Pacific Global Association Ltd.

F reight
D ebt
P roection plan

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The plan for Freight Debt Protection shall henceforth be referred to as "FDP" and any member who has subscribed to the FDP plan shall henceforth be referred to as a "Participant".

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1) Nature of the Program

Since its establishment in 2000, the Association (PGA) has maintained its operations without the need for extensive Freight or financial protection mechanisms. Impressively, this track record has sustained a zero-debt status among member interactions until the end of December 2022.

In 2023, the PGA transitioned to a Semi-Exclusive freight partnership alliance, with a focus on welcoming members from diverse sectors, particularly S.M.E., and introducing the Freight Debt Protection (FDP) plan marks a pivotal step forward. This innovative initiative provides both longstanding and new members with an enhanced framework for secure business transactions.

While acknowledging certain limitations within the FDP plan, especially in cases where trade turnovers exceed US$50,000 or even US$200,000 per month, the core principle remains to foster an environment for new business growth between Old and new members

1a. A Distinct Mutual Program: The FDP operates as a mutual program exclusively for qualified members. It is essential to underline that the FDP program stands separate from marine/cargo insurance or transport liability arrangements.

1b. Any eligible member can apply for it at their discretion, with each application being reviewed for eligibility.

1c. The FDP program extends its protective coverage solely to those members who have actively enrolled and participated in the FDP. It is imperative to note that any member affiliated with the PGA who has chosen not to partake in the FDP is not encompassed by its protective ambit.

(2) Coverage

2a. Eligibility for FDP Coverage:The FDP Plan extends coverage **solely to unpaid invoices resulting from a participant incurring financial obligations due to the unfortunate event of another participant being bankrupted**.

2b. The coverage provided by the FDP is limited to cases where both the debtor and creditor are active participants within the FDP.

2c. If a participant has a debt with another member who is not a participant in the FDP, that particular situation is not covered by the plan.

2d. It is important to clarify that the FDP coverage does not extend to disputed invoices. Disputes arising from invoicing matters are not within the scope of the freight protection provided by the FDP Plan.

2e. Companies seeking coverage under the FDP Plan must have enrolled offices at the location of origin, destination, or transshipment of the shipments involved. Member companies that lack enrolled offices at these designated locations shall not be covered by the FDP Plan.
This stipulation ensures that the FDP coverage is reserved for instances of genuine financial distress due to bankruptcy and does not encompass contractual disputes or cases involving entitieswithout direct operational ties to the designated shipment points.

2f. Freight Debt and Unpaid Invoice Exclusions
The coverage provided by the FDP plan is thoughtfully defined and carries certain exclusions regarding freight debt and unpaid invoices. The FDP coverage does not extend to the following:

Specific Fee Exclusions:Fees such as Container detention, Custom fees & penalties, Dead freight, Demurrage, Expenses due to cargo lien, Interest, Late payment fees, Legal fees, Storage charges, Tax & VAT are not covered under the FDP plan.

Additional Exclusions:Furthermore, the FDP coverage does not encompass fees for Auction expenses, Losses arising from currency exchange fluctuations, Errors and Omissions (E&O) insurance, Valuation of goods, Human errors, Loan obligations, Rental costs, Unauthorized release of shipments without proper documentation, Transport liability, and Warehousing charges. Additionally, coverage does not apply to debts resulting from events like war, rebellion, hostilities, riots, civil commotion, and natural disasters. Losses incurred due to interventions by third parties, such as fraud, false documentation, or other unlawful conduct, are also excluded. Similarly, losses arising from the movement of goods to or through countries subject to sanctions are not covered. Finally, cross-trade or Triangle shipments outside the enrolled city of the Participant's member office are not within the scope of coverage.

(3) Liability - Maximum Liability in Case of Bankruptcy

In the regrettable circumstance of a bankruptcy involving a participant of the FDP plan, the mutual funding component of the FDP offers a paramount threshold of liability, capping at US$10,000. This allocation is designated to address and alleviate the participant's outstanding freight debt obligations.

3a. Enhanced Liability Coverage for Diamond Tier Members
In the unfortunate occurrence of a bankruptcy involving our esteemed Diamond tier members, the FDP funding endeavors to provide an augmented scope of liability, setting an upper limit of US$10,000 to offset their freight debt liabilities.Additionally, as a gesture of support and commitment to our valued Diamond members, PGA will generously contribute an extra US$10,000, making the total coverage amount an impressive US$20,000 for the Diamond member's freight debt.

(4) Limit of Compensation
The Freight Debt Protection (FDP) plan provides a limit of compensation exclusively to the creditor (FDP participants only) in the regrettable event of another member (FDP participant) is bankrupted.

4a. FDP Participant's Annual Compensation Claim: FDP participants can claim a maximum compensation amount of US$5,000 annually.

4b. Diamond Tier Member's Annual Compensation Claim: Diamond tier members can annually claim a maximum compensation amount of US$5,000. Additionally, PGA will generously contribute an extra US$5,000, bringing the total compensation amount to US$10,000.

4c. Claimant's Participation: To ensure accountability and fairness, the claimant is required to participate in 10% of the approved compensation amount.

4d. Proportional Payments: In situations where multiple claimants require compensation against a single bankrupted participant, proportional payments will be made to each claimant, up to the limit of liability.

4e. Partial Compensation: Depending on the available balance of the FDP funding, the claimant may receive partial compensation or, in some cases, not the full amount.

4f. 80% Rule: For the sake of maintaining the sustainability of the FDP, the compensation amount is allowed to be up to 80% of the available funds in the FDP at the time of the claim.

(5) FDP Fee
Duration of Participation Requirement (3-Year Term): Each participant deposits US$500 annually. The administration of these deposits is aimed at fostering mutual funding, as well as the management of claims, compensation, or refunds.

(6) Refund Policy

Refunds within the FDP plan are governed by the following terms & conditions:
6a. Duration of Participation Requirement (3-Year Term): All participants are obligated to maintain active participation in the FDP plan for a minimum duration of three (3) years.
6b. Non-Refund Policy for Premature Resignation: Should a participant elect to tender their resignation from the PGA or withdraw from the FDP plan (while continuously upholding membership) before the completion of a mandatory three-year active participation period, it is with regret that no refund shall be forthcoming.
6c. Conditional Refund After Satisfying Three-Year Participation Obligation: In the circumstance where an FDP participant elects to withdraw from the FDP plan (while maintaining membership) after consistently engaging for a minimum of three years, and no instances of liability or compensation have transpired within this period, the participant shall be entitled to a comprehensive refund of the entire amount contributed. It is important to emphasize that subsequent to withdrawal, the member no longer retains coverage under the FDP plan.
6d. It is important to note that the Association (PGA) will apply an administrative fee of 5% to the refundable amount.
6e. Pro-Rata Refund Following Three Years of Active Participation with Incurred Liability or Compensation: In the event that a participant opts to withdraw from the FDP plan subsequent to completing a three-year span of participation, and within this timeframe, a liability or compensation claim has arisen, a pro-rata refund mechanism shall be instituted.

The calculation for this refund is as follows:
Refund Amount = Participant's Contributed Amount - Pro-Rata Amount for Claims Disbursed from the FDP Funds Pool during the Contribution Period

(Example for Participant ABC Ltd) The Calculation of Pro-Rata Refund:

Participant ABC Ltd's annual contribution: $500 * 3 (years) = $1500
Accumulated claims paid from FDP funds pool: -$5000
Total number of participants in the contribution period: 30
Pro-Rata share per participant: -$167

Refund Calculation for Participant ABC Ltd:
Participant's Accumulated Contribution - Pro-Rata Share = Refund Amount
$1500 - $167 = $1333 deduct 66 (5%) = **$1267**
Participant ABC Ltd is eligible for a refund amount of **$1267** upon withdrawal from the FDP plan after three years of participation, given the incurred liability and claims during this period.

Note: Please note that this example is provided for illustrative purposes and actual calculations may vary based on specific circumstances and values.

6f. Reimbursement in Case of Liquidation or Bankruptcy Without Outstanding Liability: In the event that an FDP participant undergoes a process of liquidation or files for bankruptcy, under the condition that no additional member's liabilities or claims have been lodged, and there exist no pending financial obligations with PGA, the refundable sum shall be promptly restituted to the participant. This reimbursement shall be effectuated within a span of three months from the initial disbursement

(7) Compensation procedure

7a. Timely Claims Submission: To facilitate the claims process, PGA mandates that claims and/or compensation requests must be submitted within 90 calendar days from the date of the invoice.

7b. The following documents are imperative for initiating a claim:
* Unpaid invoice, and.,
* Copy of the related House (HAWB) and/or Master (MAWB) Bill of Lading, and.,
* Three (3) reminders of the Statement of Account (SOA) delivered at reasonable intervals via Email to the debtor. The most recent reminder must be dispatched within 90 days of the invoice date, notifying the bankrupted member.

7c. Reporting Deadline for Unpaid Invoices: Any unpaid invoice beyond the reporting deadline of 7 calendar days from the date of PGA's announcement of a member's suspension, resignation, and/or termination will not be accepted.

7d. Limitation for Claims within Other Networks: Claims involving a claimant and a bankrupted member who are affiliated with other freight forwarding networks will be covered up to 50% of the claim amount. The claimant must disclose any other network membership their company or its enrolled branches hold. Failure to provide accurate information may lead to claim rejection.

7e. Collection Agent Assistance:
Upon filing a claim, PGA will either refer or provide assistance to the claimant in appointing a collection agent for payment recovery, irrespective of the counterparty's bankruptcy status. Any handling fee or commission by the collection agent will be directly deducted if collected.

7f. Application of Payments to Claims:
After a claim has been filed, payments received by the claimant from the debtor company must be applied to the claim, starting with the oldest invoices covered by the claim.

7g. Offsetting Claims Against Outstanding Monies: PGA retains the right to offset claim amounts against any outstanding sums owed by the claimant to PGA.

(8) Disclaimer

PGA explicitly disclaims any liability for a participant's(member's) inability to fulfill obligations towards fellow members or third parties. Participants (Members) expressly acknowledge that the FDP plan does not constitute an insurance policy. Furthermore, the Disputes Resolution Service is provided as a service rather than a formal insurance arrangement. Both the FDP and the Disputes Resolution Service are valuable resources extended by PGA to its esteemed members.

Additionally, FDP participants affirm their understanding and acceptance that the obligations of the Funds established herein are not legally binding upon the Directors, Trustees, shareholders, Committee Executive & members, nominees, officers, agents, or employees on a personal level. Instead, these obligations exclusively pertain to the property or assets of the applicable Fund. This distinction underscores the delineation between personal liabilities and the commitments undertaken by the FDP participants.