory Board Member to the fullest extent permitted by statutory law, common law or civil law to the same extent as any director or officer of the **Organization**.

- (G) In the event that:

(1) a final adjudication with prejudice pursuant to a trial, motion to dismiss, or a motion for summary judgment of any **Claim**; or

(2) a complete and final settlement with prejudice of any **Claim**;

establishes that none of the **Insureds** in such **Claim** are liable for any **Loss**, no Retention shall apply to **Defence Costs** incurred in connection with any such **Claim**, and the Company will reimburse the **Insureds** for any covered **Defence Costs** paid by the **Insureds** within the Retention otherwise applicable to such **Claim**.

XI. Defence and Settlement

- (A) The Company shall have the right and duty to defend any **Claim** covered by this Coverage Part. Coverage shall apply even if any of the allegations are groundless, false or fraudulent. The Company's duty to defend any **Claim** shall cease upon exhaustion of the applicable Limit of Liability.
- (B) The Company may make any investigation it deems necessary and may, with the consent of the **Insureds**, make any settlement of any **Claim** it deems appropriate.
- (C) No **Insured** shall settle any **Claim**, incur any **Defence Costs**, or otherwise assume any contractual obligation or admit any liability with respect to any **Claim** without the Company's written consent, which shall not be unreasonably withheld. The Company shall not be liable for any settlement, **Defence Costs**, assumed obligation or admission to which it has not consented. However, the Company may, in its sole discretion, waive the foregoing requirement with respect to **Defence Costs** incurred within ninety (90) days prior to the reporting of a **Claim** pursuant to Section IX, Reporting of this Coverage Part.

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- (D) The Company shall have no obligation to pay **Loss**, including **Defence Costs**, or to defend or continue to defend any **Claim** after the Maximum Aggregate Limit of Liability set forth in Item 2 of the D&O Declarations or the Combined Maximum Aggregate Limit of Liability set forth in Item 3 of the GTC Declarations, if applicable, has been exhausted by the payment of **Loss** and the applicable premium shall be deemed fully earned.
- (E) The **Insureds** agree to provide the Company with all information, assistance and cooperation which the Company reasonably requests and agrees to do nothing that may prejudice the Company's position or its potential or actual rights of recovery. The failure of any **Insured Person** to give the Company the information, assistance or cooperation as it may reasonably require shall not impair the rights of any other **Insured Person** under this Coverage Part.
- (F) The Company shall not seek repayment from an **Insured Person** of any **Defence Costs** paid by the Company that are deemed uninsured pursuant to Exclusion (A)(9), Conduct, unless the applicable determination standard (whether a final, non-appealable adjudication or other determination standard) set forth in such Exclusion has been met. Furthermore, **Defence Costs** shall be repaid to the Company by the **Insured Persons**, severally according to their respective interests, if and to the extent it is determined that such **Defence Costs** are not insured under this Coverage Part.

XII. Allocation

If an **Insured** who is afforded coverage for a **Claim** incurs an amount consisting of both **Loss** that is covered by this Coverage Part and also loss that is not covered by this Coverage Part because such **Claim** includes both covered and uncovered matters, then coverage shall apply as follows:

- (A) **Defence Costs**: one hundred percent (100%) of **Defence Costs** incurred by such **Insured** on account of such **Claim** shall be covered **Loss**, provided that the foregoing shall not apply with respect to any **Insured** for whom coverage is excluded pursuant to Exclusion (B)(2), Employment Practices, or Subsection XVII(B), Representations and Severability. Such **Defence Costs** shall be allocated between covered **Loss** and non-covered loss based upon the relative legal exposures of the parties to such matters; and
- (B) loss other than **Defence Costs**: all remaining loss incurred by such **Insured** from such **Claim** shall be allocated between covered **Loss** and uncovered loss based upon the relative legal exposures of the parties to such matters.

XIII. Priority of Payments

- (A) In the event of **Loss** arising from a **Claim** for which payment is concurrently due under Insuring Clause (A), Individual Non-Indemnified Liability Coverage, and one or more of the other Insuring Clauses of this Coverage Part, the Company shall:
- (1) first, pay **Loss** for which coverage is provided under Insuring Clause (A), Individual Non-Indemnified Liability Coverage, then
 - (2) with respect to whatever remaining amount of the Limit of Liability is available after payment under Paragraph (1) above, pay such **Loss** for which coverage is provided under any other Insuring Clause.
- (B) Except as otherwise provided in Subsection (A) above, the Company may pay covered **Loss** as it becomes due under this Coverage Part without regard to the potential for other future payment obligations under this Coverage Part.

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XIV. Other Insurance Or Indemnity

- (A) If any **Loss** under this Coverage Part is insured under any other valid and collectible insurance policy (other than a policy that is issued specifically as excess of the insurance afforded by this Coverage Part), this Coverage Part shall be excess of and shall not contribute with such other insurance, regardless of whether such other insurance is stated to be primary, contributory, excess, contingent or otherwise.
- (B) This Coverage Part shall be specifically excess of, and shall not contribute with, any insurance policy for: third party liability coverage for environmental exposures, employment practices liability or professional liability.
- (C) Any coverage afforded under this Coverage Part for a **Claim** in connection with an **Insured Person** serving in an **Outside Capacity** for an **Outside Entity** shall be specifically excess of any indemnity (other than any indemnity provided by an **Organization**) and insurance available to such **Insured Person** by reason of serving in such **Outside Capacity**.
- (D) If any **Claim** made against an **Insured Person** serving in an **Outside Capacity** gives rise to coverage both under this Coverage Part and under any other coverage part or policy issued by the Company or any subsidiary or affiliate of The Chubb Corporation to any other entity, then any payment under such other coverage part or policy shall reduce any applicable Limit of Liability under this Coverage Part by the amount of such payment.

XV. Securities Transactions

- (A) If, during the **Policy Period**, an **Organization** intends to:
- (1) distribute securities that are required to be qualified by a prospectus under **Canadian Securities Legislation**, the **Organization** shall, no later than thirty (30) days prior to the date of filing the prospectus under **Canadian Securities Legislation**, give the Company written notice of the proposed distribution and all information requested by the Company relating thereto; or
 - (2) sell or offers to sell securities that are required to be registered under the United States Securities Act of 1933, the **Organization** shall, no later than thirty (30) days prior to the effective date of the Registration Statement for such sale or offering, give the Company written notice of the proposed sale or offering and all information requested by the Company relating thereto.
- (B) The Company shall provide to the **Organization** a quotation for coverage with respect to such distribution, sale or offering, including for **Wrongful Acts** occurring in the course of any "road show" presentation to potential investors or other similar presentation; provided any such coverage offered shall be subject to such other terms, conditions, and limitations of coverage and such additional premium as the Company, in its sole discretion, may require.

XVI. Subrogation

In the event of any payment under this Coverage Part, the Company shall be subrogated to the extent of such payment to all of the **Insureds'** rights of recovery. As a condition precedent to the Company's payment under this Coverage Part, the **Insureds** agree to execute all papers required and shall take all reasonable actions to secure and preserve such rights, including the execution of such documents necessary to enable the Company to effectively bring suit or otherwise pursue subrogation rights in the name of the **Insureds**; provided that it is understood and agreed that the Company shall not subrogate against natural persons who are **Insured Persons** under this Coverage Part.

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**XVII. Representations
and Severability**

- (A) In granting coverage to the **Insureds** under this Coverage Part, the Company has relied upon the declarations and statements in the **Application** for this Coverage Part. Such declarations and statements are the basis of the coverage under this Coverage Part and shall be considered as incorporated in and constituting part of this Coverage Part.
- (B) The **Application** for coverage shall be construed as a separate **Application** for coverage by each **Insured Person**. With respect to the declarations and statements in such **Application**:
- (1) no fact pertaining to or knowledge possessed by any **Insured Person** shall be imputed to any other **Insured Person** for the purpose of determining if coverage is available; or
 - (2) facts pertaining to and knowledge possessed only by any past or present chief executive officer, chief financial officer, or president (or any equivalent position to any of the foregoing) of an **Organization** shall be imputed to such **Organization** and its **Subsidiaries** for the purpose of determining if coverage is available.
- (C) The Company shall not be entitled under any circumstances to void or rescind Insuring Clause (A) of this Coverage Part with respect to any **Insured Person**.

CHUBB®**ForeFront Portfolio
Endorsement**

Issue Date: August 25, 2022	Endorsement No.:	1
Company:	To be attached to and	
Chubb Insurance Company of Canada herein called the Company	form a part of Policy no:	82427885
Issued to:	Effective date of this endorsement:	August 30, 2022
Quality Rugs Of Canada ; Quality Sterling Group		

This Endorsement applies to the following forms:

Directors & Officers and Entity Liability Coverage Part

ADD EMPLOYED LAWYER COVERAGE ENDORSEMENT

In consideration of the premium charged, it is agreed that:

(1) Section VI, Definitions, of this Coverage Part is amended as follows:

(A) The following definitions are added to this Section:

Employed Lawyer means any **Insured Person** of the **Organization** who is admitted to practice law and who is or was employed as a lawyer for, and salaried by, the **Organization**.

Employed Lawyer Wrongful Act means act, error or omission committed, attempted, or allegedly committed or attempted by an **Employed Lawyer** in the rendering of, or failure to render, professional legal services for an **Organization** while in his or her capacity as a lawyer for such **Organization**.

(B) The definition of **Wrongful Act** is amended to include an **Employed Lawyer Wrongful Act**.

(2) The Company shall not be liable for **Loss** on account of any **Claim**:

(A) based upon, arising from, or in consequence of any act, error or omission in connection with any activities by such **Employed Lawyer** which:

- (i) are not related to such **Employed Lawyer's** employment with the **Organization**;
- (ii) are not rendered on the behalf of, for, or to the **Organization**; or
- (iii) are performed by the **Employed Lawyer** for others for a fee;

(B) based upon, arising from, or in consequence of any **Employed Lawyer Wrongful Act** while the **Employed Lawyer** was not employed as a lawyer by the **Organization**; or

(C) based upon, arising from, or in consequence of any activities by the **Employed Lawyer** as an officer or director of any entity other than the **Organization**.

(3) The Company's maximum liability under this Coverage Part for all **Loss** on account of all **Claims** for all **Employed Lawyer Wrongful Acts** shall be \$1,000,000, which amount is part of and not in addition to the Maximum Aggregate Limit of Liability set forth in Item 2 of the D&O Declarations.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

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**ForeFront Portfolio
Endorsement**

Issue Date: August 25, 2022	Endorsement No.:	2
Company:	To be attached to and	
Chubb Insurance Company of Canada herein called the Company	form a part of Policy no:	82427885
Issued to:	Effective date of this endorsement:	August 30, 2022
Quality Rugs Of Canada ; Quality Sterling Group		

This Endorsement applies to the following forms:

Directors & Officers and Entity Liability Coverage Part

AMEND INSURED VERSUS INSURED EXCLUSION ENDORSEMENT

In consideration of the premium charged, it is agreed that:

- (1) Exclusion (A)(6), Insured versus Insured, of this Coverage Part is amended to add the following to the end thereof:
 - (d) brought by a securityholder of the **Organization** against an **Insured**, provided this Subparagraph (d) shall not apply to any such **Claim** by a securityholder brought and maintained without the solicitation, assistance, active participation or intervention of the **Organization** or any **Executive**;
- (2) Subparagraph (b)(iii) of Exclusion (A)(6), Insured versus Insured, of this Coverage Part is deleted.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

CHUBB®**ForeFront Portfolio
Endorsement**

Issue Date: August 25, 2022	Endorsement No.:	3
Company:	To be attached to and	
Chubb Insurance Company of Canada herein called the Company	form a part of Policy no:	82427885
Issued to:	Effective date of this endorsement:	August 30, 2022
Quality Rugs Of Canada ; Quality Sterling Group		

This Endorsement applies to the following forms:

Directors & Officers and Entity Liability Coverage Part

**EMPLOYMENT PRACTICES/THIRD PARTY EXCLUSION WITH SECURITYHOLDER AND STATUTORY
LIABILITY CARVE-OUT ENDORSEMENT**

In consideration of the premium charged, it is agreed that:

- (1) The Company shall not be liable under this Coverage Part for **Loss** on account of any **Claim** based upon, arising from or in consequence of any:
 - (i) employment-related **Wrongful Act**; or
 - (ii) discrimination against, or harassment, including sexual harassment, of any third party;
 provided that this Exclusion shall not apply to:
 - a. **Loss** on account of any securities **Claim**, derivative demand or derivative action;
 - b. **Loss** on account of any **Claim** brought against an **Executive** under any federal or provincial Canadian business corporations or employment statutes for unpaid employee wages resulting from the **Financial Impairment** of the **Insured Organization**; or
 - c. any **Non-Indemnifiable Loss** (other than a **Wage and Hour Violation**);
- (2) Paragraph (i) of Exclusion A(6)(c), Insured versus Insured, of this Coverage Part is deleted and replaced with the following:
 - (i) for employment-related **Wrongful Acts** against an **Insured Person**, provided this exception shall only apply to **Non-Indemnifiable Loss** (other than a **Wage and Hour Violation**);
- (3) Exclusion (A)(3), Bodily Injury/Property Damage, of this Coverage Part, including any amendment by endorsement, is amended to delete item (i):
 - (i) **Non-Indemnifiable Loss** (other than a **Wage and Hour Violation**) for any mental anguish, humiliation or emotional distress asserted in an employment-related **Claim**;
- (4) Exclusion (B)(2), Employment Practices, and Exclusion (B)(3), Third Party Discrimination or Sexual Harassment, of this Coverage Part are deleted.
- (5) For purposes of this Endorsement the following definitions are added:

Non-Indemnifiable Loss means **Loss** of an **Insured Person** on account of a **Claim** for which the **Organization** has not indemnified and is not permitted or required to indemnify (including by reason of **Financial Impairment**) pursuant to applicable law or contract, or the charter, bylaws, operating agreement or similar document of an **Organization**.

Wage and Hour Violation means any actual or alleged violation of the responsibilities, obligations or duties imposed by any federal, provincial, territorial, state, or local statutory law, civil law or common law anywhere in the world (including that part of the Canadian Labour Code Part III or the United States of America Fair Labor Standards Act) that governs wage, hour and payroll policies and practices, except the Canadian Human Rights Act, Section 11 or any similar provincial, territorial, or local statute or the United States Equal Pay Act.

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**ForeFront Portfolio
Endorsement**

(6) Notwithstanding Section XII, Allocation, of this Coverage Part (including any endorsement amending Section XII), if paragraphs (1), (2) or (3) of this endorsement are applicable, the **Insureds** and the Company shall use their best efforts to determine an allocation between **Loss** that is covered by this Coverage Part and loss, or any other amount, that is not covered by this Coverage Part based on the relative legal and financial exposures of the covered parties to the covered matters.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

CHUBB®**ForeFront Portfolio
Endorsement**

Issue Date: August 25, 2022	Endorsement No.:	4
Company:	To be attached to and	
Chubb Insurance Company of Canada herein called the Company	form a part of Policy no:	82427885
Issued to:	Effective date of this endorsement:	August 30, 2022
Quality Rugs Of Canada ; Quality Sterling Group		

This Endorsement applies to the following forms:

Directors & Officers and Entity Liability Coverage Part

FALSE ADVERTISING ENDORSEMENT

In consideration of the premium charged, it is agreed that:

(1) Subsection (B) of Section VII, Exclusions, of this Coverage Part is amended to add the following:

False Advertising

based upon, arising from, or in consequence of any false advertising, misrepresentation in advertising or unfair or deceptive trade practices, with respect to the advertising of the **Insured's** own goods, publications or services; provided that this Exclusion shall not apply to **Loss** on account of any securities **Claim**, securityholder derivative demand or securityholder derivative action.

(2) Solely with respect to the coverage afforded under this endorsement, Subsection (A) of Section XII, Allocation, of this Coverage Part is deleted and replaced with the following:

(A) **Defence Costs**: one hundred percent (100%) of **Defence Costs** incurred by such **Insured** on account of such **Claim** shall be covered **Loss**, provided that the foregoing shall not apply with respect to any **Insured** for whom coverage is excluded pursuant to the Exclusion in paragraph (1) of this endorsement, False Advertising, Exclusion (B)(2), Employment Practices, or Subsection XVII(C), Representations and Severability. Such **Defence Costs** shall be allocated between covered **Loss** and non-covered loss based on the relative legal exposures of the parties to such matters; and

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

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**ForeFront Portfolio
Endorsement**

Issue Date: August 25, 2022	Endorsement No.:	5
Company:	To be attached to and	
Chubb Insurance Company of Canada herein called the Company	form a part of Policy no:	82427885
Issued to:	Effective date of this	
Quality Rugs Of Canada ; Quality Sterling Group	endorsement:	August 30, 2022

This Endorsement applies to the following forms:

Directors & Officers and Entity Liability Coverage Part

FAMILY CLAIMS EXCLUSION ENDORSEMENT

In consideration of the premium charged, it is agreed that:

- (1) The Company shall not be liable under this Coverage Part for **Loss** on account of any **Claim** brought or maintained by or on behalf of a(n) Pacione Family Member (as defined in Paragraph (2) of this endorsement), including any such **Claim** in the form of a class action or shareholder derivative action.
- (2) For purposes of this endorsement, Pacione Family Member means any:
 - (a) estate, heir, legal representative, assign, or relative (whether related by consanguinity or affinity) of Pacione; or
 - (b) trustee or beneficiary of a trust created or maintained by or for the benefit of any individual or entity described in (2)(a) above.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

CHUBB®**ForeFront Portfolio
Endorsement**

Issue Date: August 25, 2022	Endorsement No.:	6
Company:	To be attached to and	
Chubb Insurance Company of Canada herein called the Company	form a part of Policy no:	82427885
Issued to:	Effective date of this	
Quality Rugs Of Canada ; Quality Sterling Group	endorsement:	August 30, 2022

This Endorsement applies to the following forms:

Directors & Officers and Entity Liability Coverage Part

NETWORK SECURITY PRIVACY BREACH EXCLUSION ENDORSEMENT

In consideration of the premium charged, it is agreed that:

- (1) the Company shall not be liable for any **Loss** on account of any **Claim** based upon, arising from or in consequence of any **Network Security or Privacy Breach**, provided that this Exclusion shall not apply to (a) any **Non-Indemnifiable Loss**; or (b) any **Loss** on account of any securities **Claim**, derivative demand or derivative action;
- (2) For the purposes of this Endorsement the following definitions are added:

Network Security or Privacy Breach means any:

- (A) unauthorized or unlawful access to, alteration of, or damage to any computer, computer program, computer network or computer database, including the infection of any of the foregoing through the transmission of a computer virus, malware, spyware or other fraudulent or unauthorized computer code that: (1) modifies, alters, damages, destroys, deletes, records or transmits information; (2) contaminates other computer programs or computer data; or (3) consumes computer resources or in some fashion usurps the normal operation of a computer system;
- (B) denial of service or delay, disruption, impairment or failure of any computer network, communication network, technology, information or telecommunication network, service, hardware or software;
- (C) unauthorized or unlawful access to, disclosure of, alteration of, theft, collection, storage, use or dissemination of, or loss of any data or confidential or proprietary business information or personally identifiable information as defined by: (1) applicable federal, provincial, territorial, state or local statutory law, common law or civil law, and any rules or regulations promulgated thereunder, anywhere in the world; or (2) an **Organization's** publicly stated privacy policy;
- (D) violation of any privacy protection or data security laws including federal, provincial, territorial, state or local statutory law, common law or civil law, and any rules or regulations promulgated thereunder, anywhere in the world; or
- (E) violation of any federal, provincial, territorial, state or local statutory law, common law or civil law, and any rules or regulations promulgated thereunder, anywhere in the world used to impose liability in connection with any unsolicited communication, distribution, publication, sending or transmission via telephone, cell or mobile phone, telephone facsimile machine, computer or other telephonic or electronic devices, including:
- (1) in Canada:
- (a) the Canadian Anti-Spam Act S.C. 2010 c.23 or any amendments thereto or any rules or regulations promulgated thereunder;
- (b) the Canadian Radio-television and Telecommunications Commission Unsolicited Telecommunications Rules or any amendments thereto or any rules or regulations promulgated thereunder;
- or any similar provisions of any federal, provincial, territorial, state or local statutory, civil or common law;

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**ForeFront Portfolio
Endorsement**

(2) in the United States of America:

(a) the United States of America Telephone Consumer Protection Act of 1991 or any amendments thereto or any rules or regulations promulgated thereunder;

(b) the United States of America CAN-SPAM Act of 2003 or any amendments thereto or any rules or regulations promulgated thereunder;

or any similar provisions of any federal, provincial, territorial, state, local, statutory, civil or common law.

Non-Indemnifiable Loss means **Loss** of an **Insured Person** on account of a **Claim** for which the **Organization** has not indemnified and is not permitted or required to indemnify (including by reason of **Financial Impairment**) pursuant to applicable law or contract, or the charter, bylaws, operating agreement or similar document of an **Organization**.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

CHUBB®**ForeFront Portfolio
Endorsement**

Issue Date: August 25, 2022	Endorsement No.:	7
Company:	To be attached to and	
Chubb Insurance Company of Canada herein called the Company	form a part of Policy no:	82427885
Issued to:	Effective date of this endorsement:	August 30, 2022
Quality Rugs Of Canada ; Quality Sterling Group		

This Endorsement applies to the following forms:

Directors & Officers and Entity Liability Coverage Part

SERVICE INDUSTRY ENDORSEMENT

In consideration of the premium charged, it is agreed that:

- (1) The Company shall not be liable under this Coverage Part for **Loss** on account of any **Claim** based upon, arising from, or in consequence of the rendering of, or failure to render, any **Professional Services** by an **Insured**; provided that this Exclusion shall not apply to any **Loss** on account of any securities **Claim**, derivative demand, derivative action or **Specific Management Claim** (as defined in Paragraph (2) of this endorsement).
- (2) Section VI, Definitions, of this Coverage Part, is amended to include the following definition:
Specific Management Claim means any **Claim** made against an **Executive** for a **Wrongful Act** by such **Executive** in connection with the **Executive's** management of any **Organization** or **Subsidiary**, of an **Organization**. However, **Specific Management Claim** shall not mean, and in no event shall any coverage be afforded herein for, any **Claim** made against an **Executive** for a **Wrongful Act** by such **Executive** in the direct offering of, or in supervising or assisting an **Insured Person** in direct offering of, any **Professional Services**.
- (3) Exclusion (B)(6)(c), Professional Services, of this Coverage Part is deleted.
- (4) Subsection (A) of Section XII, Allocation, of this Coverage Part is deleted and replaced with the following:
(A) **Defense Costs**: one hundred percent (100%) of **Defense Costs** incurred by such **Insured** on account of such **Claim** shall be covered **Loss**, provided that the foregoing shall not apply with respect to any **Insured** for whom coverage is excluded pursuant to paragraph (1) of this endorsement or Exclusion (B)(1), Contract, Exclusion (B)(2), Employment Practices, or Subsection XVII(C), Representations and Severability. Such **Defense Costs** shall be allocated between covered **Loss** and non-covered loss based on the relative legal exposures of the parties to such matters; and
- (5) Solely with respect to the coverage afforded under this endorsement, Section XIV, Other Insurance or Indemnity, of this Coverage Part is amended to add the following:
Subject to the provisions of this endorsement, no coverage shall be available for any **Loss** until after any or all coverage available under any policy providing professional liability or errors and omissions coverage has been exhausted.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

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ForeFront Portfolio
Employment Practices Liability (EPL)
Coverage Part

EPL Declarations Chubb Insurance Company of Canada
 herein called the Company
 Policy Number: 82427885

NOTICE: THIS COVERAGE PART PROVIDES CLAIMS MADE COVERAGE, WHICH APPLIES ONLY TO "CLAIMS" FIRST MADE DURING THE "POLICY PERIOD", OR ANY APPLICABLE EXTENDED REPORTING PERIOD. EXCEPT AS REQUIRED BY THE LAW OF THE PROVINCE OF QUEBEC, THE LIMIT OF LIABILITY TO PAY DAMAGES OR SETTLEMENTS WILL BE REDUCED AND MAY BE EXHAUSTED BY "DEFENCE COSTS", AND "DEFENCE COSTS" WILL BE APPLIED AGAINST THE RETENTION. IN NO EVENT, WILL THE COMPANY BE LIABLE FOR "DEFENCE COSTS" OR THE AMOUNT OF ANY JUDGMENT OR SETTLEMENT IN EXCESS OF THE APPLICABLE LIMIT OF LIABILITY. READ THE ENTIRE POLICY CAREFULLY.

THIS POLICY CONTAINS A CLAUSE THAT MAY OR WHICH MAY LIMIT THE AMOUNT PAYABLE.

Item 1. Parent Organization: Quality Rugs Of Canada ; Quality Sterling Group

Item 2. Maximum Aggregate Limit of Liability for this Coverage Part: \$1,000,000

Item 3. Limits of Liability:

(A) Insuring Clause (A): Employment Practices Liability Coverage: \$1,000,000
 (B) Insuring Clause (B): Third Party Liability Coverage \$250,000

Item 4. Retentions:

(A) Insuring Clause (A): Employment Practices Liability Coverage:
 (i) For **Claims** made in the United States of America: \$15,000
 (ii) For **Claims** made outside of the United States of America \$15,000
 (B) Insuring Clause (B): Third Party Liability Coverage:
 (i) For **Claims** made in the United States of America: \$15,000
 (ii) For **Claims** made outside of the United States of America \$15,000

Item 5. Pending or Prior Proceedings Dates:

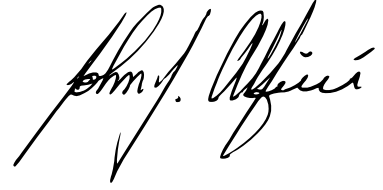
(A) Insuring Clause (A): May 8, 2015
 (B) Insuring Clause (B): May 8, 2015

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ForeFront Portfolio
Employment Practices Liability (EPL)
Coverage Part

In witness whereof, the Company issuing this Policy has caused this Policy to be signed by its authorized officers, but it shall not be valid unless also signed by a duly authorized representative of the Company.

Chubb Insurance Company of Canada



President

August 25, 2022

Date

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ForeFront Portfolio
Employment Practices Liability (EPL)
Coverage Part

In consideration of payment of the premium and subject to the **Declarations, General Terms and Conditions, and the limitations, conditions, provisions and other terms of this Coverage Part, the Company and the Insureds agree as follows:**

I. Insuring Clauses

Insuring Clause (A): Employment Practices Liability Coverage

(A) The Company shall pay, on behalf of an **Insured, Loss** on account of an **Employment Claim** first made against the **Insured** during the **Policy Period**, or the Extended Reporting Period if applicable, provided the Company's maximum liability for this Insuring Clause (A) shall be the Limit of Liability set forth in Item 3(A) of the EPL Declarations or the unpaid portion of the Maximum Aggregate Limit of Liability set forth in Item 2 of the EPL Declarations for each **Policy Year**, whichever is less. Provided that, any **Employment Claim** brought in Canada arising out of a committed, attempted, or allegedly committed or attempted **Termination** shall be subject to Section II, Canadian Termination Coverage.

Insuring Clause (B): Third Party Liability Coverage

(B) The Company shall pay, on behalf of an **Insured, Loss** on account of a **Third Party Claim** first made against the **Insured** during the **Policy Period**, or the Extended Reporting Period if applicable, provided the Company's maximum liability for this Insuring Clause (B) shall be the Limit of Liability set forth in Item 3(B) of the EPL Declarations or the unpaid portion of the Maximum Aggregate Limit of Liability set forth in Item 2 of the EPL Declarations for each **Policy Year**, whichever is less.

II. Canadian Termination Coverage

Solely with respect to any **Employment Claim** brought in Canada during the **Policy Period** or, if exercised, during the Extended Reporting Period, arising out of a **Termination** committed, attempted, or allegedly committed or attempted by an **Insured**, the Company shall pay, on behalf of such **Insured, Loss** for which the **Insured** becomes legally obligated to pay on account of such **Employment Claim**, including the following:

(A) Without Cause Termination

In the event the **Employee's Termination** by the **Insured** is made without cause, any additional compensation owing to an **Employee** at settlement or judgment pursuant to **Canadian Employment Laws** over and above the **Termination Offer** that was offered at the time of **Termination**, whether such offer was accepted by the **Employee** or not.

(B) With Cause Termination

In the event the **Employee's Termination** by the **Insured** is made with cause, compensation owed to an **Employee** in lieu of providing notice pursuant to **Canadian Employment Laws**;

provided that the following conditions are met:

Canadian Termination Coverage Conditions

A. Without Cause Termination

It is a condition precedent for coverage for any **Employment Claim** for a **Termination** without cause that the **Insured** shall make a best efforts attempt to comply with the relevant **Canadian Employment Laws**, in providing the **Employee** with a **Termination Offer**.

ForeFront Portfolio
Employment Practices Liability (EPL)
Coverage Part

B. With Cause Termination

It is a condition precedent to coverage for any **Employment Claim** for a **Termination** with cause that prior to proceeding with such **Termination**, the **Organization** shall have obtained a written opinion from independent legal counsel setting out the legal basis for the **Termination** with cause and confirming that the **Organization** has sufficient grounds for **Termination** with cause. In the event of an **Employment Claim** arising out of such **Termination** with cause, the costs of obtaining such legal opinion will be covered as **Defence Costs** in aggregate amount not to exceed \$25,000 per **Policy Period** which amount is part of, and not in addition to, the Limit of Liability as set forth in Item 2 of the Declarations to this Coverage Part and no deductible shall apply to such amount.

III. Definitions

For purposes of this Coverage Part:

Application means:

- (A) any portion of an application given to the Company for this Policy, including any attachments, written information and materials provided to the Company by or on behalf of an **Insured** for the purposes of the Company's underwriting of this Coverage Part; and
- (B) any warranty provided to the Company within the past three (3) years in connection with any coverage part or policy of which this Coverage Part is a renewal or replacement.

Benefits means perquisites, fringe benefits, deferred compensation or payments (including insurance premiums) in connection with an employee benefit plan and any other payment to or for the benefit of an employee arising out of the employment relationship. **Benefits** shall not include salary, wages, commissions, bonuses, **Stock Benefits** or non-deferred cash incentive compensation.

Breach of Employment Contract means any breach of any oral, written or implied contract or contractual obligation including any contract or contractual obligation arising out of any personnel manual, employee handbook, policy statement or other representation.

Canadian Employment Laws means any applicable statute, common law or civil law governing employment relationships in Canada.

Claim means any **Employment Claim** or any **Third Party Claim**.

Defence Costs means that part of **Loss** consisting of reasonable costs, charges, fees (including legal fees and experts' fees) and expenses (other than regular or overtime wages, salaries, fees, benefits of the **Insured Persons**) incurred in defending, opposing or appealing any **Claim**, and the premium for appeal, attachment or similar bonds.

Employee means any natural person whose labour or service was, is or will be engaged and directed by an **Organization**, including a part-time, seasonal, leased and temporary employee, intern or volunteer. **Employee** shall not include any **Independent Contractor**.

Employment Claim means:

- (A) (1) any:
 - (a) written demand first received by an **Insured** for monetary or non-monetary relief, including a written demand for reinstatement, re-employment, re-engagement or injunctive relief;

ForeFront Portfolio
Employment Practices Liability (EPL)
Coverage Part

- (b) civil proceeding commenced by the service of a statement of claim, complaint or similar pleading, or any foreign equivalent thereof;
- (c) criminal proceeding outside Canada or the United States of America commenced by a return of an indictment, or foreign equivalent thereof;
- (d) arbitration proceeding pursuant to an employment contract, policy or practice of an **Organization**, commenced by the receipt by an **Insured** of a demand for arbitration or foreign equivalent thereof, or any other external alternative dispute resolution proceeding commenced by receipt by an **Insured** of a demand for an alternative dispute resolution; or
- (e) administrative, regulatory or tribunal proceeding commenced by:
 - (i) the issuance of a notice of charge, formal investigative order or
 - (ii) in the event the **Insured** is not issued notice as set forth in (e)(i) above, the receipt by an **Insured** of the administrative, regulatory or tribunal proceeding resulting from such notice of charge, formal investigative order,

including any such proceeding brought by or in association with the Canadian Human Rights Commission or any Human Rights Tribunal or similar body in any of the provinces or territories; the Equal Employment Opportunity Commission of the United States of America; or any similar governmental agency located anywhere in the world with jurisdiction over the **Organization's** employment practices; or

- (2) in the context of an audit conducted in the United States of America by the Office of Federal Contract Compliance Programs, a Notice of Violation or Order to Show Cause or written demand for monetary relief or injunctive relief, commenced by the receipt by an **Insured** of such Notice, Order or written demand,

which is brought and maintained by or on behalf of a past, present or prospective **Employee** or **Independent Contractor** of an **Organization** against any **Insured** for an **Employment Practices Wrongful Act**, including any appeal therefrom; or

- (B) a written request first received by an **Insured** to toll or waive a limitation period or statute of limitations relating to a potential **Employment Claim** as described in Subsection (A) above.

Notwithstanding the foregoing, **Employment Claim** shall not include any labour or grievance arbitration or other proceeding pursuant to a collective bargaining agreement.

ForeFront Portfolio
Employment Practices Liability (EPL)
Coverage Part

Employment Discrimination means any violation of employment discrimination laws including any actual, alleged or constructive employment termination, dismissal, or discharge, employment demotion, denial of tenure, modification of any term or condition of employment, any failure or refusal to hire or promote, or any limitation, segregation or classification of any employee or applicant for employment in any way that would deprive or tend to deprive any person of employment opportunities or otherwise affect his or her status as an employee based on such person's race, colour, religion, creed, genetic information, age, sex, gender identity, disability, marital status, national origin, pregnancy, HIV status, sexual orientation or preference, protected military status or other status that is protected pursuant to any federal, provincial, territorial, state, or local statutory law, civil law or common law anywhere in the world.

Employment Harassment means:

- (A) sexual harassment, including unwelcome sexual advances, requests for sexual favours, or other conduct of a sexual nature that is made a condition of employment with, used as a basis for employment decisions by, interferes with performance or creates an intimidating, hostile or offensive working environment within an **Organization**; or
- (B) workplace harassment, including work related harassment or bullying of a non-sexual nature that interferes with performance or creates an intimidating, hostile or offensive working environment within an **Organization**.

Employment Practices Wrongful Act means any actual or alleged:

- (A) **Breach of Employment Contract**;
- (B) **Employment Discrimination**;
- (C) **Employment Harassment**;
- (D) **Retaliation**;
- (E) **Termination**;
- (F) **Workplace Tort**; or
- (G) **Wrongful Employment Decision**;

committed, attempted, or allegedly committed or attempted by an **Organization** or by an **Insured Person** while acting in his or her capacity as such.

Executive means any natural person who was, is or will be:

- (A) a duly elected or appointed: (1) director (including a *de facto* director); (2) officer; (3) trustee; (4) governor; (5) member of the Advisory Board; or (6) in-house general counsel of any **Organization** incorporated in Canada or the United States of America;
- (B) a duly elected or appointed: (1) manager or member of the Board of Managers or equivalent position; (2) member of the Advisory Board; or (3) in-house general counsel, of any **Organization** formed as a limited liability company in Canada or the United States of America; or
- (C) a holder of an equivalent position to those described in Subsections (A) or (B) above in any **Organization** incorporated, formed or organized anywhere in the world.

ForeFront Portfolio
Employment Practices Liability (EPL)
Coverage Part

Financial Impairment means the status of an **Organization** resulting from:

- (A) the appointment by any federal, provincial, territorial, or state court, agency or official of any receiver, conservator, liquidator, trustee, rehabilitator or similar official to take control of, supervise, manage or liquidate such **Organization**;
- (B) such **Organization** operating as a debtor as that term is defined and used in Canada within the provisions of the Bankruptcy and Insolvency Act, rules, regulations, orders and orders in council promulgated thereunder and amendments thereto, including, when any receiver, conservator, liquidator, trustee, sequestrator or similar official has been appointed by a federal, provincial, territorial or state court, agency or official or by a creditor to take control of, supervise, manage or liquidate such **Organization**; or
- (C) such **Organization** operating under the protection of the Companies' Creditor Arrangement Act of Canada or becoming a debtor in possession under the United States bankruptcy law or the equivalent of a debtor in possession under the law of any other country,

provided that the court or other judicial or administrative body overseeing the restructuring, receivership, conservatorship, liquidation, rehabilitation, bankruptcy or equivalent proceeding has denied a request by the **Organization**, or other party determined to have standing, for authorization of the **Organization** to indemnify an **Insured Person** for **Loss**; provided further that, the Company may, in its sole discretion, waive the foregoing requirement.

Independent Contractor means any natural person working for an **Organization** in the capacity of an independent contractor and pursuant to an **Independent Contractor Services Agreement**.

Independent Contractor Services Agreement means any express contract or agreement between an **Independent Contractor**, or any entity on behalf of such **Independent Contractor**, and the **Organization** governing the nature of the **Organization's** engagement of such **Independent Contractor**.

Insured means any **Organization** and any **Insured Person**.

Insured Person means any:

- (A) **Executive** or **Employee** of an **Organization**; or
- (B) **Independent Contractor** working for an **Organization**, but only while acting in his or her capacity as such and only if the **Organization** agrees to indemnify the **Independent Contractor** in the same manner as provided to the **Organization's Employees** for liability arising out of a **Claim**.

Loss means the amount which an **Insured** becomes legally obligated to pay as a result of any **Claim**, including:

- (A) compensatory damages;
- (B) (1) punitive, exemplary or multiplied damages, if and to the extent such damages are insurable under the law of the jurisdiction most favourable to the insurability of such damages, provided such jurisdiction has a substantial relationship to the **Insured**, the Company, or to the **Claim** giving rise to such damages; or
- (2) in the United States of America: liquidated damages awarded pursuant to the Age Discrimination in Employment Act, Family and Medical Leave Act or Equal Pay Act;

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(C) back pay, front pay, claimant's legal fees awarded by a court against an **Insured** or agreed to by the Company in connection with a settlement (but only if such claimant's legal fees are agreed to in writing by the Company at the time of or after a final settlement);

(D) judgments, including pre-judgment and post-judgment interest;

(E) settlements; and

(F) **Defence Costs**,

provided that **Loss** does not include any portion of such amount that constitutes any:

(1) cost of compliance with any order for, grant of, or agreement to provide non-monetary relief, including injunctive relief;

(2) amount uninsurable under the law pursuant to which this Coverage Part is construed;

(3) tax, fine or penalty imposed by law; except as provided above with respect to punitive, exemplary or multiplied damages, or liquidated damages;

(4) future salary, wages, commissions, or **Benefits** of a claimant who has been or shall be hired, promoted or reinstated to employment pursuant to a settlement, order or other resolution of any **Claim**;

(5) salary, wages, commissions, **Benefits** or other monetary payments which constitute statutorily mandated severance payments or statutorily mandated payments pursuant to a notice period;

(6) amounts which at the time of **Termination** were part of the **Termination Offer** to the **Employee**, whether such offer was accepted by the **Employee** or not;

(7) **Benefits** due or to become due or the equivalent value of such **Benefits**, except with respect to any **Employment Claim** for **Termination**;

(8) **Stock Benefits**;

(9) cost associated with providing any accommodation for persons with disabilities or any other status which is protected under any applicable federal, provincial, territorial, state, or local statutory law, civil law, or common law anywhere in the world, including, the Canadian Human Rights Act, or the United States Americans with Disabilities Act, the Civil Rights Act of 1964, or any amendments to or rules, orders, orders in council or regulations promulgated under any such law;

(10) amount incurred by an **Insured** in the defence or investigation of any action, proceeding or demand that was not then a **Claim** even if: (a) such amount also benefits the defence of a covered **Claim**; or (b) such action, proceeding, investigation or demand subsequently gives rise to a **Claim**; or

(11) cost incurred in cleaning-up, removing, containing, treating, detoxifying, neutralizing, assessing the effects of, testing for, or monitoring **Pollutants**.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapour, soot, fumes, acids, alkalis, chemicals, asbestos, asbestos products or waste. Waste includes materials to be recycled, reconditioned or reclaimed.

Potential Claim means a complaint or allegation of a **Wrongful Act** by or on behalf of a potential claimant if such complaint or allegation:

(A) does not constitute a **Claim** but may subsequently give rise to a **Claim**; and

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(B) is lodged with:

- (1) any supervisory employee having management-level responsibility for personnel matters with respect to such claimant, if such supervisory employee provides notice of such complaint or allegation to any member of an **Organization's** human resources, general counsel or risk management departments, or other comparable department; or
- (2) any member of an **Organization's** human resources, general counsel or risk management departments, or other comparable department.

Retaliation means retaliatory treatment against an **Employee** or **Independent Contractor** of an **Organization** on account of such individual:

- (A) exercising his or her rights under law, refusing to violate any law, or opposing any unlawful practice;
- (B) having assisted or testified in or cooperated with a proceeding or investigation (including any internal investigation conducted by the **Organization's** human resources department or legal department) regarding alleged violations of law by the **Insured**;
- (C) disclosing or threatening to disclose to a superior or to any governmental agency any alleged violations of law; or
- (D) filing any claim against the **Organization** under the Canadian Public Servants Disclosure Protection Act or in the United States of America, the Federal False Claims Act, Section 806 of the Sarbanes Oxley Act, or any other federal, provincial, state, territorial, local or foreign whistleblower law.

Stock Benefits means any:

- (A) offering, plan or agreement between an **Organization** and any employee which grants stock, warrants, shares or stock options of the **Organization** to such employee, including grants of stock options, restricted stock, stock warrants, performance stock shares, membership shares, or any other compensation or incentive granted in the form of securities of the **Organization**; or
- (B) payment or instrument, the amount or value of which is derived from the value of securities of the **Organization**, including stock appreciation rights or phantom stock plans or arrangements,

provided that, **Stock Benefits** shall not include amounts claimed under any employee stock ownership plans or employee stock purchase plans.

Termination means:

- (A) in Canada: any wrongful termination, dismissal or discharge of employment, or any such wrongful termination, dismissal or discharge that arises from a **Breach of Employment Contract**; or
- (B) outside Canada: any wrongful termination, dismissal or discharge of employment, including constructive termination, dismissal or discharge. **Termination** does not include **Breach of Employment Contract**.

Termination Offer means the notice or the compensation in lieu of notice of termination legally required to be offered by the **Organization** to the **Employee** at the time of termination, having taken into account the relevant factors to be considered pursuant to **Canadian Employment Laws**.

Third Party means any natural person who is a customer, vendor, service provider or other business invitee of an **Organization**.

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Third Party Claim means any:

- (A) written demand first received by an **Insured** for monetary or non-monetary relief, including injunctive relief;
- (B) civil proceeding commenced by the service of a statement of claim, complaint or similar pleading;
- (C) arbitration proceeding commenced by the receipt by an **Insured** of a demand for arbitration, or any other external alternative dispute resolution proceeding commenced by receipt by an **Insured** of a demand for an alternative dispute resolution; or
- (D) administrative, regulatory or tribunal proceeding commenced by the filing of a complaint, the issuance of a notice of charge, formal investigative order or foreign equivalent thereof,

which is brought and maintained by or on behalf of a **Third Party** against an **Insured** for a **Third Party Wrongful Act**, including any appeal therefrom; or

- (E) a written request first received by an **Insured** to toll or waive a limitation period or statute of limitations relating to a potential **Third Party Claim** as described in Subsections (A) through (D) above.

Third Party Wrongful Act means any actual or alleged:

- (A) discrimination against a **Third Party** based upon such **Third Party's** race, colour, religion, creed, genetic information, age, sex, gender identity, disability, marital status, national origin, pregnancy, HIV status, sexual orientation or preference, Vietnam Era Veteran status or other protected military status or other status that is protected pursuant to any federal, provincial, territorial, state, or local statutory law, civil law or common law anywhere in the world; or
- (B) harassment, including unwelcome sexual advances, requests for sexual favours or other conduct of a sexual nature against a **Third Party**,

committed, attempted, or allegedly committed or attempted by any **Organization** or by any **Insured Person** while acting in his or her capacity as such.

Workplace Tort means any:

- (A) employment-related:
 - (1) misrepresentation;
 - (2) defamation (including libel and slander);
 - (3) invasion of privacy (including in Canada, violation of the Personal Information Protection and Electronic Documents Act, S.C. 2000 as amended or pursuant to the same or similar provision of any provincial or territorial statute or the unauthorized use or disclosure in the United States of America of an **Employee's** (a) medical information in violation of the Health Insurance Portability and Accountability Act ("HIPAA"); (b) credit information or related information in violation of the Credit Reporting Act of Canada or the Fair Credit Reporting Act of the United States of America; or (c) other information obtained through an employment-related background check);
 - (4) negligent evaluation;
 - (5) wrongful discipline; or
 - (6) wrongful deprivation of career opportunity; or



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(B) employment-related:

- (1) negligent retention;
- (2) negligent supervision;
- (3) negligent hiring;
- (4) negligent training;
- (5) wrongful infliction of emotional distress, mental anguish or humiliation;
- (6) failure to provide or enforce consistent employment-related corporate policies and procedures; or
- (7) false imprisonment,

but only when alleged as part of an **Employment Claim** for any **Wrongful Employment Decision, Breach of Employment Contract, Employment Discrimination, Employment Harassment, Retaliation, Termination**, or any act set forth in Subsection (A) of this definition.

Wrongful Act means an **Employment Practices Wrongful Act** and **Third Party Wrongful Act**.

Wrongful Employment Decision means:

- (A) in Canada: any wrongful demotion, denial of tenure, or failure or refusal to hire or promote, failure to employ, wrongful or negligent employee reference, or any constructive termination, dismissal or discharge; or
- (B) outside Canada: any wrongful demotion, denial of tenure, or failure or refusal to hire or promote, failure to employ, or wrongful or negligent employee reference.

IV. Exclusions

The Company shall not be liable for **Loss** on account of any **Claim**:

(A) Prior Notice

based upon, arising from or in consequence of any fact, circumstance, situation, transaction, event or **Wrongful Act** that, before the inception date set forth in Item 2 (A), Policy Period, of the GTC Declarations, was the subject of any notice accepted under any employment practices liability policy or coverage part or any other liability policy or coverage part that includes coverage for employment practices liability of which this Coverage Part is a direct or indirect renewal or replacement;

(B) Pending or Prior Proceedings

based upon, arising from or in consequence of a written demand alleging a **Wrongful Act**, suit, formal administrative or regulatory proceeding commenced by the filing of a notice of charges, formal investigative order or similar document, a Notice of Violation or Order to Show Cause resulting from an audit conducted in the United States of America by the Office of Federal Contract Compliance Programs or arbitration proceeding pending against or order, decree or judgment entered for or against any **Insured** on or prior to the applicable Pending or Prior Proceedings Date as set forth in Item 5 of the EPL Declarations or the same or substantially the same fact, circumstance or situation underlying or alleged therein;

(C) Pollution

based upon, arising from or in consequence of any:

- (1) discharge, emission, release, dispersal or escape of any **Pollutants** or any threat thereof;

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- (2) treatment, removal or disposal of any **Pollutants**; or
 (3) regulation, order, direction or request to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize any **Pollutants**,

including any **Claim** for financial loss to an **Organization**, its securityholders or its creditors based upon, arising from or in consequence of any matter described in Paragraphs (1), (2) or (3) of this Exclusion (C), provided that this Exclusion (C) shall not apply to **Loss** on account of any **Employment Claim** for **Retaliation**;

(D) Bodily Injury or Property Damage

for bodily injury, mental anguish, humiliation, emotional distress, sickness, disease or death of any person or damage to or destruction of any tangible property including the loss of use thereof whether or not it is damaged or destroyed, provided that this Exclusion (D) shall not apply to **Loss** for any mental anguish, humiliation or emotional distress when alleged as part of an otherwise covered **Claim**;

(E) Workers' Compensation, Unemployment Insurance, Social Insurance, Social Security, Disability Benefits

for any obligation of any **Insured** pursuant to any workers compensation, unemployment insurance, social insurance, social security, disability benefits or any similar federal, provincial, territorial, state, or local statutory law, civil or common law anywhere in the world, provided that this Exclusion (E) shall not apply to **Loss** on account of any **Employment Claim** for **Retaliation**;

(F) Breach of Independent Contractor Agreement

for any breach of any **Independent Contractor Services Agreement**;

(G) Employee Benefits Program

for any violation of the responsibilities, obligations or duties imposed by any federal, provincial, territorial, state, or local statutory law, civil law or common law anywhere in the world (including that part of the Canadian Labour Code Part III, the Canadian Pension Benefits Standards Act 1987, or the United States Employment Retirement Income Security Act of 1974 (except section 510 thereof) and the Consolidated Omnibus Budget Reconciliation Act of 1985) or amendments to or regulations promulgated under any such law that governs any employee benefit arrangement, program, policy, plan or scheme of any type (whether or not legally required or whether provided during or subsequent to employment with an **Organization**), including any:

- (1) retirement income or pension benefit program;
- (2) profit sharing plan, deferred compensation plan, employee stock purchase plan, or employee stock ownership plan;
- (3) vacation, maternity leave, personal leave, or parental leave;
- (4) severance pay arrangement;
- (5) apprenticeship program;
- (6) life insurance plan, welfare plan, supplementary unemployment compensation plan, or pre-paid legal service plan or scholarship plan;
- (7) health, sickness, medical, dental, disability or dependant care plan; or
- (8) similar arrangement, program, plan or scheme,

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provided that, this Exclusion (G) shall not apply to **Loss** on account of any **Employment Claim** for **Retaliation** or any **Employment Claim** otherwise covered pursuant to Section II of this Coverage Part, Canadian Termination Coverage.

(H) Occupational Safety and Health

for any violation of the responsibilities, obligations or duties imposed by any federal, provincial, territorial, state, or local statutory law, civil law or common law anywhere in the world (including the Canadian Labour Code Part II or the United States Occupational Safety and Health Act) or amendments to or regulations promulgated under any such law that governs workplace safety and health, including any obligation to maintain a place of employment free from hazards likely to cause physical harm, injury or death, provided that this Exclusion (H) shall not apply to **Loss** on account of any **Employment Claim** for **Retaliation**;

(I) Wage and Hour

for any violation of the responsibilities, obligations or duties imposed by any federal, provincial, territorial, state, or local statutory law, civil law or common law anywhere in the world (including that part of the Canadian Labour Code Part III or the United States of America Fair Labor Standards Act) or amendments to or regulations promulgated under any such law that governs wage, hour and payroll policies and practices, including:

- (1) the calculation, recordkeeping, timing or manner of payment of minimum wages, prevailing wage rates, overtime pay or other compensation alleged to be due and owing;
- (2) the classification of any organization or person for wage and hour purposes;
- (3) garnishments, withholdings or other deductions from wages;
- (4) child labour;
- (5) pay equity or comparable worth; or
- (6) any similar policies or practices,

provided that, this Exclusion (I) shall not apply to:

- (i) **Loss** on account of any **Employment Claim** for **Retaliation**; or
- (ii) the Canadian Human Rights Act, Section 11 or any similar provincial, territorial or local statute or the United States Equal Pay Act.

(J) Workforce Notification

for any violation of the responsibilities, obligations or duties imposed by any federal, provincial, territorial, state, or local statutory law, civil law or common law anywhere in the world (including the Ontario *Employment Standards Act*, 2000, the United States of America Worker Adjustment and Retraining Notification Act), or amendments to or regulations promulgated under any such law that governs any obligation of an employer to notify, discuss or bargain with its employees or others in advance of any plant or facility closing, or mass layoff, or any similar obligation, provided that this Exclusion (J) shall not apply to **Loss** on account of any **Employment Claim** for **Retaliation**;

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(K) Labour Management Relations

for any violation of the responsibilities, obligations or duties imposed by any federal, provincial, territorial, state, or local statutory law, civil law or common law anywhere in the world (including the Canadian Labour Code Part I or the United States National Labor Relations Act) or any amendments to or regulations promulgated under any such law that governs:

- (1) the rights of employees to engage in, or to refrain from engaging in, union or other collective activities, including union organizing, union elections and other union activities;
- (2) the duty or obligation of an employer to meet, discuss, notify or bargain with any employee or employee representative, collectively or otherwise;
- (3) the enforcement of any collective bargaining agreement, including grievance and arbitration proceedings;
- (4) strikes, work stoppages, boycotts, picketing and lockouts; or
- (5) any similar rights or duties,

provided that, this Exclusion (K) shall not apply to **Loss** on account of any **Employment Claim** for **Retaliation**;

(L) Breach of Written Employment Contract

based upon, arising from or in consequence of any breach of any written employment contract, provided that this Exclusion (L) shall not apply to:

- (1) **Loss** to the extent an **Insured** would have been liable for such **Loss** in the absence of such written employment contract; or
- (2) **Defence Costs**.

(M) Financial Impairment

brought in Canada for **Wrongful Acts** based upon, arising from, or in consequence of the **Financial Impairment** of an **Organization**.

V. Reporting

- (A) An **Insured** shall, as a condition precedent to exercising any right to coverage under this Coverage Part, give to the Company written notice of any **Claim** as soon as practicable after the chief executive officer, chief financial officer, any person with the responsibility for the management of insurance claims (or any equivalent position to any of the foregoing), or any member of the in-house general counsel or human resources departments, of an **Organization** becomes aware of such **Claim**, but in no event later than:
 - (1) if this Coverage Part expires (or is otherwise terminated) without being renewed with the Company, ninety (90) days after the effective date of such expiration or termination; or
 - (2) the expiration date of the Extended Reporting Period, if applicable.
- (B) Notwithstanding the foregoing Subsection (A) and solely with respect to an **Employment Claim** that is brought as a formal administrative or regulatory proceeding commenced by the filing of a complaint or the filing of a notice of charges, an **Insured**, shall, as a condition precedent to exercising any right to coverage under this Coverage Part, give written notice thereof to the Company during the **Policy Period**, or, if applicable, in no event later than the earliest of the following dates:



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- (1) if this Coverage Part is renewed, three hundred and sixty five (365) days after the end of the **Policy Period**,
 - (2) if this Coverage Part expires (or is otherwise terminated) without being renewed with the Company and if no Extended Reporting Period is purchased, ninety (90) days after the effective date of such expiration or termination; or
 - (3) the expiration date of the Extended Reporting Period, if elected, provided that, if the Company sends written notice to the **Parent Organization**, stating that this Policy is being terminated for non-payment of premium, an **Insured** shall give to the Company written notice of such **Employment Claim** prior to the effective date of such termination.
- (C) If during the **Policy Period**, or any applicable Extended Reporting Period, an **Insured** becomes aware of a **Potential Claim** and gives written notice of such **Potential Claim** to the Company, and requests coverage under this Coverage Part for any **Claim** subsequently resulting from such **Potential Claim**, then any **Claim** subsequently arising from the **Potential Claim** shall be deemed made against the **Insured** during the **Policy Year** in which written notice of such **Potential Claim** was first given to the Company, provided any such subsequent **Claim** is reported to the Company as soon as practicable, but in no event later than ninety (90) days after the chief executive officer, chief financial officer, any natural person with the responsibility for the management of insurance claims (or any position equivalent to the foregoing), or any member of the in-house general counsel or human resources department of an **Organization** becomes aware of such **Claim**.
- (D) An **Insured** shall, as a condition precedent to exercising any right to coverage under this Coverage Part, give to the Company such information, assistance and cooperation as the Company may reasonably require and shall include in any notice under Subsections (A), (B) or (C) above, a description of the **Claim**, request or **Potential Claim**, the nature of any alleged **Wrongful Act**, the nature of the alleged or potential damage, the names of all actual or potential claimants, the names of all actual or potential defendants, the manner in which such **Insured** first became aware of the **Claim**, **Potential Claim** or alleged **Wrongful Act**, and with respect to notices of **Potential Claims** under Subsection (C) above, the consequences which have resulted or may result from such **Potential Claim**.

VI. Retention

- (A) The Company's liability under this Coverage Part shall apply only to that part of each **Loss** which is excess of the applicable Retention set forth in Item 4 of the EPL Declarations and such Retention shall be borne by the **Insureds** uninsured and at their own risk.
- (B) If different parts of a single **Claim** are subject to different Retentions in different Insuring Clauses within this Coverage Part, the applicable Retentions shall be applied separately to each part of such **Claim**, but the sum of such Retentions shall not exceed the largest applicable Retention.
- (C) If different parts of a single **Claim** are subject to different Retentions in different Coverage Parts, the applicable Retentions shall be applied separately to each part of such **Claim**, but the sum of such Retentions shall not exceed the largest applicable Retention.

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- (D) **Claims** shall be subject to the Retention(s) applicable to the **Policy Year** during which such **Claims** are first made or first deemed to have been made.
- (E) No Retention shall apply to any **Loss** under this Coverage Part incurred by an **Insured Person** if such **Loss** cannot be indemnified by an **Organization** because such **Organization** is not permitted by statutory law, civil law or common law to indemnify, or is permitted or required to indemnify, but is unable to do so by reason of **Financial Impairment**.

VII. Defence And Settlement

- (A) Except as provided in Subsection (B) below, the Company shall have the right and duty to defend any **Claim** covered by this Coverage Part. Coverage shall apply even if any of the allegations are groundless, false or fraudulent. The Company's duty to defend any **Claim** shall cease upon exhaustion of the applicable Limit of Liability.
- (B) Notwithstanding Subsection (A) above, it shall be the duty of the **Insureds** and not the duty of the Company to defend any Claim which is in part excluded from coverage pursuant to Exclusion IV(I), Wage and Hour. For such portion of such **Claim** that is otherwise covered under this Coverage Part, the **Insureds** shall select as defence counsel for such **Claim** a law firm included in the Company's then current list of approved employment defence firms for the jurisdiction in which such **Claim** is pending.
- (C) The Company may make any investigation it deems necessary and may, with the consent of the **Insureds**, make any settlement of any **Claim** it deems appropriate.
- (D) No **Insured** shall settle any **Claim**, incur any **Defence Costs**, or otherwise assume any contractual obligation or admit any liability with respect to any **Claim** without the Company's written consent, which shall not be unreasonably withheld. The Company shall not be liable for any settlement, **Defence Costs**, assumed obligation or admission to which it has not consented.
- (E) The Company shall have no obligation to pay **Loss**, including **Defence Costs**, or to defend or continue to defend any **Claim** after the Maximum Aggregate Limit of Liability set forth in Item 2 of the EPL Declarations or the Combined Maximum Aggregate Limit of Liability set forth in Item 3 of the GTC Declarations, if applicable, has been exhausted by the payment of **Loss** and the premium shall be deemed fully earned.
- (F) The **Insureds** agree to provide the Company with all information, assistance and cooperation which the Company reasonably requests and agree they will do nothing that may prejudice the Company's position or its potential or actual rights of recovery.

VIII. Allocation

If an **Insured** who is afforded coverage for a **Claim** incurs an amount consisting of both **Loss** that is covered by this Coverage Part and also loss that is not covered by this Coverage Part because such **Claim** includes both covered and uncovered matters, then coverage shall apply as follows:

- (A) **Defence Costs**: one hundred percent (100%) of **Defence Costs** incurred by such **Insured** on account of such **Claim** shall be covered **Loss**, provided that the foregoing shall not apply with respect to any **Insured** for whom coverage is excluded pursuant to Exclusion IV(I), Wage and Hour, or Subsection XII(B), Representations and Severability. Such **Defence Costs** shall be allocated between covered **Loss** and non-covered loss based on the relative legal exposures of the parties to such matters; and

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- (B) loss other than **Defence Costs**: all remaining loss incurred by such **Insured** from such **Claim** shall be allocated between covered **Loss** and uncovered loss based upon the relative legal exposures of the parties to such matters.

IX. Employment Claim Arbitration

- (A) Any dispute between any **Insured** and the Company based upon, arising from or in any way involving any actual or alleged coverage under this Coverage Part, or the validity, termination or breach of this Coverage Part, including any dispute sounding in contract or tort, shall be submitted to binding arbitration.
- (B) An **Organization**, however, shall first have the option to resolve the dispute by non-binding mediation pursuant to such rules and procedures, and using such mediator, as the parties may agree. If the parties cannot so agree in Canada the mediation shall be governed by the then prevailing Ontario Arbitration Act rules, orders, orders in council or regulations promulgated thereunder or amendments thereto or, upon the agreement of both the Company and the **Organization** by the similar provisions of a statute passed by a province or territory other than Ontario. In the United States of America, the mediation shall be administered by the American Arbitration Association pursuant to its then prevailing commercial mediation rules.
- (C) If the parties cannot resolve the dispute by non-binding mediation, the parties shall submit the dispute to binding arbitration pursuant to the then prevailing Ontario Arbitration Act rules, orders, orders in council or regulations promulgated thereunder or amendments thereto or, upon the agreement of both the Company and the **Organization** by the similar provisions of a statute passed by a province or territory other than Ontario. In the United States of America, the binding arbitration shall be conducted pursuant to the then prevailing commercial arbitration rules of the American Arbitration Association, except that the arbitration panel shall consist of one arbitrator selected by the **Insureds**, one arbitrator selected by the Company, and a third arbitrator selected by the first two arbitrators.

X. Other Insurance

Unless specifically stated otherwise, the coverage afforded under this Coverage Part for:

- (A) **Employment Claims** shall be primary, provided that with respect to that portion of an **Employment Claim** made against any leased or temporary employee, or **Independent Contractor, Loss**, including **Defence Costs**, payable on behalf of such leased or temporary employee or **Independent Contractor** under this Coverage Part shall be excess of and shall not contribute with any other valid and collectible insurance policy (other than a policy that is issued specifically as excess of the insurance afforded by the Coverage Part), regardless of whether such other insurance is stated to be primary, contributory, excess, contingent or otherwise.
- (B) **Third Party Claims** shall be excess of and shall not contribute with any other valid and collectible insurance policy (other than a policy that is issued specifically as excess of the insurance afforded by the Coverage Part), regardless of whether such other insurance is stated to be primary, contributory, excess, contingent or otherwise.

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XI. Subrogation

In the event of any payment under this Coverage Part, the Company shall be subrogated to the extent of such payment to all of the **Insureds'** rights of recovery. As a condition precedent to the Company's payment under this Coverage Part, the **Insureds** agree to execute all papers required and shall take all reasonable actions to secure and preserve such rights, including the execution of such documents necessary to enable the Company to effectively bring suit or otherwise pursue subrogation rights in the name of the **Insureds**; provided that it is understood and agreed that the Company shall not subrogate against natural persons who are **Insured Persons** under this Coverage Part.

XII. Representations And Severability

- (A) In granting coverage to the **Insureds** under this Coverage Part, the Company has relied upon the declarations and statements in the **Application** for this Coverage Part. Such declarations and statements are the basis of the coverage under this Coverage Part and shall be considered as incorporated in and constituting part of this Coverage Part.
- (B) The **Application** for coverage shall be construed as a separate **Application** for coverage by each **Insured Person**. With respect to the declarations and statements in such **Application**:
- (1) no fact pertaining to or knowledge possessed by any **Insured Person** shall be imputed to any other **Insured Person** for determining if coverage is available; or
 - (2) facts pertaining to and knowledge possessed by any past or present, chief executive officer, chief financial officer, director of human resources, in-house general counsel (or any equivalent position to any of the foregoing) of an **Organization** shall be imputed to such **Organization** and its **Subsidiaries** for the purpose of determining if coverage is available.
- (C) Solely with respect to **Loss** incurred by an **Insured Person** for which the **Organization** either is not legally permitted, or fails or refuses solely by reason of **Financial Impairment** to indemnify the **Insured Persons**, the Company shall not be entitled under any circumstances to rescind this policy.

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Endorsement**

Issue Date: August 25, 2022	Endorsement No.:	1
Company:	To be attached to and	
Chubb Insurance Company of Canada herein called the Company	form a part of Policy no:	82427885
Issued to:	Effective date of this endorsement:	August 30, 2022
Quality Rugs Of Canada ; Quality Sterling Group		

This Endorsement applies to the following forms:

Employment Practices Liability Coverage Part

WORKPLACE VIOLENCE EXPENSES ENDORSEMENT (WITH SUBLIMIT)

In consideration of the premium charged, it is agreed that solely with respect to this Coverage Part, the following shall apply:

- (1) Section I, Insuring Clauses, of this Coverage Part shall be amended to add the following Insuring Clause:

Workplace Violence Expense Coverage

The Company shall reimburse the **Parent Organization** for "Workplace Violence Expenses" (as defined below) incurred by an **Organization** resulting from any "Workplace Violence" (as defined below); provided that the Company's maximum aggregate liability for all Workplace Violence Expenses shall not exceed \$250,000, which amount is part of, and not in addition to, the Company's maximum aggregate Limit of Liability set forth in Item 2 of the EPL Declarations.

- (2) No Retention shall apply to Workplace Violence Expenses; provided however, if different parts of a single **Claim** are subject to different Retentions, the applicable Retentions will be applied separately to each part of such **Claim**, but the sum of such Retentions shall not exceed the largest applicable Retention as set forth in Item 4 of the EPL Declarations. Such Retention shall be borne by the **Insureds** uninsured and at their own risk.
- (3) For the purposes of this endorsement, Exclusion (D), Bodily Injury/Property Damage, of this Coverage Part is deleted and replaced with the following:

(D) Bodily Injury/Property Damage

based upon, arising from, or in consequence of bodily injury, mental anguish, emotional distress, sickness, disease or death of any person or damage to or destruction of any tangible property including loss of use thereof whether or not it is damaged or destroyed; provided that this Exclusion (D) shall not apply to **Loss** for any mental anguish, humiliation or emotional distress when alleged as part of an otherwise covered **Claim**;

- (4) The terms and conditions of subsection (A) of Section VII, Defense and Settlement, of this Coverage Part shall not apply to the coverage for "Workplace Violence Expenses" (as defined below) afforded pursuant to the Workplace Violence Expense Coverage Insuring Clause as set forth in paragraph (1) of this endorsement.
- (5) For the purposes of this endorsement, the following terms shall apply:

"Workplace Violence" means any intentional and unlawful act:

- (i) of deadly force involving the use of lethal weapon; or
- (ii) the threat of deadly force involving the display of a lethal weapon,

which occurs on or in the "Premises" (as defined below) and which did or could result in bodily injury or death to an **Insured Person**.

"Workplace Violence Expenses" means the reasonable fees and expenses, or cost of:

- (i) an independent security consultant for ninety (90) days following the date Workplace Violence occurs;

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**ForeFront Portfolio
Endorsement**

-
- (ii) an independent public relations consultant for ninety (90) days following the date Workplace Violence occurs;
 - (iii) a counseling seminar for all **Employees** conducted by an independent consultant following a Workplace Violence;
 - (iv) independent security guard services for up to fifteen (15) days; and
 - (v) an independent forensic analyst.

“Premises” means the buildings, facilities or properties occupied by an **Organization** in conducting its business.

- (6) For the purposes of this endorsement, no coverage will be available under this Coverage Part for:
 - (a) any Workplace Violence which occurs at any location other than the Premises;
 - (b) **Loss** arising from declared or undeclared war, civil war, insurrection, riot, civil commotion, rebellion or revolution, military, naval or usurped power, governmental intervention, expropriation or nationalization;
 - (c) legal costs, judgments and settlements incurred as the result of any claim, suit or judicial action brought against an **Organization** in connection with Workplace Violence; or
 - (d) **Loss** resulting from the use or threat of force or violence occurring on the Premises for the purpose of demanding money, securities or property.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

**ForeFront Portfolio
Endorsement**

Issue Date: August 22, 2022	Endorsement No.:	2
Company: Chubb Insurance Company of Canada herein called the Company	To be attached to and form a part of Policy no:	82427885
Issued to: Quality Rugs Of Canada ; Quality Sterling Group	Effective date of this endorsement:	August 30, 2022

This Endorsement applies to the following forms:

General Terms and Conditions

TERRITORIAL RESTRICTION ENDORSEMENT

In consideration of the premium charged it is agreed that notwithstanding anything to the contrary in this policy/bond or any attached endorsement, this insurance does not apply to any:

- loss, damages, costs, or expenses incurred;
- wrongful act committed;
- claim, occurrence, suit, injury or damage that takes place; or
- property situated,

in Iran, North Korea, Syria, Cuba and Sudan. To the extent any such terms are defined in this policy, such definition applies to this endorsement.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

**ForeFront Portfolio
Endorsement**

Issue Date: August 22, 2022	Endorsement No.:	5
Company: Chubb Insurance Company of Canada herein called the Company	To be attached to and form a part of Policy no:	82427885
Issued to: Quality Rugs Of Canada ; Quality Sterling Group	Effective date of this endorsement:	August 30, 2022

This Endorsement applies to the following forms:

Directors & Officers and Entity Liability Coverage Part

FAMILY CLAIMS EXCLUSION ENDORSEMENT

In consideration of the premium charged, it is agreed that:

- (1) The Company shall not be liable under this Coverage Part for **Loss** on account of any **Claim** brought or maintained by or on behalf of a(n) Pacione Family Member (as defined in Paragraph (2) of this endorsement), including any such **Claim** in the form of a class action or shareholder derivative action.
- (2) For purposes of this endorsement, Pacione Family Member means any:
 - (a) estate, heir, legal representative, assign, or relative (whether related by consanguinity or affinity) of Pacione; or
 - (b) trustee or beneficiary of a trust created or maintained by or for the benefit of any individual or entity described in (2)(a) above.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

**ForeFront Portfolio
Endorsement**

Issue Date: August 22, 2022	Endorsement No.:	2
Company: Chubb Insurance Company of Canada herein called the Company	To be attached to and form a part of Policy no:	82427885
Issued to: Quality Rugs Of Canada ; Quality Sterling Group	Effective date of this endorsement:	August 30, 2022

This Endorsement applies to the following forms:

Directors & Officers and Entity Liability Coverage Part

AMEND INSURED VERSUS INSURED EXCLUSION ENDORSEMENT

In consideration of the premium charged, it is agreed that:

- (1) Exclusion (A)(6), Insured versus Insured, of this Coverage Part is amended to add the following to the end thereof:
 - (d) brought by a securityholder of the **Organization** against an **Insured**, provided this Subparagraph (d) shall not apply to any such **Claim** by a securityholder brought and maintained without the solicitation, assistance, active participation or intervention of the **Organization** or any **Executive**;
- (2) Subparagraph (b)(iii) of Exclusion (A)(6), Insured versus Insured, of this Coverage Part is deleted.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

ForeFront Portfolio
Endorsement

Issue Date: July 28, 2021	Endorsement No.:	3
Company: Chubb Insurance Company of Canada herein called the Company	To be attached to and form a part of Policy no:	82427885
Issued to: Quality Rugs Of Canada ; Quality Sterling Group	Effective date of this endorsement:	July 30, 2021

This Endorsement applies to the following forms:

Directors & Officers and Entity Liability Coverage Part

FALSE ADVERTISING ENDORSEMENT

In consideration of the premium charged, it is agreed that:

(1) Subsection (B) of Section VII, Exclusions, of this Coverage Part is amended to add the following:

False Advertising

based upon, arising from, or in consequence of any false advertising, misrepresentation in advertising or unfair or deceptive trade practices, with respect to the advertising of the **Insured's** own goods, publications or services; provided that this Exclusion shall not apply to **Loss** on account of any securities **Claim**, securityholder derivative demand or securityholder derivative action.

(2) Solely with respect to the coverage afforded under this endorsement, Subsection (A) of Section XII, Allocation, of this Coverage Part is deleted and replaced with the following:

(A) **Defence Costs:** one hundred percent (100%) of **Defence Costs** incurred by such **Insured** on account of such **Claim** shall be covered **Loss**, provided that the foregoing shall not apply with respect to any **Insured** for whom coverage is excluded pursuant to the Exclusion in paragraph (1) of this endorsement, False Advertising, Exclusion (B)(2), Employment Practices, or Subsection XVII(C), Representations and Severability. Such **Defence Costs** shall be allocated between covered **Loss** and non-covered loss based on the relative legal exposures of the parties to such matters; and

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

ForeFront Portfolio
Endorsement

Issue Date: July 28, 2021	Endorsement No.:	2
Company: Chubb Insurance Company of Canada herein called the Company	To be attached to and form a part of Policy no:	82427885
Issued to: Quality Rugs Of Canada ; Quality Sterling Group	Effective date of this endorsement:	July 30, 2021

This Endorsement applies to the following forms:

Directors & Officers and Entity Liability Coverage Part

**EMPLOYMENT PRACTICES/THIRD PARTY EXCLUSION WITH SECURITYHOLDER AND STATUTORY
LIABILITY CARVE-OUT ENDORSEMENT**

In consideration of the premium charged, it is agreed that:

- (1) The Company shall not be liable under this Coverage Part for **Loss** on account of any **Claim** based upon, arising from or in consequence of any:
 - (i) employment-related **Wrongful Act**; or
 - (ii) discrimination against, or harassment, including but not limited to sexual harassment, of any third party, provided that this Exclusion shall not apply to **Loss** on account of any **Claim**:
 - a. brought by any securityholder of an **Organization** in his or her capacity as such, whether directly or derivatively, so long as such **Claim** is brought and maintained without the solicitation, assistance, active participation or intervention of any **Insured**; or
 - b. brought against an **Executive** under any federal or provincial Canadian business corporations or employment statutes for unpaid employee wages resulting from the **Financial Impairment** of the **Insured Organization**.
- (2) Exclusion (A)(3), Bodily Injury/Property Damage, of this Coverage Part, including any amendment by endorsement, is amended to delete item (i):
 - (i) **Loss** for any mental anguish, humiliation or emotional distress asserted in an employment-related **Claim** afforded coverage under Insuring Clauses (A), Individual Non-Indemnified Liability Coverage, or (B), Individual Indemnified Liability Coverage;
- (3) Subparagraph (c)(i) of Exclusion (A)(6), Insured versus Insured, Exclusion (B)(2), Employment Practices, and Exclusion (B)(3), Third Party Discrimination or Sexual Harassment, of this Coverage Part are deleted.
- (4) Notwithstanding Section XII, Allocation, of this Coverage Part (including any endorsement amending Section XII), if the Exclusion in paragraph (1) of this endorsement or Exclusion (B)(1), Contract, is applicable, the **Insureds** and the Company shall use their best efforts to determine an allocation between **Loss** that is covered by this Coverage Part and loss, or any other amount, that is not covered by this Coverage Part based on the relative legal and financial exposures of the covered parties to the covered matters.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

ForeFront Portfolio Endorsement

<p>Issue Date: August 22, 2022</p> <p>Company: Chubb Insurance Company of Canada herein called the Company</p> <p>Issued to: Quality Rugs Of Canada ; Quality Sterling Group</p>	<p>Endorsement No.: 6</p> <p>To be attached to and form a part of Policy no: 82427885</p> <p>Effective date of this endorsement: August 30, 2022</p>
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This Endorsement applies to the following forms:

Directors & Officers and Entity Liability Coverage Part

NETWORK SECURITY PRIVACY BREACH EXCLUSION ENDORSEMENT

In consideration of the premium charged, it is agreed that:

- (1) the Company shall not be liable for any **Loss** on account of any **Claim** based upon, arising from or in consequence of any **Network Security or Privacy Breach**, provided that this Exclusion shall not apply to (a) any **Non-Indemnifiable Loss**; or (b) any **Loss** on account of any securities **Claim**, derivative demand or derivative action;
- (2) For the purposes of this Endorsement the following definitions are added:

Network Security or Privacy Breach means any:

- (A) unauthorized or unlawful access to, alteration of, or damage to any computer, computer program, computer network or computer database, including the infection of any of the foregoing through the transmission of a computer virus, malware, spyware or other fraudulent or unauthorized computer code that: (1) modifies, alters, damages, destroys, deletes, records or transmits information; (2) contaminates other computer programs or computer data; or (3) consumes computer resources or in some fashion usurps the normal operation of a computer system;
- (B) denial of service or delay, disruption, impairment or failure of any computer network, communication network, technology, information or telecommunication network, service, hardware or software;
- (C) unauthorized or unlawful access to, disclosure of, alteration of, theft, collection, storage, use or dissemination of, or loss of any data or confidential or proprietary business information or personally identifiable information as defined by: (1) applicable federal, provincial, territorial, state or local statutory law, common law or civil law, and any rules or regulations promulgated thereunder, anywhere in the world; or (2) an **Organization's** publicly stated privacy policy;
- (D) violation of any privacy protection or data security laws including federal, provincial, territorial, state or local statutory law, common law or civil law, and any rules or regulations promulgated thereunder, anywhere in the world; or
- (E) violation of any federal, provincial, territorial, state or local statutory law, common law or civil law, and any rules or regulations promulgated thereunder, anywhere in the world used to impose liability in connection with any unsolicited communication, distribution, publication, sending or transmission via telephone, cell or mobile phone, telephone facsimile machine, computer or other telephonic or electronic devices, including:
 - (1) in Canada:
 - (a) the Canadian Anti-Spam Act S.C. 2010 c.23 or any amendments thereto or any rules or regulations promulgated thereunder;
 - (b) the Canadian Radio-television and Telecommunications Commission Unsolicited Telecommunications Rules or any amendments thereto or any rules or regulations promulgated thereunder;

or any similar provisions of any federal, provincial, territorial, state or local statutory, civil or common law;

**ForeFront Portfolio
Endorsement**

(2) in the United States of America:

- (a) the United States of America Telephone Consumer Protection Act of 1991 or any amendments thereto or any rules or regulations promulgated thereunder;
- (b) the United States of America CAN-SPAM Act of 2003 or any amendments thereto or any rules or regulations promulgated thereunder;

or any similar provisions of any federal, provincial, territorial, state, local, statutory, civil or common law.

Non-Indemnifiable Loss means **Loss** of an **Insured Person** on account of a **Claim** for which the **Organization** has not indemnified and is not permitted or required to indemnify (including by reason of **Financial Impairment**) pursuant to applicable law or contract, or the charter, bylaws, operating agreement or similar document of an **Organization**.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

ForeFront Portfolio
Endorsement

Issue Date: August 22, 2022	Endorsement No.:	7
Company: Chubb Insurance Company of Canada herein called the Company	To be attached to and form a part of Policy no:	82427885
Issued to: Quality Rugs Of Canada ; Quality Sterling Group	Effective date of this endorsement:	August 30, 2022

This Endorsement applies to the following forms:

Directors & Officers and Entity Liability Coverage Part

SERVICE INDUSTRY ENDORSEMENT

In consideration of the premium charged, it is agreed that:

- (1) The Company shall not be liable under this Coverage Part for **Loss** on account of any **Claim** based upon, arising from, or in consequence of the rendering of, or failure to render, any **Professional Services** by an **Insured**; provided that this Exclusion shall not apply to any **Loss** on account of any securities **Claim**, derivative demand, derivative action or **Specific Management Claim** (as defined in Paragraph (2) of this endorsement).
- (2) Section VI, Definitions, of this Coverage Part, is amended to include the following definition:
Specific Management Claim means any **Claim** made against an **Executive** for a **Wrongful Act** by such **Executive** in connection with the **Executive's** management of any **Organization** or **Subsidiary**, of an **Organization**. However, **Specific Management Claim** shall not mean, and in no event shall any coverage be afforded herein for, any **Claim** made against an **Executive** for a **Wrongful Act** by such **Executive** in the direct offering of, or in supervising or assisting an **Insured Person** in direct offering of, any **Professional Services**.
- (3) Exclusion (B)(6)(c), Professional Services, of this Coverage Part is deleted.
- (4) Subsection (A) of Section XII, Allocation, of this Coverage Part is deleted and replaced with the following:
(A) **Defense Costs**: one hundred percent (100%) of **Defense Costs** incurred by such **Insured** on account of such **Claim** shall be covered **Loss**, provided that the foregoing shall not apply with respect to any **Insured** for whom coverage is excluded pursuant to paragraph (1) of this endorsement or Exclusion (B)(1), Contract, Exclusion (B)(2), Employment Practices, or Subsection XVII(C), Representations and Severability. Such **Defense Costs** shall be allocated between covered **Loss** and non-covered loss based on the relative legal exposures of the parties to such matters; and
- (5) Solely with respect to the coverage afforded under this endorsement, Section XIV, Other Insurance or Indemnity, of this Coverage Part is amended to add the following:
Subject to the provisions of this endorsement, no coverage shall be available for any **Loss** until after any or all coverage available under any policy providing professional liability or errors and omissions coverage has been exhausted.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

ForeFront Portfolio
Endorsement

<p>Issue Date: August 22, 2022</p> <p>Company: Chubb Insurance Company of Canada herein called the Company</p> <p>Issued to: Quality Rugs Of Canada ; Quality Sterling Group</p>	<p>Endorsement No.: 1</p> <p>To be attached to and form a part of Policy no: 82427885</p> <p>Effective date of this endorsement: August 30, 2022</p>
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This Endorsement applies to the following forms:

Directors & Officers and Entity Liability Coverage Part

ADD EMPLOYED LAWYER COVERAGE ENDORSEMENT

In consideration of the premium charged, it is agreed that:

- (1) Section VI, Definitions, of this Coverage Part is amended as follows:
- (A) The following definitions are added to this Section:
- Employed Lawyer** means any **Insured Person** of the **Organization** who is admitted to practice law and who is or was employed as a lawyer for, and salaried by, the **Organization**.
- Employed Lawyer Wrongful Act** means act, error or omission committed, attempted, or allegedly committed or attempted by an **Employed Lawyer** in the rendering of, or failure to render, professional legal services for an **Organization** while in his or her capacity as a lawyer for such **Organization**.
- (B) The definition of **Wrongful Act** is amended to include an **Employed Lawyer Wrongful Act**.
- (2) The Company shall not be liable for **Loss** on account of any **Claim**:
- (A) based upon, arising from, or in consequence of any act, error or omission in connection with any activities by such **Employed Lawyer** which:
- (i) are not related to such **Employed Lawyer's** employment with the **Organization**;
- (ii) are not rendered on the behalf of, for, or to the **Organization**; or
- (iii) are performed by the **Employed Lawyer** for others for a fee;
- (B) based upon, arising from, or in consequence of any **Employed Lawyer Wrongful Act** while the **Employed Lawyer** was not employed as a lawyer by the **Organization**; or
- (C) based upon, arising from, or in consequence of any activities by the **Employed Lawyer** as an officer or director of any entity other than the **Organization**.
- (3) The Company's maximum liability under this Coverage Part for all **Loss** on account of all **Claims** for all **Employed Lawyer Wrongful Acts** shall be \$1,000,000, which amount is part of and not in addition to the Maximum Aggregate Limit of Liability set forth in Item 2 of the D&O Declarations.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

ForeFront Portfolio
Endorsement

Issue Date: August 22, 2022	Endorsement No.:	1
Company: Chubb Insurance Company of Canada herein called the Company	To be attached to and form a part of Policy no:	82427885
Issued to: Quality Rugs Of Canada ; Quality Sterling Group	Effective date of this endorsement:	August 30, 2022

This Endorsement applies to the following forms:

Employment Practices Liability Coverage Part

WORKPLACE VIOLENCE EXPENSES ENDORSEMENT (WITH SUBLIMIT)

In consideration of the premium charged, it is agreed that solely with respect to this Coverage Part, the following shall apply:

- (1) Section I, Insuring Clauses, of this Coverage Part shall be amended to add the following Insuring Clause:

Workplace Violence Expense Coverage

The Company shall reimburse the **Parent Organization** for "Workplace Violence Expenses" (as defined below) incurred by an **Organization** resulting from any "Workplace Violence" (as defined below); provided that the Company's maximum aggregate liability for all Workplace Violence Expenses shall not exceed \$250,000, which amount is part of, and not in addition to, the Company's maximum aggregate Limit of Liability set forth in Item 2 of the EPL Declarations.

- (2) No Retention shall apply to Workplace Violence Expenses; provided however, if different parts of a single **Claim** are subject to different Retentions, the applicable Retentions will be applied separately to each part of such **Claim**, but the sum of such Retentions shall not exceed the largest applicable Retention as set forth in Item 4 of the EPL Declarations. Such Retention shall be borne by the **Insureds** uninsured and at their own risk.
- (3) For the purposes of this endorsement, Exclusion (D), Bodily Injury/Property Damage, of this Coverage Part is deleted and replaced with the following:

(D) Bodily Injury/Property Damage

based upon, arising from, or in consequence of bodily injury, mental anguish, emotional distress, sickness, disease or death of any person or damage to or destruction of any tangible property including loss of use thereof whether or not it is damaged or destroyed; provided that this Exclusion (D) shall not apply to **Loss** for any mental anguish, humiliation or emotional distress when alleged as part of an otherwise covered **Claim**;

- (4) The terms and conditions of subsection (A) of Section VII, Defense and Settlement, of this Coverage Part shall not apply to the coverage for "Workplace Violence Expenses" (as defined below) afforded pursuant to the Workplace Violence Expense Coverage Insuring Clause as set forth in paragraph (1) of this endorsement.

- (5) For the purposes of this endorsement, the following terms shall apply:

"Workplace Violence" means any intentional and unlawful act:

- (i) of deadly force involving the use of lethal weapon; or
(ii) the threat of deadly force involving the display of a lethal weapon,

which occurs on or in the "Premises" (as defined below) and which did or could result in bodily injury or death to an **Insured Person**.

"Workplace Violence Expenses" means the reasonable fees and expenses, or cost of:

- (i) an independent security consultant for ninety (90) days following the date Workplace Violence occurs;

ForeFront Portfolio
Endorsement

- (ii) an independent public relations consultant for ninety (90) days following the date Workplace Violence occurs;
- (iii) a counseling seminar for all **Employees** conducted by an independent consultant following a Workplace Violence;
- (iv) independent security guard services for up to fifteen (15) days; and
- (v) an independent forensic analyst.

"Premises" means the buildings, facilities or properties occupied by an **Organization** in conducting its business.

- (6) For the purposes of this endorsement, no coverage will be available under this Coverage Part for:
- (a) any Workplace Violence which occurs at any location other than the Premises;
 - (b) **Loss** arising from declared or undeclared war, civil war, insurrection, riot, civil commotion, rebellion or revolution, military, naval or usurped power, governmental intervention, expropriation or nationalization;
 - (c) legal costs, judgments and settlements incurred as the result of any claim, suit or judicial action brought against an **Organization** in connection with Workplace Violence; or
 - (d) **Loss** resulting from the use or threat of force or violence occurring on the Premises for the purpose of demanding money, securities or property.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms and conditions of this Policy remain unchanged.



Authorized Representative

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF QUALITY RUGS OF CANADA LIMITED AND
THE OTHER COMPANIES LISTED IN SCHEDULE "A"**

Court File No. CV-23-00703933-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT
TORONTO

**SECOND SUPPLEMENTAL AFFIDAVIT OF
JOHN A. PACIONE**

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