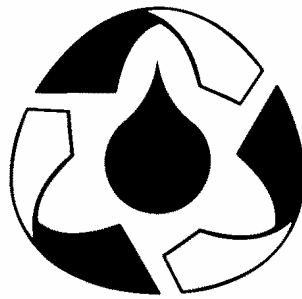


Quebec Used Oil Management Association

Société de gestion des huiles usagées (SOGHU)



Member's Manual

Making every drop count

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***The forms attached to this manual may have already been replaced by current versions. To ensure that you always use the latest versions of the forms, be sure to download them from the **Members** section of the website, www.soghu.com.

Message of welcome

I am pleased to extend you a most cordial welcome to the *Société de gestion des huiles usagées (SOGHU)*.

The objective of this manual is to inform you of all aspects of your membership. It introduces SOGHU to you, describes the used oil, filter and container management program that it manages for its members, contains your membership agreement and the contract between RECYC-QUÉBEC and SOGHU, as well as its Certificate of attestation and its corporate by-laws. In short, it is an exhaustive document on the respective obligations of SOGHU and its members.

I remind you that your membership becomes effective on October 1st but that the accounting of your environmental handling charges will start on December 1st, 2004. The environmental handling charges are payable monthly, within 30 days of the end of each month and must be forwarded with your report on quantities put on the market. For example, your December environmental handling charges must be paid to SOGHU no later than January 30th, 2005.

On becoming a member, SOGHU takes charge of all your obligations pursuant to the **Regulation respecting the recovery and reclamation of used oils, oil and fluid containers and used filters**, in accordance with section 14 of the Regulation. These obligations include putting in place a recovery program, promoting the recycling and introducing a user awareness program.

Reading and understanding this Manual will be easier for you if you read the list of definitions following this page.

On behalf of SOGHU's board of directors and in my name, I assure you of our total commitment towards the achievement of our common objectives.

Sincerely,

Gilles Goddard
General Manager
SOGHU

Definitions

Brand-owner: a business that markets oils and/or filters under a trademark it owns or uses.

Certification agreement: contract between RECYC-QUÉBEC and SOGHU, whereby SOGHU is authorized to implement a recovery and recycling system, as described in section 14 of the Regulation.

Collection facility: an establishment authorized to receive the used oil materials covered by the Regulation.

Collector: a business that picks up used oil materials from collection facilities or from generators and delivers them to processors.

Container: oil container with a capacity of 50 litres or less, made of plastic or another material, including aerosol containers.

Environmental handling charge: payment to SOGHU by brand owners on the sales volumes of oils, containers and filters.

Filter: oil filters for internal combustion engines, hydraulic systems and transmissions, antifreeze filters, diesel filters, filters for heating systems using light heating oil or for oil storage tanks, as described in section 4 of the Regulation.

Generator: user of oil, filters, and containers who through normal application of these products generates used oil materials.

Leading supplier in Quebec: business that markets oils and/or filters of which the brand owner has no domicile or establishment in Quebec, as described in section 8 of the Regulation.

Letter of regulatory compliance: means a letter certifying that the collector or processor has been the subject of a third party audit and is in compliance with all regulations governing its activities, drafted and signed by a member of a duly recognized professional association that sets member qualifications and has appropriate audit standards and protocols, such as Association québécoise de vérification environnementale (www.aqve.com) or Canadian Environmental Auditing Association (www.ceaa-acve.com);

Lubricating oil: mineral, synthetic or vegetable oils, as described in section 2 and Schedule I of the Regulation.

Processor: a business registered with SOGHU and authorized to process used oil materials into saleable products.

Recycling incentive: payment made by SOGHU to registered processors of plastic oil containers, in recognition of the fact that this activity is not yet profitable.

RECYC-QUÉBEC: an arm of the Quebec government acting as interface with SOGHU on behalf of the Environment Ministry.

Regulation: the **Regulation respecting the recovery and reclamation of used oils, oil or fluid containers and used filters**, published in *Gazette Officielle du Québec* on March 24, 2004 and amended on August 11, 2004.

Return incentive: payment made by SOGHU to registered collectors to provide additional economic drive towards the collection of used oil materials.

SOGHU: a used oil management association authorized to implement a system to recover and recycle used oil materials on behalf of its members.

What is SOGHU?

The *Société de gestion des huiles usagées (SOGHU)* is a non-profit organization created to fulfil the requirements of the **Regulation respecting the recovery and reclamation of used oils, oil and fluid containers and used filters** (the "Regulation") and incorporated in accordance with Part III of the Companies Act (Quebec). According to the Regulation, every business that markets, under a trademark it owns or uses, lubricating oils and/or oil filters, must put in place its own system of recovery and recycling of used oils, containers and used filters or **join an organization that will put in place such systems for its members**. If a brand owner has no domicile or establishment in Québec, the responsibility falls on the leading Quebec supplier.

SOGHU is authorized to introduce, on behalf of its members, an integrated program of recovery and reclamation of the products concerned as well as a user information and awareness program.

The brand owners who have not advised the Environment Minister that they intend to put their own program in place can join SOGHU. All that is necessary is to fill the Membership application form and send it with a cheque of \$227.90 for the admittance fee of \$200 plus the GST and QST. All members will then have to pay environmental handling charges based on sales volumes, as follows:

- \$0.05 per litre of lubricating oils
- \$0.05 per litre of capacity of containers of 50 litres or less
- \$0.25 per aerosol container, whatever its size
- \$0.50 per filter of less than 8 inches or 203 mm(in length), and \$1 per filter of 8 inches or 203 mm(in length) and more.
- \$0.50 per sump type automatic transmission filter, whatever its size

Environmental handling charges are payable to SOGHU on a monthly basis, within 30 days of the end of each month. SOGHU will be operational on October 1st, 2004 but EHCs will have to be accounted for from December 1st, 2004 and payable to SOGHU before January 30th, 2005.

SOGHU will render to its members the services required by the Regulation:

- Put in place a system of recovery of used oils, containers of 50 litres or less and used filters in cooperation with the collectors it will have certified
- Put in place a system of recycling the used products in cooperation with recyclers using the products in accordance with Quebec regulations.
- Implement a user information and awareness program for industrial, commercial and private users.

SOGHU is managed by a board of directors of 16 members of which 14 are elected by its membership of brand owners at a general meeting and by Gilles Goddard, the General Manager.

The activities of SOGHU are set out under the Regulation and by the agreement with RECYC-QUÉBEC and will be the object of detailed reports to its members and to RECYC-QUÉBEC. Collectors of the used products will have to submit to SOGHU detailed reports on the origin, volume and quality of products collected and delivered to recyclers operating in compliance with applicable regulations.

**Regulation respecting the recovery
and reclamation
of used oils,
oil or fluid containers
and used filters**

c. Q-2, r.18.1.2

Regulation respecting the recovery and reclamation of used oils, oil or fluid containers and used filters

Environment Quality Act

(R.S.Q., c. Q-2, s. 53.30, s. 70.19, 1st par., subpar. 15 and s. 109.1)

DIVISION I PURPOSE AND SCOPE

1. The purpose of this Regulation is to reduce the quantity of residual materials to be eliminated by encouraging the recovery and reclamation of discarded used oils, oil or fluid containers and used filters.

O.C. 166-2004, s. 1.

2. This Regulation applies to mineral, synthetic or vegetable oils that are marketed in containers of 50 litres or less and that are used for lubrication, heat insulation or transfer in motorized vehicles or equipment or in the operation of hydraulic or transmission systems. Those oils include in particular the oils listed in Schedule I.

O.C. 166-2004, s. 2.

3. This Regulation also applies to containers, including aerosol containers, that hold 50 litres or less and that are used for marketing

(1) mineral or synthetic oils that are consumed or wasted while being used ; those oils include in particular the oils listed in Schedule II ;

(2) the oils referred to in section 2 ; or

(3) fluids for natural gas compressors.

O.C. 166-2004, s. 3.

4. This Regulation also applies to oil filters for internal combustion engines, hydraulic systems and transmissions.

It also applies to antifreeze filters and to filters for heating systems using light heating oil or for oil storage tanks.

For the purposes of this section, diesel filters are considered to be oil filters.

“Light heating oil” means heating oil that is a distillate fuel intended for home heating appliances pursuant to section 8 of the Regulation respecting petroleum products and equipment (O.C. 753-91).

O.C. 166-2004, s. 4.

DIVISION II

RECOVERY AND RECLAMATION REQUIREMENTS

5. Every business that markets oils referred to in section 2 under a trademark it owns or uses is required, through a recovery system that meets the minimum specifications described in Schedule III, to recover or to see to the recovery of the used oils deposited at the collection points provided for in the system and that are of the same type as the oils it markets. The business is also required to recover or to see to the recovery of any container or packaging used in the transport of the oils back to the collection points.

As of 1 January 2005, the recovery system prescribed in the first paragraph must ensure a minimum rate of recovery of used oils that equals, in weight or volume, the following percentages, calculated on the basis of the oils that the business markets annually :

- 70 %, as of 2005 ;
- 75 %, as of 2008.

O.C. 166-2004, s. 5.

6. Every business that markets the oils or fluids referred to in section 3 under a trademark it owns or uses is required, through a recovery system that meets the minimum specifications described in Schedule III, to recover or to see to the recovery of the oil or fluid containers deposited at the collection points provided for in the system and that are of the same type as the containers used for the marketing of the oils or fluids concerned. The business is also required to recover or to see to the recovery of the oils or fluids in those containers as long as the products

are of the same type as the products it markets, and of any container or packaging used in the transport of the containers back to the collection points.

As of 1 January 2005, the recovery system prescribed in the first paragraph must ensure a minimum rate of recovery of oil or fluid containers that equals, in weight or in number of units, the following percentages, calculated on the basis of the oil or fluid containers that the business markets annually :

- 50 %, as of 2005 ;
- 75 %, as of 2008.

O.C. 166-2004, s. 6.

7. Every business that markets filters referred to in section 4 under a trademark it owns or uses is required, through a recovery system that meets the minimum specifications described in Schedule III, to recover or to see to the recovery of used filters deposited at the collection points provided for in the system and that are of the same type as the filters it markets. That business is also required to recover or to see to the recovery of any container or packaging used in the transport of the filters back to the collection points.

As of 1 January 2005, the recovery system prescribed in the first paragraph must ensure a minimum rate of recovery of used filters that equals, in weight or in number of units, the following percentages, calculated on the basis of the filters that the business markets annually :

- 50 %, as of 2005 ;
- 75 %, as of 2008.

For the above calculations, the recovered filters must be drained of all freely dripping oil or other liquid.

O.C. 166-2004, s. 7.

8. If a business referred to in any of sections 5 to 7 has no domicile or establishment in Québec, the recovery requirements under those sections are the responsibility of the leading supplier in Québec of the products referred to in those sections, whether or not that supplier is the importer. The minimum rates of recovery set out in those sections are calculated on the basis of the products that the leading supplier markets annually.

O.C. 166-2004, s. 8.

9. A business, including a municipality, that acquires oils referred to in section 2 for its own use from outside Québec is required to recover or to see to the recovery of all used oils after using them. If a business or municipality acquires, under the same conditions, oils, fluids or filters referred to in section 3 or 4, it is, in the same manner, required to recover or to see to the recovery of all discarded oil or fluid containers and used filters.

O.C. 166-2004, s. 9.

10. A business or supplier subject to the recovery requirements under any of sections 5 to 7 or section 9 is also required to reclaim or to see to the reclamation of the oils or filters it has recovered or has had recovered.

The business or supplier is subject to the same requirements in respect of recovered oil or fluid containers insofar as their reclamation is technically possible and the costs associated with the reclamation do not threaten its competitiveness.

O.C. 166-2004, s. 10.

11. A business or supplier subject to the recovery requirements under any of sections 5 to 7 shall take the appropriate measures to inform consumers of the existence and operation of the recovery system referred to in those sections, particularly the accessibility to collection points, as well as the environmental advantages resulting from the recovery and reclamation of discarded used oils, oil or fluid containers and used filters. Those measures may include, in addition to information campaigns, providing consumers with information booklets.

O.C. 166-2004, s. 11.

DIVISION III

COMMUNICATION REQUIREMENTS

12. Within 90 days of the date on which a business or supplier becomes subject to the recovery requirements under any of sections 5 to 7, the business or supplier must transmit the following information to the Minister of the Environment :

(1) its name and address, its registration number if it is registered in the register of sole proprietorships, partnerships and legal persons, as well as the names and addresses of its officers ;

(2) the designation of the territory where it markets the oils, fluids and filters referred to in sections 2 to 4 ;

(3) the identification of the products marketed according to the types of oil, oil containers or filters ;

(4) a description of the recovery system through which it recovers or sees to the recovery of the products concerned, particularly the number and location of the collection points, the name and address of the person responsible for the system if that person is a third party, and the terms and conditions of transport, storage and processing of the recovered products according to the different types of oil, containers, packaging or filters ;

(5) a description of the information campaigns and other measures planned to promote the recovery and reclamation of the products concerned to consumers and to obtain their cooperation ;

(6) a presentation of the means implemented for the reclamation of the recovered products, among others the reclamation methods used, the name and address of the person responsible for the reclamation if that person is a third party, the efforts planned to develop the markets or techniques of reclamation or the markets for reclaimed products ; and

(7) a presentation of the elimination methods planned for the recovered products that are not reclaimed, if any, indicating the name and address of the person responsible for the elimination if that person is a third party.

Except for subparagraphs 2 and 5 of the first paragraph, this section also applies, with the necessary modifications, to a business subject to the recovery requirement under section 9.

O.C. 166-2004, s. 12.

13. No later than 31 March of each year, a business or supplier subject to the recovery requirements under any of sections 5 to 7 must transmit to the Minister, for the preceding calendar year,

(1) the quantities for each of the types of oils, containers, packaging or filters concerned that were recovered and then reclaimed or, if any, the quantities that were eliminated because of a lack of reclamation alternatives, with an indication of the reclamation or elimination methods used ; for oils, the quantities must be indicated in weight and volume and, for containers and filters, in weight and number of units ;

(2) the means taken to promote the development of techniques for the reclamation of recovered oils, oil or fluid containers and filters, particularly for the purpose of reuse and recycling, and the results of research carried out ;

(3) a description of the information campaigns and other measures taken to promote the recovery and reclamation of discarded used oils, oil or fluid containers and used filters ;

(4) the costs generated by the implementation of the recovery system and reclamation methods as well as the costs resulting from the information campaigns and other measures taken to promote the recovery and reclamation of the products concerned ; and

(5) an update, if applicable, of the information transmitted to the Minister pursuant to section 12.

The annualized data of the business or supplier on the quantities of oil, containers or filters marketed, according to the different types of oil, containers or filters, must remain available to the Minister.

The information referred to in subparagraphs 1, 2 and 4 of the first paragraph and the data referred to in the second paragraph must be verified by a third party expert who shall certify the information and data, where applicable. The certificate must be sent to the Minister together with the information and, where applicable, the data.

Except for subparagraph 3 of the first paragraph, this section applies, with the necessary modifications, to a business subject to the recovery requirement under section 9.

O.C. 166-2004, s. 13.

DIVISION IV **EXEMPTIONS**

14. A business or supplier is exempt from the requirements under sections 5 to 7 and 10 to 13 if the business or supplier is a member of an organization

(1) the function or one of its functions of which is to implement or to contribute financially towards the implementation of a system to recover or reclaim discarded used oils, oil or fluid containers and used filters in accordance with the conditions fixed by an agreement entered into under subparagraph 7 of the first paragraph of section 53.30 of the Environment Quality Act (R.S.Q., c. Q-2) ; or

(2) the name of which appears on the list published in the *Gazette officielle du Québec* pursuant to subparagraph 7 of the first paragraph of section 53.30 of that Act.

O.C. 166-2004, s. 14.

DIVISION V
PENAL

15. Every person who commits an offence under sections 5 to 7 or 9 to 11 is liable,

(1) in the case of a natural person, to a fine of not less than 2,000 \$ nor more than 25,000 \$; and

(2) in the case of a legal person, to a fine of not less than 5,000 \$ nor more than 250,000 \$.

O.C. 166-2004, s. 15.

16. Every person who fails to transmit the information prescribed in section 12 or 13 to the Minister or who transmits false or inaccurate information is liable,

(1) in the case of a natural person, to a fine of not less than 1,000 \$ nor more than 10,000 \$; or

(2) in the case of a legal person, to a fine of not less than 2,000 \$ nor more than 50,000 \$.

O.C. 166-2004, s. 16.

17. In the case of a second or subsequent offence, the fines prescribed in sections 15 and 16 are doubled.

O.C. 166-2004, s. 17.

18. This Regulation comes into force on 1 October 2004.

O.C. 166-2004, s. 18.

SCHEDULE I

(s. 2)

OILS

- gasoline or diesel engine oil ;
- domestic marine engine oil ;
- industrial gear oil or car differential oil ;
- circulating oil or turbine oil ;

- paper machine oil ;
- refrigeration system oil ;
- mineral oil, polyalphaolefin (PAO), or diester based compressor oil ;
- heat transfer oil ;
- transformer dielectric oil ;
- hydraulic or trans-hydraulic system oil ;
- power steering oil ;
- manual or automatic transmission oil.

O.C. 166-2004, sch. I.

SCHEDULE II

(s. 3, par. 1)

OILS

- machine tool or slideway lubricant ;
- commercial marine engine oil ;
- non-soluble cutting oil ;
- drawing, stamping, or shaping oil ;
- two-stroke engine oil ;
- drilling oil ;
- form oil ;
- textile oil ;
- pneumatic system oil ;
- quenching oil ;
- chain oil (industrial or power chain saw) ;
- process oil ;
- saw guide oil ;
- dust control oil ;
- conveyor lubricating oil ;

- penetrating oil ;
- rustproof oil.

O.C. 166-2004, sch. II.

SCHEDULE III

RECOVERY SYSTEM

(1) The recovery system referred to in any of sections 5 to 7 must include collection points for each regional municipality in the territory in which a business or supplier subject to a recovery requirement under this Regulation markets oils, fluids, or filters. The same applies for any town (hereafter called "large town") that has a population of 25,000 or more and whose territory is not part of the territory of a regional county municipality.

For the purposes of this section, "regional municipality" has the meaning assigned by section 53.5 of the Environment Quality Act.

(2) The recovery system must include collection points for the deposit of used oils, oil or fluid containers and used filters required to be recovered and that are of the same type as the oils, fluids, or filters marketed by the business or supplier concerned, and for the deposit of any container or packaging used to transport the products.

(3) A collection point shall have a permanent and fixed depot or a temporary, fixed or mobile depot.

A permanent depot is a depot that is accessible year round during regular business hours for a period of at least 24 hours per week in which at least 6 of those hours are during the weekend. The opening hours of the depot must be posted in an appropriate location.

A temporary depot is a depot that is accessible or available periodically and at least once per season.

A fixed depot must be located so as to minimize travel distances for the majority of persons served by the system in the territory concerned.

(4) The use of the recovery system shall be free of charge for every citizen.

(5) The minimum number of collection points that must be included in the recovery system and their type and location shall be determined according to the option chosen by the business or supplier concerned.

BUSINESS' OR SUPPLIER'S OPTIONS

(number, type, and location of collection points)

OPTION A

For each business in a regional municipality or a "large town" engaged in the selling of oils, fluids or oil filters under the trademark owned or used by a business or supplier subject to the recovery requirements, there must be a collection point located in the territory of the regional municipality or, as the case may be, the "large town".

The collection points must be permanent and fixed depots that may be located at each such business or at any other location within a 5 km radius of such business by roads usable by motor vehicles year round.

OPTION B

The minimum number of collection points that must be included in the recovery system for each territory in which the system must be established and the type of collection points shall be determined according to the number of inhabitants of the regional municipality or, as the case may be, the "large town" concerned.

For a regional municipality that has a population of less than 25,000, the recovery system in the territory of the municipality must provide for one collection point. It may be a permanent and fixed depot or a temporary, fixed or mobile depot.

For a regional municipality or, as the case may be, a "large town" that has a population of 25,000 or more, the recovery system in the territory of the municipality or "large town" must provide for one collection point that is a permanent and fixed depot for each portion not exceeding 50,000 inhabitants.

Where the number of collection points required for a regional municipality or, as the case may be, a "large town" is equal to or greater than three, one third of the collection points must be in operation as soon as the system is implemented. Two-thirds of the collection points must be in operation on the first anniversary of the implementation of the system, and all collection points must be in operation on the second anniversary.

O.C. 166-2004, sch. III.

O.C. 166-2004, 2004 G.O. 2, 1125

The Stewardship Program

The stewardship program that SOGHU will put in place on behalf of its members will involve a shared responsibility. This section attempts to describe its many aspects.

1. Program Objectives

- Introduce throughout Quebec, a program of shared responsibility in the management of used oil, containers and used filters in accordance with the Regulation.
- Achieve the objectives of recovery and recycling described in sections 5, 6 and 7 of the Regulation.

2. Highlights of the program

- Payment by the members to SOGHU of an environmental handling charge based on the volumes of products sold, in order to finance the program.
- Payment by SOGHU of a return incentive to approved collectors in order to encourage a greater recovery of the products concerned.
- Payment by SOGHU of a recycling incentive to registered processors of plastic containers to remove the oil from the plastic containers and pelletize it into reusable plastic resin for sale into the market to produce new plastic containers or other uses.
- Payment of incentives or financial assistance to some collection points.
- Implementation of a user information and awareness program.

3. Product volumes

According to the most recent estimates, the annual volume of products covered by the Regulation is 137 millions litres of lubricating oils, 12 million filters and 41 million litres of container capacity. There is, however, a certain volume of oil that is consumed or evaporates during the processes and, therefore, the annual volume of used oil available for recovery is 92 million litres. The recovery objective for the year 2008 in each product category is 75% of available used products or 70 million litres of used oils, 9 million used filters and 30 million litres of capacity of used containers of 50 litres or less.

4. Major obligations of SOGHU members

- Enter into the membership agreement with SOGHU and pay the related fee.
- Pay the environmental handling charges on a monthly basis.
- Retain their sales records for a minimum of two years for audit by SOGHU.

5. Administration systems

SOGHU will put in place administration systems related to:

- Collection of environmental handling charges from the members
- Payment of return incentives to registered collectors
- Payment of recycling incentives to registered processors of plastic oil containers
- Payment of subsidies to selected collection points
- Expenses related to the user awareness program

- Procedures for audit of members, collectors and recyclers

6. Collection points

An important priority for SOGHU will be the implementation of a network of collection points throughout Quebec, with specific objectives described in the agreement with RECYC-QUÉBEC. SOGHU will attempt to improve the existing network and will develop collection points in areas with inadequate coverage.

SOGHU might offer financial assistance to existing or new collection points. Such financial assistance could take the form of special agreements with municipalities, purchase of monthly services, incentives related to the volumes collected or any other means approved by the board of directors.

7. Materials in support of user awareness and information

SOGHU will supply its members, and collection points and retail outlets, free of charge:

- A brochure describing SOGHU's programs and promoting the collection and recycling of used oil products.
- Posters providing information on the location of collection points, on SOGHU's web site and on the 800 information line.
- Printed material for inclusion with lubricating oil containers and filter boxes.
- Any other material to be developed for users, collectors and collection points.

8. Regulatory compliance

All collectors and recyclers will be required, on an annual basis, to confirm in a letter of regulatory compliance that their activities meet all applicable laws and regulations.

9. SOGHU's annual report

SOGHU will submit an annual report to RECYC-QUÉBEC and to its members describing its progress in the implementation of its business plan. It will hold an annual meeting of its members in order to present an activity report and an audited financial statement, and answer all questions.

Zones for Return Incentives

In order to provide incentives for the recovery of used oil materials, SOGHU has put in place a system of return incentives payable to approved collectors. These incentive payments are based on volumes collected from Quebec generators and delivered to processors approved by SOGHU.

The province of Quebec is divided into nine zones taking into account the geography, the density of population and the existing and potential volumes of used oil materials. The different levels of incentives also take these factors into account.

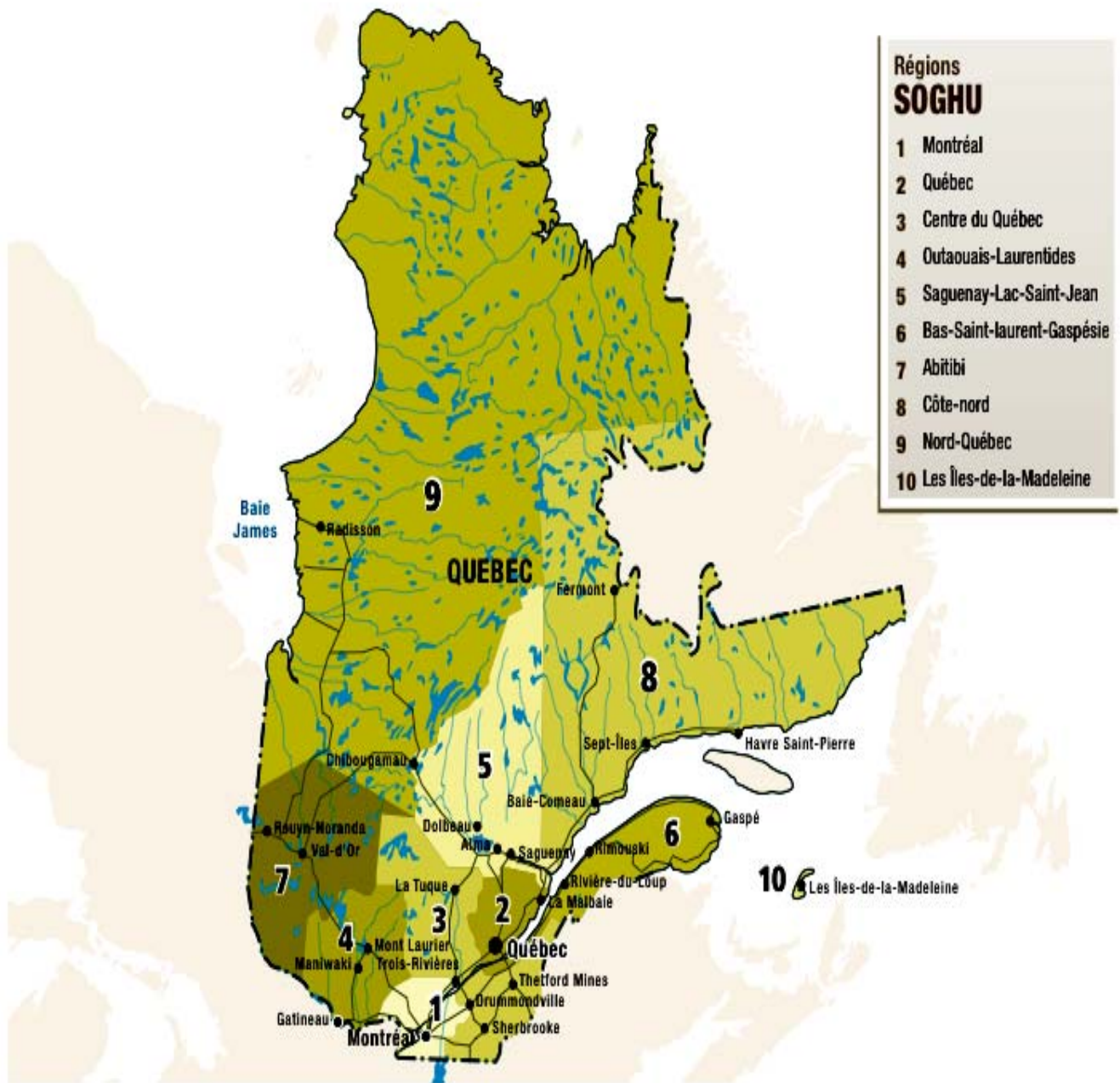
The following table shows the incentive by zone and by product.

ZONE	USED OIL (\$/litre)	USED FILTERS (\$/kg)	USED CONTAINERS (\$/kg)	Aerosol (\$/kg)
1	0.03	0.65	1.50	3.67
2	0.04	0.65	2.00	3.67
3	0.07	0.80	2.30	3.84
4	0.07	0.82	2.30	3.84
5	0.07	0.85	2.65	3.87
6	0.09	0.90	2.75	3.92
7	0.07	0.90	2.75	3.97
8	0.10	0.95	3.00	3.97
9	0.10	0.95	3.00	3.97
10	0.10	1.35	5.25	3.97

Note: for zone 10, Les Îles-de-la-Madeleine, a special transportation return incentive of \$0.18 per litre is allowed for used oils carried to the mainland.

SOGHU also offers an incentive of 30¢ per kilogram to processors of plastic containers reducing the plastic into pellets used in the fabrication of finished products. These payments recognize the fact that this activity is not yet profitable.

The following pages show a map of Quebec zones followed by a brief description of each zone. For a list of Quebec municipalities and their zone, please go to the Manual for Collectors and Processors.



Here is a brief description of the nine zones, by Quebec administrative regions.

Zone #1 (Montreal)

- Montreal and Laval Islands
- Montérégie region
- Southern part of Laurentides region
- Southern part of Lanaudière region

Zone #2 (Quebec)

- Capitale-Nationale region
- Northern part of Chaudière-Appalaches region

Zone #3 (Central Quebec)

- Estrie region
- Mauricie region
- Centre-du-Québec region
- Northern part of Lanaudière region
- Southern part of Chaudière-Appalaches region

Zone #4 (Outaouais-Laurentides)

- Outaouais region
- Northern part of Laurentides region

Zone #5 (Saguenay-Lac-Saint-Jean)

- Saguenay-Lac-Saint-Jean region
- Municipalities of Nord-du-Québec region: Chapais et Chibougamau.
- Municipalities of Capitale-Nationale region: Baie-Sainte-Catherine, Sagard and Saint-Siméon.

Zone #6 (Bas-Saint-Laurent-Gaspésie)

- Bas-Saint-Laurent region.
- Gaspésie-Îles-de-la-Madeleine region.

Zone #7 (Abitibi)

- Abitibi-Témiscamingue region.
- Municipalities of Nord-du-Québec region: Beaucanton, Desmaraisville, Joutel, Lebel-sur-Quevillon, Mattagami, Miquelon, Normétal, Rapide-des-Cèdres, Val-Paradis, Villebois and Waswanipi.

Zone #8 (Côte Nord)

- Côte-Nord region.

Zone #9 (Nord-du-Québec)

- James Bay portion of Nord-du-Québec region

Zone #10 (Les Îles-de-la-Madeleine)

- Les Îles-de-la-Madeleine region.

Certificate of Attestation

CERTIFICATE OF ATTESTATION

*An Act respecting the legal publicity of sole
proprietorships, partnerships and legal persons
(R.S.Q., c. P-45, s. 81)*

I attest that

**SOCIÉTÉ DE GESTION DES HUILES USAGÉES
(SOGHU)**

- Is registered since April 30th 2004.
- Has not failed to file an annual declaration.
- Has not failed to comply with a request made under section 38.
- Is not in the process of dissolving.

August 27th 2004

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General Bylaws

BY-LAW NUMBER ONE

INTERPRETATION

The following words and terms, when used in the By-laws of the Corporation, shall have the following meanings unless such meaning is incompatible with the context:

- 1.1 “**Instrument of Incorporation**” means the letters patent constituting the Corporation, the supplemental letters patent, the letters patent of amalgamation and those confirming an arrangement, a compromise or a rectification, and any amendment that may be made thereto.
- 1.2 “**Directors**” means the Board of Directors.
- 1.3 “**Vigilance Committee**” means the committee formed and described in subsection 7.1 hereof.
- 1.4 “**Membership Agreement**” means the agreement adopted, as the case may be, by the Board of Directors of the Corporation, to be entered into between the Corporation and a Member.
- 1.5 “**General Manager**” means the person holding the position described in subsection 8.4 hereof.
- 1.6 “**Act**” means the Companies Act, as amended, and also includes any subsequent amendment and any other Act that may be substituted for it.
- 1.7 “**EQA**” means the Environment Quality Act, R.S.Q., c. Q.-2, as amended, and also includes any subsequent amendment and any other Act that may be substituted for it.
- 1.8 “**Designated Material**” means any material contemplated by the Regulation.
- 1.9 “**Member**” means any person described in subsection 3.1 hereof and recognized as such by the By-laws of the Corporation.
- 1.10 “**Chairman of the Board**” means the Chairman of the Board of Directors.
- 1.11 “**By-laws**” means the General By-laws of the Corporation, numbered from number one to fifteen inclusive, and all the other by-laws of the Corporation in force from time to time and all the amendments that may be made thereto.
- 1.12 “**Recovery and Reclamation Regulation**” means the Regulation respecting the recovery and reclamation of used oils, oil or fluid containers and used filters, Order-in-Council 166-2004, March 10, 2004, G.O.Q. Part 2, 2004-03-24, p. 1519 adopted under the EQA, as amended.
- 1.13 “**Corporation or SOGHU**” means Société de gestion des huiles usagées.

Subject to the foregoing, the words and terms defined in the Act, the EQA or the Regulation have the same meaning when used in the By-laws.

The headings used in the By-laws are only used for reference purposes and have no impact on the interpretation of the terms or provisions of the By-laws.

Any word written in the singular also includes the plural and vice versa; any word written in the masculine also includes the feminine; any word designating persons also includes partnerships, associations, companies or corporations.

BY-LAW NUMBER TWO

BUSINESS NAME, HEAD OFFICE AND CORPORATE SEAL

2.1 BUSINESS NAME

The business name of the Corporation is

SOCIÉTÉ DE GESTION DES HUILES USAGÉES

and its acronym is SOGHU.

2.2 HEAD OFFICE

2.2.1 The head office and the principal place of business of the Corporation are established in the City of Montréal, Province of Québec or at any other place designated by the Board of Directors.

2.2.2 The Corporation may, in addition to its head office and its principal place of business, establish and maintain other offices, places of business, branches and agencies, whether in the Province of Québec or elsewhere, such as the Board of Directors may decide, from time to time, by resolution.

2.3 SEAL

2.3.1 The Corporate Seal is circular in shape and the business name of the Corporation, and the year of its incorporation, shall appear thereon.

2.3.2 The Chairman of the Board, the President, any Vice-President, the Secretary, the Treasurer, any Assistant Secretary, Assistant Treasurer or Director, or any other Officer of the Corporation whom the Board of Directors may designate and authorize for this purpose, from time to time, shall each and all have the right to affix the Corporate Seal to any document that requires it.

BY-LAW NUMBER THREE

MEMBERS

3.1 CLASSES

The Corporation includes Members (hereinafter “Member” or “Members”) and a Member of the Corporation shall be any natural or legal person who meets the admission standards established, as the case may be, by resolution of the Board of Directors. The Members are entitled to participate in all activities of the Corporation, receive notice of the Meetings of the Members, and attend and vote at these Meetings. They are eligible to be Directors of the Corporation on the terms and conditions established in By-law Number Four and, for this purpose, may, in the case of legal person, designate a person to represent them as Director.

Without restricting the foregoing, a Member of the Corporation is:

- a) any affiliated enterprise or group of enterprises which markets, in Québec, mineral, synthetic or vegetable oils designated in the

Recovery and Reclamation Regulation or oil or fluid containers or filters designated in the Recovery and Reclamation Regulation under a trademark of which it is the owner or user;

- b) any Leading Supplier in Québec of the aforementioned products, when the enterprise contemplated in the Recovery and Reclamation Regulation has neither a domicile nor a place of business in Québec;
- c) any other natural or legal person designated and accepted by the Board of Directors and meeting all the conditions decreed by it;

upon payment of the membership fees and the signing of the Membership Agreement of the Corporation for the partnerships or legal persons mentioned in subparagraphs a) and b), all subject to the provisions of the By-laws regarding the suspension, expulsion and withdrawal of Members and, as the case may be, the guidelines adopted at the General Meeting by the Members of the Corporation.

Any Member may, at any time, dismiss its representative by giving written notice to this representative and the General Manager of the Corporation of this dismissal, and replace this representative with another person, by credentials letter delivered to the General Manager of the Corporation.

3.2 MEMBERSHIP FEES AND ANNUAL DUTY

3.2.1 Membership Fees

The Board of Directors shall determine the non-refundable amount of the membership fees payable by every Member.

3.2.2 Duty

The Board of Directors shall determine the amount and all the other terms and conditions regarding the duty which shall be paid to the Corporation by its Members. The duty is non-refundable and any amount due for the Member's membership period shall remain payable in the event of expulsion, suspension or withdrawal of a Member.

3.3 WITHDRAWAL

Any Member may withdraw at any time from the Corporation as such, by serving a written notice addressed to the General Manager. The terms and conditions of a Member's withdrawal shall be established in the Membership Agreement then in force.

3.4 SUSPENSION AND EXPULSION

- 3.4.1 The Board of Directors, by resolution, may suspend for the period it determines or expel any Member who neglects, despite thirty (30) days' written notice from the Corporation, to pay the Environmental Handling Charge or any portion thereof when due, who breaches any other provision of the By-laws or the Membership Agreement or whose conduct or activities are deemed harmful to the Corporation.

- 3.4.2 The decision of the Board of Directors to this end shall be final and not subject to appeal and the Board of Directors is authorized to adopt and follow in this matter the procedure it may determine from time to time.
- 3.4.3 A suspended Member may not benefit from the privileges of membership as long as the arrears of the Environmental Handling Charge have not been paid in full and the Board of Directors has not accepted his reinstatement as a Member of the Corporation.
- 3.4.4 The Members may, for just and sufficient cause, by resolution adopted by a majority of at least $\frac{3}{4}$ of the votes of the Members at a Special Meeting called for this purpose, expel a Member of the Corporation. At least seven (7) days' written notice informing the Member of the date of this Special Meeting and the proposed resolution shall be sent to the Member whose expulsion is proposed. The notice may be delivered in person or transmitted by mail to the Member's last address appearing in the register of Members of the Corporation. Any Member who is the object of such notice may make representations to the Special Meeting of the Members.

3.5 MAINTENANCE OF OBLIGATIONS

A Member's obligations under the terms of the Membership Agreement shall cease on the effective date of the Member's expulsion. However, the withdrawal or expulsion of the Member shall in no way release the Member from any obligation then due to the Corporation.

3.6 NOTICE TO RECYC-QUÉBEC

In the event of application of one or more of the foregoing subsection with respect to a Member's withdrawal or expulsion, the Corporation shall give notice to Société de récupération et de recyclage du Québec (RECYC-QUÉBEC) of the decision of the Board of Directors of the Corporation regarding the withdrawal or expulsion of a Member.

BY-LAW NUMBER FOUR

BOARD OF DIRECTORS

4.1 NUMBER OF DIRECTORS

The Board of Directors of the Corporation is composed of sixteen (16) Directors elected from among the Members or appointed or designated as stipulated in subsection 4.2 hereinafter.

4.2 STRUCTURE OF THE BOARD OF DIRECTORS

- 4.2.1 The Board of Directors, depending on the number of Directors stipulated in the By-laws, is composed of the following:
- the Vice-President of the Québec Division of the Canadian Petroleum Products Institute ("CPPI"), who shall be an ex officio member of the Board of Directors;

- two (2) representatives of Members who are major petroleum companies;
- two (2) representatives of Members who are part of the automobile and truck manufacturing industry;
- two (2) representatives of Members who are major oil manufacturers;
- two (2) representatives of Members who are small and medium enterprises;
- one (1) representative of a Member who is part of the cooperative sector;
- two (2) representatives of Members who are major oil retailers;
- two (2) representatives of Members who are oil filter manufacturers;
- one (1) representative of Société de récupération et de recyclage du Québec;
- the Chairman of the Vigilance Committee.

4.2.2 No Member of the Corporation may have more than one representative who represents it as a Director serving on the Board of Directors of the Corporation.

4.3 CAPACITY AND TERM OF OFFICE

- 4.3.1 Each Director shall take office at the close of the General Meeting of the Members at which he was elected by the majority of the votes cast in this election or at which he was appointed or designated as stipulated in subsection 4.2. It is unnecessary for the Directors of the Corporation to be elected by secret ballot, except at the express request of a person present and entitled to vote at the Meeting at which the said election is held. Subject to what is stipulated hereinafter, each Director thus elected or appointed or designated as stipulated in subsection 4.2 shall remain in office until the second Annual Meeting following his election, appointment or designation or until the election, appointment or designation of his successor, unless he resigns or is incapable of acting, either due to his death, or due to his dismissal or for any other cause.
- 4.3.2 The position of Director shall become vacant, ipso facto, upon the occurrence of any of the following events, namely:
- a) if the Director or the Member whose representative sits on the Board of Directors ceases to be a Member of the Corporation or to possess any other qualification required;

- b) if the Member whose representative sits on the Board of Directors becomes bankrupt or makes an authorized assignment of its property for the benefit of its creditors in general or becomes insolvent; or
- c) if the Director is prohibited or becomes feeble-minded or is otherwise declared incompetent by the Act.

4.3.3 Half of the elected members of the Board of Directors representing the Members of the sectors which have two representatives on the Board of Directors shall be elected during an even-numbered year and the other half of these Members of the Board of Directors shall be elected during an odd-numbered year, so as to promote turnover on the Board of Directors. An adjustment to the term of office of the Directors shall be established by the first Board of Directors of the Corporation so as to conform to this procedure. The election of the Members of the Board of Directors who must be elected shall be held at each Annual General Meeting of the Corporation and all the Directors who have been in office for a two (2) year term shall be eligible. The Board of Directors may, by resolution, appoint a Director to replace any Director whose seat becomes vacant during his term of office so as to complete the term of office of the Director who left his seat vacant.

4.4 DISMISSAL OF DIRECTORS

The Members may, by resolution adopted by a majority of at least three quarters ($\frac{3}{4}$) of the votes of the Members at a Special Meeting called for this purpose, dismiss any Director before the end of his term of office for any cause deemed reasonable by the Members of the Corporation. Any other person possessing the required qualities may be elected, appointed or designated in place of the dismissed Director. The person thus elected shall remain in office only for the time when the Director whose place he takes would have been in office if he had not been dismissed.

4.5 MANAGEMENT OF THE CORPORATION'S BUSINESS

The management of Corporation's business shall devolve upon its Directors.

4.6 BY-LAWS AND RESOLUTIONS

All the By-laws and all the resolutions of the Directors shall be passed or adopted at duly convened meetings. Nonetheless, the signatures of all the Directors of the Corporation at the bottom of any document (which may be signed in counterpart) constituting a by-law or a resolution which could be passed or adopted by the Directors at a meeting, shall give such a by-law or such a resolution the same value and the same effect as if this by-law or this resolution had been passed or adopted, as the case may be, by a vote of the Directors at a meeting duly called and held.

4.7 REMUNERATION OF THE DIRECTORS

The Directors are not entitled to any remuneration.

4.8 HOLDING OF BOARD MEETINGS

The meetings of the Board of Directors of the Corporation shall be called by the Chairman of the Board and shall be held no less than twice a year. A special meeting of the Board of Directors may be requested by means of a written notice, giving the reason, by no less than fifty percent (50%) of the Members of the Board of Directors.

4.9 PLACE OF BOARD MEETINGS

The meetings of the Board of Directors may be held at any place within the Province of Québec.

4.10 NOTICE OF MEETING

A notice of meeting indicating the date, time and place of each regular meeting of the Board of Directors shall be transmitted to each Director by regular mail addressed to Director's last address appearing in the register of the Corporation or by email to his last email address furnished to the General Manager, and this, no less than seven (7) days before the scheduled date of the meeting.

4.11 SPECIAL MEETINGS OF THE BOARD

When it is necessary to call a special meeting of the Directors, a notice of meeting indicating the date, time and place of the meeting shall be transmitted to each Director by email, telephone or fax no less than forty-eight (48) hours before the date of the special meeting. Every Director attending the special meeting of the Board of Directors shall be deemed to have received the said notice of meeting.

4.12 QUORUM

No less than six (6) of the members of the Board of Directors entitled to vote shall constitute a quorum. Every meeting of the Board of Directors at which there is a quorum shall be competent to exercise each and every one of the mandates, powers and discretions which the Act and the By-laws assign or recognize to the Directors. The questions raised at every meeting of the Directors shall be resolved by the affirmative vote of the majority of the Directors present.

4.13 CHAIRING OF MEETINGS

The Chairman of the Board or, in his absence, the Vice-Chairman of the Board, shall chair all the meetings of the Directors. If the Chairman of the Board or the Vice-Chairman of the Board is absent or refuses to act, the persons present may choose someone from among their number to act as chairman. The chairman of any meeting of the Board of Directors shall be entitled to vote as a Director on any matter submitted to a vote of the meeting but, in the event of a tie vote, he shall not be entitled to a second vote or a casting vote.

4.14 TELEPHONE MEETING

If all the Directors attending a meeting of the Board consent thereto, one or more of the Directors may participate by telephone or by any other mode of communication allowing all the persons attending the meeting to hear the others,

and a Director participating in this way in such a meeting held in this manner shall be deemed to be present at the meeting.

BY-LAW NUMBER FIVE

COMMITTEES

The Board of Directors may constitute all the committees it deems appropriate in the interests of the Corporation and determine their mandates and duties. The members of such committees are not necessarily required to be Members of the Corporation. The chairman or one of the vice-chairmen, as the delegate of the chairman, shall be a member of such committees, however.

The committees shall have the sole power of submitting recommendations to the Board of Directors of the Corporation.

BY-LAW NUMBER SIX

EXECUTIVE COMMITTEE

6.1 COMPOSITION

The Board of Directors, by resolution, may elect an Executive Committee composed of the number of members determined from time to time, by resolution of the Board of Directors, which at no time shall be less than three (3).

Each member of the Executive Committee shall hold office at the pleasure of the Board of Directors. The Board of Directors, by resolution, may replace any member from time to time, without any reason, or proceed to increase or make any other change in the composition of the Executive Committee.

6.2 MEETINGS

The Board of Directors, by resolution, may adopt By-laws concerning the calling and holding of meetings of the Executive Committee and concerning the quorum required and the procedure to follow at these meetings; it may also repeal, amend or reinstate these By-laws.

6.3 POWERS

Subject to the aforesaid By-laws, the Executive Committee may, when the Board of Directors is not sitting, exercise each and every one of the powers specific to the Board of Directors, except the powers to adopt, amend or revoke the By-laws or to appoint any Director of the Corporation, and accomplish all other acts which must be performed by the Directors themselves by virtue of the Act.

6.4 BOOKS

The Executive Committee shall maintain an account and a register in good and valid form of all the resolutions it has adopted and shall transmit them, on request, to the Board of Directors.

6.5 REMUNERATION

The members of the Executive Committee are not entitled to any remuneration in this capacity.

BY-LAW NUMBER SEVEN

VIGILANCE COMMITTEE

7.1 VIGILANCE COMMITTEE

7.1.1 The Board of Directors, within sixty (60) days of the election of its members, shall proceed with the creation of a Vigilance Committee and shall designate the members who compose it. This Committee shall be made up of (9) members and composed as follows:

- one (1) representative of the Ministère de l'Environnement;
- one (1) representative of RECYC-QUÉBEC;
- two (2) representatives of the municipal associations;
- one (1) representative of the recovery businesses;
- one (1) representative of the reclamation businesses;
- one (1) representative of Québec environmental associations;
- one (1) representative of Québec consumer associations; and
- one (1) representative of the Conseil québécois du commerce de détail.

The General Manager shall be an ex officio member of the Vigilance Committee.

7.1.2 The Vigilance Committee shall be called at least twice a year. The members of the Vigilance Committee shall designate from among their number a person to chair the meetings of the Vigilance Committee. The Chairman of the Vigilance Committee shall sit on the Board of Directors as an observer.

7.1.3 The Vigilance Committee shall have the function, in particular, of formulating recommendations to the Board of Directors on the development and implementation of measures intended to improve the operation of the recovery and reclamation system pertaining to the Corporation.

7.1.4 While assuring a certain continuity in the members of the Vigilance Committee in order to preserve an appropriate level of experience, the Board of Directors shall also favour a renewal of the members of the Vigilance Committee to allow the contribution of new experiences and avoid the development of any conflict of interest.

7.2 COMMITTEES

No committee, including, in particular, the Vigilance Committee, designated by the Board of Directors of the Corporation, shall have the power to act on account or on behalf of the Board of Directors. The committees shall have the sole power to submit recommendations to the Board of Directors of the Corporation.

BY-LAW NUMBER EIGHT

OFFICERS

8.1 UPPER MANAGEMENT

The upper management of the Corporation shall be composed of a Chairman of the Board and a Vice-Chairman of the Board chosen by and among the Directors entitled to vote, a Secretary and a General Manager. One or more Assistant Secretaries and/or Assistant Treasurers may also be appointed. These Officers shall be elected or appointed, as the case may be, by the Board of Directors at its first meeting after the first General Meeting of the Members and, thereafter, at the first meeting of the Board of Directors after each Annual General Meeting of the Members, and these Officers of the Corporation shall remain in office until their successors have been chosen and elected or appointed in their place. Other Officers may also be elected and/or appointed, as the case may be, when the Board of Directors deems it necessary, from time to time. These Officers shall duly perform the duties, in addition to those specified in the By-laws, which the Board of Directors prescribes from time to time. The same person may hold more than one (1) office, provided, however, that the offices of Chairman of the Board and Vice-Chairman of the Board are not filled by the same person. It is unnecessary for these officers of the Corporation, except for the Chairman of the Board and the Vice-Chairman of the Board, to be Directors of the Corporation.

8.2 CHAIRMAN OF THE BOARD

The Chairman of the Board of Directors shall be designated by the Directors at the end of the Annual General Meeting of the Corporation. The Chairman of the Board or, in his absence, the Vice-Chairman of the Board who is part of the Board of Directors, shall chair all the Meetings of the Members and all the meetings of the Directors. He shall have all the other powers and duties that the Board of Directors may assign to him by resolution from time to time.

8.3 VICE-CHAIRMAN OF THE BOARD

The Vice-Chairman of the Board of Directors shall be designated by the Directors at the end of the Annual General Meeting of the Corporation. In the absence of the Chairman of the Board, the Vice-Chairman of the Board shall chair the meetings

of the Directors and shall be entitled to vote as a Director on any matter submitted to a vote of the meeting.

8.4 GENERAL MANAGER

8.4.1 The Directors, from time to time, shall appoint a General Manager of the Corporation, chosen or not from among the Directors. He shall call the meetings of the Board of Directors and manage the business of the Corporation, under the supervision of the Board of Directors to which he shall report, and exercise the general or special powers the Board of Directors may delegate to him from time to time, by resolution. In the event that a Secretary or Assistant Secretaries are not appointed, he shall have safekeeping of the Corporate Seal and assume the responsibilities of the Secretary and the Assistant Secretaries heretofore described.

8.4.2 In the event that a Treasurer is not appointed, he shall also assume the functions of Treasurer as described, as the case may be, by the Board of Directors.

8.5 TREASURER AND ASSISTANT TREASURER

The Treasurer shall have the finances of the Corporation under his specific oversight. He shall deposit the Corporation's cash and other securities, in the name and to the credit of the Corporation, with any banks, trust companies or other depositories which the Board of Directors designates by resolution, from time to time. When required by the Board of Directors, he shall account for the Corporation's financial position and all of his transactions as Treasurer; and as soon as possible after the close of each fiscal year, he shall prepare and submit to the Board of Directors a report on the past fiscal year. He shall be responsible for the custody, deposit and keeping of all the account books and other documents which, according to the laws governing the Corporation, must be kept by the Corporation. He shall perform all the other duties specific to the function of Treasurer, and those which the Board of Directors may assign to him from time to time by resolution, all under the oversight and control of the said Board of Directors.

The Assistant Treasurer may perform any function of the Treasurer which the Board of Directors or the Treasurer may assign to him from time to time.

8.6 SECRETARY AND ASSISTANT SECRETARY

The Secretary shall give and serve any notice of the Corporation and shall draft and retain the minutes of all the Meetings of the Members and meetings of the Board of Directors in a book or books for this purpose. He shall have safekeeping of the Corporate Seal. He shall be responsible for the registers of the Corporation, including the books in which the names and addresses of the Members and the Directors are recorded, jointly with all the copies of all the reports made by the Corporation and all the other books and documents which the Board of Directors may order and/or entrust to him. He shall be responsible for the custody and production of all books, reports, certificates and other documents of which the Act requires the custody and production. He shall perform all the other duties relating

to his office, as well as those which the Board of Directors may assign to him from time to time, by resolution.

The Assistant Secretary may perform any function of the Secretary that the Board of Directors or the Secretary may assign to him, from time to time.

8.7 SECRETARY-TREASURER

When the Secretary also performs the functions of Treasurer, he may, at the option of the Board of Directors, be designated as “Secretary-Treasurer”.

8.8 DISMISSAL AND TERMINATION

The Board of Directors, by resolution, may dismiss and terminate any Officer or employee of the Corporation at any meeting called for this purpose and may elect or appoint others in their place. Any employee of the Corporation, other than a Director or Officer appointed by the Board of Directors, may also be dismissed from his functions and terminated by the Chairman of the Board or the General Manager.

8.9 REMUNERATION

The remuneration of the General Manager of the Corporation shall be determined, from time to time, by resolution of the Board of Directors.

BY-LAW NUMBER NINE

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Each of the Directors and Officers of the Corporation and any person who, at the Corporation’s request, acts in this capacity for a legal person of which the Corporation is a Member, shareholder or creditor, and their heirs, liquidators, executors and administrators, assigns, mandataries and representatives, shall be respectively held harmless and guaranteed against the following at all times and indemnified and reimbursed from the Corporation’s funds:

- a) all fees, charges, expenditures and liability borne, made or incurred by this Director or this Officer or this person in the course or on the occasion of any action, suit or civil, penal or administrative judicial proceeding, instituted, exercised or continued against him, due to or on the occasion of any act or thing done, performed or permitted by him, either before or after the promulgation of this By-law, in or on the occasion of the performance of his functions, and
- b) all other fees, charges, expenditures and liability borne, made or incurred by this Director or this Officer or this person in the course or on the occasion of business pertaining or relating to this functions;

the whole with the exception, however, of fees, charges, expenditures and liability resulting from his own fault, carelessness or deliberate omission.

Moreover, no Director or Officer of the Corporation then in office shall be liable for the acts, encashments, negligence or defaults of any other Director or Officer or employee nor for having been party to any encashment or act to allow its execution, nor shall be liable for any damage, loss or expenditure incurred by the Corporation due to the insufficiency or defect of title of any property acquired for and in the name of the Corporation on the order of the Board of Directors or due to the insufficiency of any security in respect of any investments of the Corporation, nor shall be liable for any damage or loss resulting from the bankruptcy, insolvency or prejudicial act of any person, firm or legal person with whom or which any cash, securities or instruments of the Corporation will have been invested or deposited, nor shall be liable for any damage, loss or misfortune of any nature resulting from any transaction that might occur in or pertain to the performance of his function, unless these events result from his own fault, carelessness or deliberate omission.

The Corporation hereby consents to the indemnification stipulated in the By-laws and shall proceed, at the expedient time, to obtain liability insurance coverage of the Directors and Officers of the Corporation with a recognized insurer for an amount deemed sufficient by the Board of Directors.

BY-LAW NUMBER TEN

MEETINGS

10.1 ANNUAL GENERAL MEETING

10.1.1 The Annual General Meeting of the Members of the Corporation shall be held at least once per calendar year and no later than four (4) months after the close of the Corporation's fiscal year on the date determined by the Directors by resolution or on the date determined, as the case may be, by the By-laws.

10.1.2 The Annual General Meetings of the Members of the Corporation shall be held at the Corporation's head office or elsewhere in the Province of Québec, in accordance with a resolution of the Board of Directors or, as the case may be, at another location determined by the By-laws.

10.2 SPECIAL MEETINGS

10.2.1 The General Meetings of the Members other than the Annual Meeting shall be Special General Meetings. They may be called, at any time and from time to time by the Chairman of the Board or, in his absence, by the Vice-Chairman of the Board or by resolution of the Board of Directors, and shall be called when no less than one third of the Members of the Corporation so request in writing. Such resolution or request shall specify the purpose for which the Meeting must be called.

10.2.2 The Chairman of the Board or, in his absence, the Vice-Chairman of the Board shall, in the event of the adoption of such a resolution or the receipt of such a request, shall ensure that the Meeting is called by the General Manager of the Corporation, in accordance with this resolution or request. In default of such action, any Director may call the Meeting or this

Meeting may be called by the said Members themselves, in accordance with and subject to the provisions of the laws governing the Corporation.

- 10.2.3 The Special Meetings or Special General Meetings of the Members shall be held at the Corporation's head office or at any other place, in the Province of Québec, in accordance with a resolution of the Board of Directors or, as the case may be, at place determined by the By-laws.

10.3 NOTICE OF MEETINGS

- 10.3.1 A notice specifying the purpose, place, date and time of any Annual General Meeting or any Special Meeting or Special General Meeting of the Members shall be served on all the Members who are entitled to such notice or left at their respective residence or regular place of business appearing in the register of the Corporation or sent to them by mail, postage-paid, or by fax, at their respective address, such as it appears in the register of the Corporation, no less than 10 clear days before the date determined for the Meeting; neither the day when such notice is served or sent (day a quo), nor that on which such Meeting shall be held (day ad quem) shall be counted to determine the said notice period. In the event of the Annual General Meeting, the notice of Meeting shall be given sixty (60) calendar days prior to the date of this Meeting.
- 10.3.2 It is unnecessary to give a notice of the time, place or purpose of a Meeting of the Members, notwithstanding any prescriptions of the Act or the By-laws, to a Member who is present at the Meeting or who, in writing, by fax or by any other means of communication recorded in the file of the Meeting, waives the notice either before or after the holding of the Meeting.
- 10.3.3 In all cases where the calling of a Meeting of the Members is considered by the Chairman of the Board or, in his absence, by the Vice-Chairman of the Board, at his discretion, to be an urgent matter, notice of the Meeting of the Members may be given in writing or orally, or by telephone, fax or otherwise, no less than one hour before the holding of such Meeting, this notice being sufficient for the Meeting thus called.
- 10.3.4 Mere irregularities in the notice or in the manner of giving it, and the unintentional omission to give notice of a Meeting to a Member or the failure of a Member to receive such notice, shall in no way invalidate the acts taken or committed at the Meeting concerned.

10.4 CHAIRING OF THE MEETINGS

The Chairman of the Board or, in his absence, the Vice-Chairman of the Board, shall chair all the Meetings of the Members. If the Chairman of the Board or the Vice-Chairman of the Board is absent or refuses to act, the persons present may choose someone from among their number to act as chairman. In the event of a tie vote, the chairman of any Meeting of the Members shall be entitled to a second vote or a casting vote on any matter submitted to a vote of the Meeting.

10.5 QUORUM

- 10.5.1 The Members present and constituting ten percent (10%) of the Members of the Corporation shall constitute a quorum, both for the Annual General Meeting of the Members and for a Special General Meeting of the Members of the Corporation.
- 10.5.2 The acts of the majority of the Members entitled to vote thus present at the said Meeting shall be considered as the acts of all the Members, except for the case when the vote or consent or a number of Members greater than the majority is required or imposed by the laws of the Province of Québec, by the Instrument of Incorporation or by the By-laws. Subject to the foregoing, the vote of the majority of the Members at any Annual General Meeting who are entitled to vote at the Meeting shall be sufficient to ratify validly any previous act of the Board of Directors and the Officers of the Corporation.
- 10.5.3 If there is no quorum at a Meeting of the Members, the Meeting, in the event that it has been called at the request of Members, shall be closed. In any other case, those who are present in person and who are entitled to be counted for the purpose of constituting a quorum shall have the power to adjourn the Meeting to the place, date and time they may then determine, by resolution, on condition that a notice of this second Meeting or adjourned Meeting is subsequently given to all the Members entitled to such notice, in the manner and within the times stipulated in subsection 10.3 of this By-law Number Ten. The quorum, at this second Meeting or adjourned Meeting, shall be constituted according to the requirements of paragraph 10.5.1 of this By-law Number Ten. At this second Meeting or adjourned Meeting, any matter may be validly discussed which could have been validly discussed at the original Meeting.

10.6 RIGHT TO VOTE AND PROXY VOTING

- 10.6.1 At any Meeting of the Members, each Member present at this Meeting shall be entitled to one vote, unless the Instrument of Incorporation prescribes another method of voting, in which case this other method shall be followed.
- 10.6.2 Any Member may request, before a vote is held, a secret ballot vote on any matter submitted to a vote of the Members.
- 10.6.3 Proxy voting is not permitted.

10.7 TELEPHONE MEETING AND MAIL-IN VOTING

No meeting held by telephone and no mail-in vote is permitted.

10.8 AGENDA

At the Annual General Meeting of the Members, the agenda shall be as follows:

- a) opening of the session;
- b) reading of the notice of meeting, as the case may be, and recognition that it has been duly given or duly waived;

- c) recognition that there is a quorum;
- d) reading of the minutes of the previous Annual General Meeting and Special Meetings of Special General Meetings of the Members held since, as the case may be, and, if applicable, approval of the minutes;
- e) presentation of the annual report of the Directors, as the case may be;
- f) presentation of the balance state and the general statement of revenue and expenditure;
- g) discussion of the auditors' report, as the case may be, and the financial statements, if applicable, their acceptance;
- h) presentation of the annual report of the General Manager;
- i) election of the Directors, if applicable;
- j) appointment of the auditors, if applicable, and determination of their remuneration;
- k) approval, ratification, sanction and confirmation, on condition that the notice of meeting mentions it, of the establishment, repeal or amendment of the By-laws, as the case may be;
- l) approval, ratification, sanction and confirmation of the acts, decisions and resolutions of the Directors and/or Officers of the Corporation since the previous Annual General Meeting;
- m) other business, as the case may be, on condition that the notice of meeting mentions it; and
- n) closing of the Meeting.

10.9 Any motion that a Member wishes to submit to an Annual General Meeting shall be received at the Corporation's head office no later than forty-five (45) days before this Meeting to be integrated into the agenda.

10.10 No new business may be discussed by the Annual General Meeting without the consent of two thirds (2/3) of the Members attending the said Meeting. Such a motion of new business shall be presented at the opening of the Meeting and written copies of this motion shall be available for all the Members attending this Meeting. Any new business thus presented shall be discussed at the end of the agenda of this Meeting.

BY-LAW NUMBER ELEVEN

FISCAL YEAR, ACCOUNTS AND AUDIT

11.1 FISCAL YEAR

The Corporation's fiscal year shall end on December 31 of each year or on any other date the Board of Directors may determine.

11.2 ACCOUNTS

11.2.1 The Directors shall arrange to have the appropriate account books kept concerning all the sums of money received and expended by the Corporation, and the objects of its receipts and expenditures, all the sales and all the purchases of securities by the Corporation, the assets and liabilities of the Corporation and all other transactions which affect the Corporation's financial position.

11.2.2 The account books shall be kept at the Corporation's head office or at any other place in the Province of Québec that the Directors deem suitable and the Directors may examine them at any reasonable time.

BY-LAW NUMBER TWELVE

CONTRACTS, CHEQUES, DRAFTS, ACCOUNTS

12.1 CONTRACTS

All instruments, deeds, documents, transfers, commitments, bonds, debentures and other instruments which the Corporation must execute shall be signed by the President or one of the Vice-Presidents or a Director of the Corporation. The Board of Directors may, from time to time, by resolution, authorize other persons to sign on behalf of the Corporation. This authorization may be general or limited to a specific case. Except as stated previously or as otherwise stipulated in the By-laws of the Corporation, no Director, Officer, representative or employee of the Corporation shall have the power or authorization to bind the Corporation by contract or otherwise, or to commit its credit.

12.2 CHEQUES AND DRAFTS

All cheques, bills of exchange and other money orders, notes or debt securities, issued, accepted or endorsed in the name of the Corporation shall be signed by such Director, Officer or representative or such Directors, Officers or representatives of the Corporation and in the manner determined by the Board of Directors, from time to time, by resolution; any of these Directors, Officers or representatives may endorse the notes and drafts alone for collection for the Corporation's account, through its bankers, and endorse the notes and cheques for deposit in the Corporation's bank, to the Corporation's credit; these instruments may also be endorsed "for collection" or "for deposit" in the Corporation's bank, using the Corporation's stamp for this purpose. Any of these Directors, Officers or representatives appointed for this purpose may arrange, settle, verify and certify

all the books and accounts between the Corporation and its bankers and may receive all the cheques paid and the vouchers and sign all the audit settlement and discharge settlement forms and bank checklists.

12.3 DEPOSITS

The Corporation's funds may be deposited, from time to time, to the Corporation's credit with such banks or with such trust companies or with such bankers as the Board of Directors approves, from time to time, by resolution.

BY-LAW NUMBER THIRTEEN

REPRESENTATIONS

The Chairman of the Board, the Vice-Chairman of the Board, the General Manager or the Secretary or any other functionary or person appointed for this purpose by the Board of Directors have the authorization and the right, collectively or individually, to appear and answer, for the Corporation and in its name, on any writ, order and examination on affidavit issued by any court of law and to make, for and in the name of the Corporation, any declaration on writ of seizure by garnishment in which the Corporation is garnishee and to make all the affidavits and sworn declarations pertaining thereto or pertaining to any lawsuit in which the Corporation is one of the parties and to petition for the assignment of property or the liquidation of any debtor of the Corporation and to obtain a bankruptcy order against any debtor of the Corporation and to attend and vote at any meeting of the creditors of the debtors of the Corporation and to give proxies to this effect.

Any Director or Officer of the Corporation has the authorization to sign, for and on behalf of the Corporation, all the declarations prescribed under the terms of the *Act respecting the legal publicity of sole proprietorships, partnerships and legal persons*.

BY-LAW NUMBER FOURTEEN

BORROWING

The Board of Directors is hereby authorized, at any time and from time to time:

- a) to borrow money and obtain advances on the credit of the Corporation from any bank, savings and credit union, lending institution, corporation, partnership or person, on the terms, covenants and conditions, in the periods, for the amounts, to the extent and in the manner the Board of Directors, at its discretion, may deem suitable;
- b) to restrict or increase the amounts to be borrowed;
- c) to issue or arrange for the issuance of bonds, debentures or other securities of the Corporation and pledge them as security or sell them for the amounts, on the terms, covenants and conditions and at the price the Board of Directors may deem suitable;

- d) notwithstanding the provisions of the *Civil Code of Québec*, to grant a hypothec, even an open hypothec, on the universality of movable and immovable property, present or future, corporeal or incorporeal as stipulated in the *Special Corporate Powers Act* and in any other manner;
- e) to hypothecate the immovables or movables or otherwise encumber any of the Corporation's movable property;
- f) in guarantee of all discounts, overdrafts, borrowing, credit, advances or other debts, or commitments, on the part of the Corporation to any bank, savings and credit union, lending institution, corporation, partnership or person, and the interest thereon, to hypothecate or otherwise encumber in favour of any bank, savings and credit union, lending institution, corporation, partnership or person, all or part of the Corporation's property, real or personal or mixed, movable or immovable, present or future, and to give any security thereon that a bank may accept under the provisions of the *Bank Act* and to renew, amend, vary or replace such security at its discretion, with the right to promise to give the security according to the *Bank Act* for all debts contracted or to be contracted by the Corporation with any bank;
- g) to procure or assist in procuring funds and assist by means of bonuses, loans, promises, endorsements, security or otherwise, any other company with which the Corporation may do business or some of the shares, bonds or other securities which are held by the Corporation and guarantee the performance or accomplishment of all contracts, commitments or obligations of such a company or any person with which the Corporation may do business and, in particular, to secure the payment of the principal and the interest on the bonds or other securities, hypothecs and debts of such a company;
- h) to exercise in general each or all of the rights and powers that the Corporation itself may exercise under its letters patent and the laws that govern it; and
- i) to delegate, by resolution or By-law, to any Officer or Director, each and every one of the powers hereby conferred on the Board of Directors.

The powers to borrow and pledge security authorized hereby are considered to be permanent powers and not to end after the first use that will be made thereof, and they may be exercised from time to time thereafter, as long as this By-law has not been revoked and a notice of its revocation has not been given to whom it may concern.

BY-LAW NUMBER FIFTEEN

PROMULGATION, REVOCATION AND AMENDMENT OF THE BY-LAWS

The Directors may, from time to time, promulgate or adopt By-laws concerning all the matters discussed in the laws and regulations that govern the Corporation, and they may revoke, amend or reinstate all By-laws. These By-laws (except for the By-laws which

simply deal with the representatives, Officers and employees of the Corporation and the By-laws which, by virtue of the provisions of the said laws, must be approved and ratified by the Members and be deposited with the *Registraire des entreprises* before coming into force) and each revocation, amendment or reinstatement of these By-laws, unless they are ratified in the interim at a Special General Meeting of the Members of the Corporation, duly called for this purpose, shall only be in force until the next Annual General Meeting of the Corporation and, if they are not ratified at this Meeting, they shall cease to be in force, but only effective from the date of the said Meeting.

Certification Agreement

**(UNDER THE REGULATION RESPECTING RECOVERY AND RECLAMATION OF
USED OILS, OIL OR FLUID CONTAINERS AND USED FILTERS)**

BETWEEN

Société québécoise de récupération et de recyclage

AND

Société de Gestion des Huiles Usagées

November 25, 2004

BETWEEN:

SOCIÉTÉ QUÉBÉCOISE DE RÉCUPÉRATION ET DE RECYCLAGE, a government corporation created under the *Act respecting the Société québécoise de récupération et de recyclage*, R.S.Q., c. S-22.01, having its head office at 675 Rue Saint-Amable, Suite 300, Québec (Québec) G1R 2G5, hereinafter represented by Mr. Robert Lemieux, its President and General Manager, who declares that he is duly authorized for this purpose,

(hereinafter “RECYC-QUÉBEC”)

AND:

SOCIÉTÉ DE GESTION DES HUILES USAGÉES, a non-profit corporation created under Part III of the *Companies Act*, R.S.Q., c. C-38, having its head office at 1 Place Ville-Marie, 37th floor, Montréal (Québec), H3B 3P4 and its principal place of business at 1101 Brossard Blvd., Suite 214, Chambly (Québec) J3L 5R4, hereinafter represented by Mr. Gilles Goddard, its General Manager, who declares that he is duly authorized for this purpose,

(hereinafter “SOGHU”)

WHEREAS the Government of Québec, on September 30, 2000, published in the *Gazette officielle du Québec* the Québec Residual Materials Management Policy, 1998-2008 (hereinafter the “Policy”), which thus became the official policy of the Government under subsection 53.4 of the Environment Quality Act (R.S.Q., c. Q-2, hereinafter the “Act”);

WHEREAS, under subsection 53.30 of the Act, the Government may, by regulation, regulate the recovery and reclamation of residual materials in all or part of the territory of Québec;

WHEREAS, by Order-in-Council 166-2004, adopted on March 10, 2004, the Government decreed the *Regulation respecting recovery and reclamation of used oils, oil or fluid containers and used filters*, as amended from time to time (hereinafter the “Regulation”), in accordance with subparagraph 7 of the first paragraph of subsection 53.30 of the Act;

WHEREAS the different rates of recovery and schedules determined by the Regulation were determined by the Government after consultation of industry representatives, taking into account the situation in 1999-2000 and according to the data available at that time, and these rates have not been adjusted to account for the information available at the time of adoption of the Regulation of 2004;

WHEREAS the rates and schedules determined by the Regulation were not updated upon the adoption of the Regulation so as not to delay the coming into force of the Regulation any further, and this, with the consent of the industry representatives, it being agreed that this situation will be considered subsequently and that adjustments may subsequently be discussed and agreed;

WHEREAS Société de gestion des huiles usagées (hereinafter “SOGHU”) wishes to enter into a certification agreement with Société québécoise de récupération et de recyclage (hereinafter “RECYC-QUÉBEC”) under Section 14 of the Regulation;

WHEREAS SOGHU was created in 2004 by businesses in the oil and oil filter industry for the purpose, in particular, of acting as an approved organization;

WHEREAS SOGHU brings together several businesses which market oils or filters in Québec;

WHEREAS the purposes for which SOGHU was constituted are to promote responsible management of used oils, oil and fluid containers and used filters, and to create and manage, in collaboration with partners, a management structure for these materials, allowing it to provide for the implementation of a recovery and reclamation system for used oils, oil or fluid containers and used filters, all in accordance with the Regulation and this Agreement;

WHEREAS in the Regulation, in particular, any business that markets oils or filters under a trademark it owns or uses is required, through a recovery system that meets the minimum specifications described in Schedule III of the Regulation, to recover or to see to the recovery of used oils, oil or fluid containers and used filters deposited at the collection points provided for in the system and that are of the same type as those it markets, as well as any container or packaging used in the transport of these oils back to the collection points;

WHEREAS in the Regulation, a business subject to the recovery requirements is also required to reclaim or see to the reclamation of all the used oils and filters it has recovered. It is also required to reclaim or see to the reclamation of the oil or fluid containers recovered, to the extent that their reclamation is technically possible and the costs associated with the reclamation do not threaten its competitiveness;

WHEREAS the Regulation stipulates that any business subject to it may be exempted from the requirements under Sections 5 to 7 and 10 to 13 of the Regulation if the business is a member of an organization one or more of the functions of which is to implement or contribute financially toward the implementation of a system to recover or reclaim residual materials, in accordance with the conditions fixed by an agreement entered into between the organization and RECYC-QUÉBEC and if the name of such an organization appears on a list drawn up by RECYC-QUÉBEC and published in the *Gazette officielle du Québec*;

WHEREAS the provisions of any agreement contemplated in subparagraph 7 of the first paragraph of subsection 53.30 of the Act should allow achievement of a level of recovery and reclamation equal to or greater than the one which would have been reached by the application of the regulatory standards, as stipulated in the second paragraph of subsection 53.30 of the Act;

WHEREAS the Policy designates RECYC-QUÉBEC to coordinate the activities of the approved industrial organizations and, more specifically, to monitor the implementation of the certification agreements;

WHEREFORE the Parties establish the following:

Section 1: Interpretation

1. For the purposes of this Agreement:
 - 1.1. “consumer” means a consumer such as this term is defined in subsection 1(e) of the *Consumer Protection Act*, R.S.Q., c. P-40.1;
 - 1.2. “container” means any container contemplated by the Regulation;
 - 1.3. “Agreement” means this Certification Agreement;
 - 1.4. “business” means any person that markets oils, fluids or filters contemplated by the Regulation in Québec under a trademark it owns or uses. In the event that such a person has neither a domicile nor a place of business in Québec, this term means the leading supplier in Québec of this product, regardless of whether this person is the importer;
 - 1.5. “filter” means any type of filter contemplated by the Regulation;
 - 1.6. “oil” means any oil contemplated by the Regulation;
 - 1.7. “Act” means the *Environment Quality Act* (R.S.Q., c. Q-2);
 - 1.8. “Minister” means the Minister of the Environment of Québec;
 - 1.9. “Regulation” means the *Regulation respecting recovery and reclamation of used oils, oil or fluid containers and used filters*, as amended from time to time;
 - 1.10. “reclamation” means reclamation as defined in subsection 53.1 of the Act.

Section 2: Purpose of the Agreement

2. The main purpose of this Agreement is to supervise the recovery and reclamation system established by SOGHU and determine the minimum rates of recovery and reclamation of oils, oil or fluid containers and used filters that this system must assure, and to define specifically the role, obligations and responsibilities of the parties, and the terms and conditions of operation of the Agreement.

Section 3: SOGHU Structure and Business Membership

- 3.1. SOGHU's business is administered by a Board of Directors, the formation of which is governed by its General By-laws, appended in Schedule 1. Any amendment to the General By-laws shall be transmitted to RECYC-QUÉBEC within 10 days. RECYC-QUÉBEC shall designate a representative to the Board of Directors who serves as a non-voting member.
- 3.2. The Board of Directors appoints a General Manager who is responsible for the management of SOGHU's business. The General Manager reports on his management to the Board of Directors.
- 3.3. A Vigilance Committee is formed in the following manner:
 - one person appointed by the Minister;
 - one person appointed by RECYC-QUÉBEC;
 - two persons appointed by the groups of municipalities designated in Section 53.31.8 of the Act;
 - one representative of the recovery businesses concerned;
 - one representative of the reclamation businesses concerned;
 - one person appointed by an environmental association representative of the community;
 - one person appointed by a Québec consumer association; and
 - one person appointed by the Conseil québécois du commerce de détail.

The Vigilance Committee's mandate is to make recommendations to the Board of Directors on the development and implementation of measures intended to improve the operation of the recovery and reclamation system pertaining to SOGHU.

- 3.4. For the purpose of enabling the businesses subject to the recovery and reclamation requirements stipulated in the Regulation to join SOGHU, it makes available to them a Membership Agreement, which is approved by RECYC-QUÉBEC and appended in Schedule 4. Any business which signs this Agreement and which pays the contribution stipulated in subsection 4.5 becomes a member in good standing of SOGHU and is exempt from the requirements prescribed Sections 5 to 7 and 10 to 13 of the Regulation, in accordance with Section 14 thereof.
- 3.5. Within 60 days of the coming into force of the Agreement, SOGHU shall forward to RECYC-QUÉBEC the list of businesses which have signed a Membership Agreement with SOGHU. Any addition of a business to this list during the term of this Agreement or any renewal thereof, and any withdrawal of a business from the list, shall be communicated periodically to RECYC-QUÉBEC.

Section 4: Obligations of SOGHU

- 4.1. SOGHU shall implement a system assuring recovery and reclamation of the oils, containers and filters contemplated in the Regulation.
- 4.2. It shall recover, without restriction as to trademark, all types of oils, containers and filters received, including, in particular, used oils brought in non-original containers and unused residues of oils normally consumed or lost during use, according to the objectives indicated in Section 7.
- 4.3. It shall make its services available free of charge to the general public, throughout the territory of Québec, in accordance with the criteria established in Section 6.
- 4.4. It shall specify the terms and conditions and implement a recovery system and promote the development of markets for reclamation of oils, containers and filters in accordance with the criteria stipulated in this Agreement. These terms and conditions shall make it possible, in particular, to consider the methods of recovery already in place, particularly regarding collection of hazardous household residues organized by the municipalities.
- 4.5. It shall establish a rate determining the contribution of its members. It shall establish a collection system for the contributions payable by the member businesses, it being understood that the amounts coming from the contributions shall serve to fund all of the costs, programs and activities contemplated by the Agreement, in particular:
 - Information, awareness and education campaigns;
 - Subsidies payable to the collection points or the recovery businesses;
 - Subsidies payable for reclamation of recovered oils, containers and filters, research and development;
 - SOGHU's management fees;
 - The financial contribution which SOGHU must pay annually to RECYC-QUÉBEC.
- 4.6. SOGHU undertakes to notify RECYC-QUÉBEC and the Minister of the rate of the contribution it establishes for its members and any change it introduces thereto, within 30 days before they come into force. The contribution imposed by SOGHU on its members shall respect the principle of the producer's expanded responsibility as set out in the Policy. The members of SOGHU shall observe the provisions of the *Consumer Protection Act* (R.S.Q., c. P-40.1) regarding the posting of the selling price of the oils, fluids and filters they market. SOGHU shall prescribe its members' commitment in this regard in the Membership Agreement stipulated in subsection 3.4. Two years after the signing of the Agreement, SOGHU shall review the criteria taken into account to determine the rate, so as to make the member businesses responsible for the environmental consequences of the products they market or distribute, taking into consideration, among other factors, the characteristics of the oils, containers and filters with regard to their potential for reuse, recovery and reclamation.
- 4.7. It may enter into any contract, agreement or covenant with organizations, businesses, municipalities or other stakeholders in order to achieve the recovery

and reclamation objectives stipulated in the Agreement, in accordance with the applicable laws and regulations.

- 4.8. It shall pay an annual financial contribution to RECYC-QUÉBEC intended to defray all of the costs arising from the functions and responsibilities assumed under the Agreement, including coordination, monitoring of the agreement, assistance in achieving the objectives, participation in information, education and awareness, development of markets for recovered and reclaimed materials, development of recovery and reclamation technologies, analysis of results, and auditing. The amount of the annual contribution shall be established in accordance with Schedule 2 and payable in two equal installments, no later than September 30 of each year for the months of January to June of the current year, and March 31 of each year for the months of July to December of the previous year; the financial contribution for the year 2004 shall be payable in full to RECYC-QUÉBEC on March 31, 2005;
- 4.9. It shall allow any external auditor, authorized by RECYC-QUÉBEC, to proceed with the audit and validation of any document or any information submitted to it or which must be submitted to it for the performance of the functions entrusted to it under the Agreement and give him the necessary access to any book, document or information belonging to SOGHU or to its member businesses. SOGHU shall prescribe its members' commitment in this regard in the Membership Agreement stipulated in Section 6. The external audit fees billed to RECYC-QUÉBEC in accordance with the contracted awarded following the call for tenders stipulated in subsection 5.5 shall be discharged by SOGHU, in addition to the contribution stipulated in subsection 4.8.
- 4.10. SOGHU undertakes to negotiate service agreements with RECYC-QUÉBEC, as needed, pertaining in particular to the performance of common studies regarding pilot projects, research and development projects, market analyses or information, awareness and education campaigns.

Section 5: Roles and Responsibilities of RECYC-QUÉBEC

- 5.1. RECYC-QUÉBEC undertakes not to disclose any confidential document or information received from SOGHU or a member business, in accordance with the *Act respecting access to documents held by public bodies and the protection of personal information* (R.S.Q., c. A-2.1). However, it may transmit any document or information to the Minister or to the authorized persons of the Ministère de l'Environnement du Québec, or when such transmission is required by any law or required by a judicial or quasijudicial authority.
- 5.2. RECYC-QUÉBEC shall assure monitoring of the Agreement and coordination with the other organizations which have entered into a similar agreement pertaining to the recovery and reclamation of residual materials. It shall promote concerted actions between these organizations and shall give SOGHU the benefit of its expertise, particularly concerning the establishment of a recovery network, information, education and awareness, research and development.
- 5.3. RECYC-QUÉBEC shall account to the Minister for the monitoring of the Agreement and, in particular, the performance of the recovery and reclamation system put in place by SOGHU. RECYC-QUÉBEC shall make the appropriate recommendations to SOGHU and the Minister in this regard.
- 5.4. RECYC-QUÉBEC shall proceed with the analysis and validation of the information transmitted by SOGHU under the Agreement.
- 5.5. RECYC-QUÉBEC shall mandate an external auditor to proceed annually, or in any other period agreed with SOGHU, with the audit of the results and achievement of the recovery and reclamation objectives of SOGHU, the recovery businesses, the reclamation businesses and a sample of no more than fifteen percent (15%) of SOGHU's members. The external auditor shall be chosen by RECYC-QUÉBEC following a call for tenders process. SOGHU shall participate in the selection procedure for the tenders deposited by designating a member of the selection committee. The sample of the SOGHU members for audit purposes shall be determined by RECYC-QUÉBEC, by consensus with SOGHU.
- 5.6. RECYC-QUÉBEC shall report, in its annual report, on the utilization of the financial contributions stipulated in the Agreement.
- 5.7. RECYC-QUÉBEC shall register SOGHU on the list it has published in the *Gazette officielle du Québec* and shall transmit this Agreement to the Minister, in accordance with subparagraph 7 of the 1st paragraph of subsection 53.30 of the Act. This publication shall take place within 60 days of the signing of the Agreement.

Section 6: Establishment of SOGHU's Recovery and Reclamation System

- 6.1. The collection points established by SOGHU shall, by their nature, location and number, be capable of reasonably guaranteeing the achievement of the recovery objectives stipulated in the Agreement, by applying the following criteria.
- 6.2. SOGHU shall establish collection points for each regional municipality within whose territory a member business markets oils, fluids or filters contemplated in the Regulation. A regional municipality is any municipality contemplated in the 2nd paragraph of subsection 53.5 of the Act.

It shall also establish collection points for every town within whose territory a member business markets oils, fluids or filters, which has 25,000 or more inhabitants and whose territory is not part of a regional municipality.

- 6.3. The minimum number of collection points the recovery system must include and their type and location shall be determined according to Option B of Schedule III of the Regulation.
- 6.4. The recovery system shall include collection points where the materials contemplated by the Regulation can be deposited and which are of the same type as the materials marketed by the member businesses located within the territory served by each collection point concerned, as well as the containers and packaging used in the transport of these materials back to the collection points.
- 6.5. A collection point shall consist either of a permanent and fixed depot or a temporary, fixed or mobile depot.

A permanent depot is a depot that is accessible year round during regular business hours for a period of at least 24 hours per week in which at least six of these hours are during the weekend. The opening hours of the depot must be posted in an appropriate location.

A temporary depot is one that is accessible or available periodically and at least once per season.

A fixed depot must be located so as to minimize travel distances for the majority of the persons served by the collection point in the territory concerned.

- 6.6. The use of the recovery system shall be free of charge for every citizen.

- 6.7. SOGHU shall establish a partnership with the various stakeholders for the establishment of several collection points of various types. In particular, it shall seek to establish a partnership with:
- 6.7.1. commercial sector operators, for the establishment of collection points in automobile mechanical repair shops, service stations which have a mechanical repair shop and retail stores offering motor vehicle repair and maintenance services;
 - 6.7.2. industrial sector operators, for the establishment of collection points in factories where there is substantial consumption of oil;
 - 6.7.3. municipal sector, agricultural sector and forest sector organizations, for the integration of the existing collection points into its recovery system, for studies of the complementary relationship between these collection points and its own collection points, or to collaborate in the establishment of new collection points.
- 6.8. SOGHU shall review each year the number of collection points in its recovery system and their location if the system established does not allow the achievement of the recovery and reclamation objectives determined by the Agreement.
- 6.9. SOGHU shall establish a selection and accreditation process for the recovery businesses of the system it operates under the Agreement. The recovery business selection process shall be transparent and favour free enterprise. SOGHU shall give RECYC-QUÉBEC written notice of the selection criteria and process followed, the terms and conditions of operation of the recovery businesses, and the measures taken to assure monitoring of the quality and quantities of recovered oils, containers and filters and their traceability.
- 6.10. SOGHU shall adopt a selection and accreditation process for the reclamation businesses which will proceed with treatment of the oils, fluids, containers and packaging and the recovered filters. SOGHU shall take reasonable measures to assure that the reclamation businesses hold all the permits, licences, certificates, approvals, attestations, accreditations, acquired rights and consents issued, granted or signed by any public authority, required for the accomplishment of the reclamation activities. If a reclamation business proceeds with the processing of recovered materials from outside Québec, this processing must be authorized by the authorities who have jurisdiction and must not be prohibited in Québec. SOGHU shall give RECYC-QUÉBEC written notice of the selection criteria and process followed, the terms and conditions of operation of the reclamation businesses, and the measures taken to assure monitoring of the quantities of reclaimed oils, containers and filters and their traceability.

Section 7: Recovery and Reclamation Objectives

- 7.1. The recovery and reclamation system stipulated in Section 6 shall assure the following rates of recovery and reclamation:
 - 7.1.1. for used oils, the minimum rate of recovery shall be 70% of the recoverable oils effective from 2005 and 75% of the recoverable oils effective from 2008. For the purposes of calculation of the years 2005 and 2006, the recoverable oil rate in relation to the oils marketed annually shall be 67%. The Parties agree to review the recoverable oil rate according to analyses to be performed by SOGHU or any other study. However, these analyses and studies shall be submitted to RECYC-QUÉBEC for approval;
 - 7.1.2. for the oil or fluid containers, the minimum rate of recovery shall be 50% effective from 2005 and 75% effective from 2008. The Parties agree to study the possibility of establishing a recoverable container rate for the calculation of the rate of recovery, following analyses or studies performed by SOGHU and approved by RECYC-QUÉBEC;
 - 7.1.3. for used filters, the minimum rate of recovery shall be 50% effective from 2005 and 75% effective from 2008;
 - 7.1.4. for all recovered materials, the rate of reclamation shall be 100% effective from 2005. However, the reclamation requirement shall apply to oil or fluid containers only to the extent that their reclamation is possible and that the costs associated with this reclamation do not represent an economic constraint such that they threaten the competitiveness of SOGHU's member businesses.
- 7.2. The minimum rates of recovery and reclamation stipulated in subsection 7.1 shall be calculated according to the total number of metric tonnes of recoverable oils, containers and filters marketed annually by SOGHU's member businesses. For the purposes of calculation of the quantities of filters recovered, they shall be drained of all free-flowing oil or fluid.
- 7.3. For each of the materials contemplated, the quantities of materials sold annually by all of SOGHU's member companies combined shall be established by SOGHU, accounting for all the declarations of its members on the quantities sold. The data furnished by SOGHU, according to the declarations made to it by its members, shall be verified by its external auditor. These quantities shall be corrected, as the case may be, on the basis of any audit performed in accordance with subsection 5.5.

- 7.4. For each of the materials contemplated, the quantities recovered shall be established in metric tonnes and measured according to the compilation produced by SOGHU of the official weighings performed by the recovery businesses accredited by SOGHU, which shall be corrected following any audit of the accredited recovery businesses.
- 7.5. For each of the material contemplated, the quantities reclaimed shall be established in metric tonnes and measured according to the compilation produced by SOGHU of the confirmations of quantities received for each of the materials by the accredited reclamation businesses. These data shall be corrected following any audit of the accredited reclamation businesses.
- 7.6. SOGHU shall also furnish the quantities of litres of oil and fluid and the number of filters and containers marketed, recovered and reclaimed.
- 7.7. In the event that the recovery and reclamation objectives established in subsection 7.1 for any of the materials contemplated in the Regulation are not achieved, SOGHU, following a written notice from RECYC-QUÉBEC notifying it of the situation, undertakes to take all reasonable measures to achieve the said objectives as soon as possible. In view of the time limits and the data available at the time of adoption of the Regulation, RECYC-QUÉBEC reserves the right to intervene to assure that amounts in addition to SOGHU's budget are allocated with a view to further promotion of recovery and reclamation of the materials for which the recovery or reclamation objectives have not been achieved.
- 7.8. For the purpose of promoting the achievement and even the exceeding of the objectives mentioned in subsection 7.1, a lump sum as established in Schedule 3 shall be paid by SOGHU to RECYC-QUÉBEC as liquidated damages. The lump sum shall be calculated according to the combined performance of the oils, containers and filters, based on the objective stipulated in subsection 7.1 for each of the materials. In the event of a combined performance equal to or greater than the contemplated objectives, no lump sum shall be paid by SOGHU. RECYC-QUÉBEC, at its discretion, may use up to fifty percent (50%) of the lump sum to analyze the recovery and reclamation performances with SOGHU, propose means to achieve the objectives, establish any activity, research, or information, awareness and education campaign for the purpose of achieving the recovery and reclamation objectives.

Section 8: Communication with Consumers

SOGHU undertakes to take the appropriate measures to inform consumers of the existence and operation of the recovery system established under the Agreement, in particular, the access to the collection points and the environmental advantages resulting from recovery and reclamation of discarded used oils, oil or fluid containers and used filters. Those measures shall include, in addition to information campaigns, providing consumers with free information booklets.

Section 9: Annual Report and Transmission of Information and Documents

- 9.1. SOGHU undertakes to transmit the following documents to RECYC-QUÉBEC within the time indicated, as the case may be:
 - 9.1.1. the names, addresses and registration numbers, when they are registered in the register of sole proprietorships, partnerships and legal persons, of the member businesses, and the names and addresses of their officers, within 60 days of the coming into force of the Regulation;
 - 9.1.2. the names, addresses and registration numbers, when they are registered in the register of sole proprietorships, partnerships and legal persons, of any business which becomes or ceases to be a member, and the names and addresses of its officers, within 30 days of membership, withdrawal or resignation of a business;
 - 9.1.3. the name, address and contact information of any business the services of which are retained by SOGHU for mobile collection or fixed collection of the products contemplated by the agreement, and the service zones, within 30 days of the signing, amendment, resiliation or cancellation of an agreement to this effect with a business;
 - 9.1.4. any guideline, directive, study, report or other administrative, technical or economic tool developed to promote the implementation of SOGHU's recovery and reclamation system.
- 9.2. SOGHU undertakes to transmit the following documents to RECYC-QUÉBEC and to the Minister within the time limit indicated:
 - 9.2.1. a copy of SOGHU's letters patent and business plan, within sixty days of the signing of the Agreement. The business plan shall be approved in advance by RECYC-QUÉBEC;
 - 9.2.2. the description of the recovery system it establishes, in particular, the number and location of collection points, the names and addresses of the persons responsible for recovery, in the case of third parties, and the terms and conditions of transport, storage and processing of the recovered products, according to the different types of oil, containers, packaging or filters, when the Regulation comes into force. This description shall be updated annually and transmitted to RECYC-QUÉBEC and to the Minister no later than the anniversary date of the coming into force of the Regulation;
 - 9.2.3. a description of the information campaigns and the other measures foreseen to promote recovery and reclamation of the products concerned to consumers and obtain their cooperation, within 90 days of the coming into force of the Regulation;

- 9.2.4. the presentation of the means implemented for reclamation of the recovered products, in particular, the reclamation methods chosen, the names and addresses of the persons responsible for reclamation, in the case of third parties, and the efforts projected so that the means of reclamation used conform to the 4R hierarchy (reduce at source, reuse, recycle and reclaim) and to develop the markets or techniques of reclamation or the markets for reclaimed products. This presentation shall be made when the Regulation comes into force. It shall be updated annually and transmitted to RECYC-QUÉBEC and to the Minister no later than the anniversary date of the coming into force of the Regulation;
 - 9.2.5. the presentation of the methods of elimination envisioned for recovered products which are not reclaimed, if any, indicating the name and address of the person responsible for elimination, in the case of a third party, within 90 days of the coming into force of the Regulation.
- 9.3. SOGHU shall keep available to the Minister and transmit to RECYC-QUÉBEC the annualized data on the quantities of oil, containers or filters marketed by its members, according to the different types of oils, containers or filters.
 - 9.4. Effective from the expiry of the first full year of operation of SOGHU and no later than March 1 of each subsequent year, SOGHU shall transmit to the Minister and to RECYC-QUÉBEC a report of the results of SOGHU's recovery and reclamation activities. This report shall contain at least the items stipulated in this section and all other information agreed between the parties to this Agreement.
 - 9.5. The annual report produced by SOGHU under this section shall include:
 - 9.5.1. the list of members in good standing of SOGHU and, as the case may be, of the withdrawals or resignations of members registered during the year;
 - 9.5.2. the names, addresses and contact information of the persons responsible to SOGHU for the recovery, reclamation and elimination activities;
 - 9.5.3. for each type of material contemplated, the quantities recovered and subsequently reclaimed or, if any, the quantities eliminated due to a lack of reclamation alternatives, with an indication of the methods of reclamation or elimination chosen; for oils, these quantities shall be indicated by weight and volume, and for containers and filters, by weight and number of units;

- 9.5.4. the means adopted to promote the development of reclamation techniques for recovered oils, oil or fluid containers and filters, particularly for the purposes of reuse and recycling, and the results of the research conducted;
- 9.5.5. the description of the information campaigns conducted and the other measures taken to promote recovery and reclamation of used oils, oil or fluid containers and used filters;
- 9.5.6. SOGHU's audited annual financial statements and the calculation method that served to establish the contributions and subsidies, and the costs generated during the period covered by the report, by the implementation of SOGHU's recovery and reclamation system, the information, awareness and education campaigns, and the research and development activities;
- 9.5.7. any change occurring during the period shall be the object of the report on information transmitted to the Minister or to RECYC-QUÉBEC under the Agreement;
- 9.5.8. SOGHU's budget forecasts for the next three years after the year covered by the annual report;
- 9.5.9. the information contemplated in subsection 9.3 and in paragraphs 9.5.3, 9.5.4 and 9.5.6 of the Agreement shall be audited by an external auditor who shall certify its veracity, as the case may be. This certificate shall accompany SOGHU's annual report transmitted to the Minister and to RECYC-QUÉBEC.

Section 10: Term, Amendment, Resiliation, Cancellation and Renewal of the Agreement

- 10.1. This Agreement shall take effect on the date it is signed and end on December 31, 2008.
- 10.2. Unless one of the Parties transmits a written notice of non-renewal no less than 180 days before the end of the Agreement, it shall be renewed automatically for a 12-month period. The terms of the Agreement shall remain the same for this new period, with the necessary adjustments. However, the Agreement may not be renewed automatically more than three times.
- 10.3. If either Party gives a notice of non-renewal within the time stipulated in subsection 10.2, the Parties shall undertake the negotiation of a new agreement no later than October 1 of the year when the Agreement ends. However, such negotiation shall not be necessary if SOGHU's notice indicates that it is terminating its operations or if RECYC-QUÉBEC's notice indicates that it does not wish to renew the approval given to SOGHU.

- 10.4. Notwithstanding the foregoing, RECYC-QUÉBEC may terminate the Agreement at any time, on thirty days' written notice, without the possibility of any recourse on the part of SOGHU, if the latter is in default of compliance with its obligations under the terms of the Agreement, the Regulation or any applicable legislation or regulations. However, if the default can be corrected, SOGHU shall be given 30 days' notice to remedy it or to take any action allowing it to be remedied as soon as possible.

Section 11: Final Provisions

- 11.1. The Agreement binds the Parties and their respective successors, heirs, legatees, assigns and other legal representatives and their beneficiaries.
- 11.2. SOGHU may not assign, encumber, alienate or subcontract, in whole or in part, the rights and obligations resulting from the Agreement, in any manner, for a purpose not specifically stipulated in the Agreement, without the written consent of RECYC-QUÉBEC. Notwithstanding any assignment, SOGHU shall remain liable for the obligations incumbent upon it under the terms of the Agreement, jointly and severally with the assignee, even in the event of bankruptcy or insolvency of the assignee.
- 11.3. All the documents transmitted by SOGHU to RECYC-QUÉBEC or to the Minister shall be submitted to them for information, review and audit purposes. SOGHU shall not be discharged from its obligations under the terms of the Agreement by the fact that RECYC-QUÉBEC or the Minister has not insisted on the full performance of one of the commitments contained in the Agreement, and such a fact shall not be considered an exemption from or a waiver of the full performance of this commitment.
- 11.4. In the event of an amendment to the Act or the regulations applicable to the materials contemplated in the Agreement or regarding the legal obligations of the Parties to the Agreement or SOGHU's member businesses, the Parties agree to negotiate in good faith the amendments to be made to the Agreement so that it is always in compliance with the applicable rules.

- 11.5. The Agreement is governed by the laws of Québec, and any dispute arising from the application or performance of the Agreement, directly or indirectly, shall be brought before the competent court of the Judicial District of Québec, excluding any other jurisdiction.

AND THE PARTIES HAVE SIGNED AND EXECUTED THIS AGREEMENT AT QUÉBEC CITY THIS 25TH DAY OF NOVEMBER 2004

RECYC-QUÉBEC

per: (sgd) R.Lemieux
Robert Lemieux
President and General Manager

SOGHU

per: (sdg) Gilles Goddard
Gilles Goddard
General Manager

SCHEDULE 2

(ref.: subsection 4.8)

The financial contribution which SOGHU pays to RECYC-QUÉBEC shall be established each year according to the revenue SOGHU collects from its members from January 1 to December 31 of that year. It shall be composed of a basic contribution of \$240,000 for revenue up to \$8 million and a marginal contribution equivalent to 1.5% for any revenue in excess of \$8 million.

By way of illustration, reference can be made to the following table:

SOGHU REVENUE (in millions of \$)	1 to 8	9	10	11	12	13	14	15	16
% marginal contribution		1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
CONTRIBUTION TO RECYC-QUÉBEC (in thousands of \$)	240	255	270	285	300	315	330	345	360

As stipulated in subsection 4.8, this contribution shall be payable in two installments: the first covering the first 6 months of the current year, and the second covering the last 6 months of the year.

However, for the year 2004, the basic amount of \$240,000 shall not apply and SOGHU's financial contribution to RECYC-QUÉBEC shall be established at 3% of SOGHU's revenue.

Membership Application Form

**Membership Application Form
(SOGHU)**

Company _____
Contact _____
Address _____

Telephone _____
Fax _____
E-mail _____

Required document check-list

- Our cheque for \$227.90 (\$200 plus GST plus PST) is enclosed**
- Our membership agreement is enclosed (2 copies)**
- Our Corporate List of Officers is enclosed**

Our NEQ# (Quebec Enterprise number) is _____

Our corporation # is _____ (if you do not have an NEQ number)

Our monthly EHCs will be paid:

- By cheque to SOGHU
- By electronic transfer

Person responsible for the payment of EHCs

Name _____
Address _____

Telephone _____
Fax _____
E-mail _____

Confidential estimate of our annual volume

Lubricating oils covered by the Regulation _____
Containers of 50 litres or less (total capacity) _____
Filters of less than 8 inches/203mm (**in length**) _____
Filters of 8 inches/203mm (**in length**) or more _____
Aerosol containers (units) _____

Please mail this Membership Application Form, along with all required Membership documents, in a confidential envelope to:

**SOGHU
1101 Brassard Blvd. Suite 214,
Chambly, QC
J3L 5R4**

EHC Remittance Form

Membership Agreement

MEMBERSHIP AGREEMENT, entered into at _____ on _____, _____.

BETWEEN:

SOCIÉTÉ DE GESTION DES HUILES USAGÉES,
a company constituted under Part III of the *Companies Act* having its principal place of business at 1101, Brassard Blvd., Suite 214, Chambly, Québec, J3L 5R4, represented by Mr. Gilles Goddard, its General Manager, duly authorized to act herein;

(hereinafter called “*SOGHU*”)

AND:

_____ a legal person duly constituted under _____ [or a partnership or unconstituted entity] having its principal place of business at _____, represented herein by _____, its _____, duly authorized to act herein as he so declares;

(hereinafter called the “*Member*”)

PREAMBLE

THE PARTIES DECLARE THE FOLLOWING:

WHEREAS SOGHU has been constituted for the purposes of implementing a recovery and recycling system for used oil, oil or fluid containers and used filters within the territory of the Province of Québec;

WHEREAS the Member is a Brand Owner or Leading Supplier in Québec (such as these terms are defined herein); and

WHEREAS the Member wishes to join SOGHU for the purposes of satisfying the requirements of the Regulation (as defined herein).

THE PARTIES AGREE AS FOLLOWS:

1. Definitions

The following words and terms shall be interpreted unless there is an implicit or explicit exception in the text, according to the definitions ascribed to them hereinafter:

Act: means the *Environment Quality Act* (R.S.Q., c. Q-2) and the Regulations adopted thereunder;

Brand Owner: means any business which markets lubricating oils and/or filters under a trademark of which it is the owner or user;

Certification Agreement: means the agreement entered into between RECYC-QUÉBEC and SOGHU, appended to the Agreement as Schedule 3, recognizing SOGHU as an organization authorized to implement a recovery and recycling system, as described in Section 14 of the **Regulation**;

Container: means a container of 50 litres or less, made of plastic or other material, including aerosol containers, as described in Section 3 of the **Regulation**;

Environmental Handling Charge: means the contribution paid to SOGHU by its Members;

Filter: means oil filters, antifreeze filters and diesel filters, and filters for heating systems using light heating oil and for oil storage tanks, as described in Section 4 of the **Regulation**;

Leading Supplier in Québec: means a business which markets lubricating oils and/or filters for which the Brand Owner has neither a domicile nor a place of business in Québec;

Lubricating oil: means a mineral, synthetic or vegetable oil, as identified in Section 2 and Schedule I of the **Regulation**;

Member: means a Brand Owner, Leading Supplier or User in Québec which is a Member of SOGHU;

Membership Agreement or Agreement: means this Agreement entered into between the Member and SOGHU;

Minister: means the Minister of the Environment of Québec;

Prime Rate: means, for each day, the annual interest rate which the principal business bank of SOGHU establishes for that day in respect of the market situation and based on which it determines the interest rates on the loans it grants in Canada in Canadian dollars;

Product: means the Products identified in the Regulation;

Regulation: means the **Regulation** respecting recovery and recycling of used oils, oil or fluid containers and used filters, Order-in-Council 166-2004, published in the Gazette officielle du Québec on March 24, 2004, as amended on August 11, 2004, and as it may be further amended from time to time thereafter;

Schedule of Environmental Handling Charges (EHCs): means the amounts of EHCs which must be disbursed monthly on the oils, filters and containers contemplated by the Regulation, all as described in Schedule 1 hereof, which Schedule may be amended from time to time; and

SOGHU: means Société de gestion des huiles usagées, an organization created to implement the recovery and recycling system, as described in Section 14 of the **Regulation**.

2. Obligations of SOGHU

- 2.1 SOGHU undertakes to implement a recovery system for used oils, containers holding 50 litres or less, aerosol containers and used filters in collaboration with the collectors it will have certified.
- 2.2 SOGHU undertakes to implement a recycling system for the recovered Products in collaboration with the recyclers using these products in accordance with the Act and any other applicable legislation and regulations.
- 2.3 SOGHU undertakes to implement an information and awareness program for users and consumers regarding used oils in the industrial, commercial and private fields in accordance with Section 11 of the Regulation.
- 2.4 Except as provided herein, SOGHU undertakes not to disclose any confidential document or information received from the Member, in accordance with the Act respecting access to documents held by public bodies and the protection of personal information (R.S.Q., c. A-2.1). However, SOGHU may transmit any document or information to RECYC-QUÉBEC or to the Minister or to the authorized persons of the Ministère de l'Environnement du Québec, or when such transmission is required by any legislation or required by a judicial or quasijudicial authority. RECYC-QUÉBEC, under the terms of the Certification Agreement, has committed itself to SOGHU for the same obligations.
- 2.5 SOGHU shall send the Member ninety (90) days' advance written notice of any amendment to Schedule 1 hereof regarding the EHCs.

3. Obligations of the Member

- 3.1 The Member agrees to transmit to SOGHU, in writing, including electronically or by way of a spreadsheet, within thirty (30) days of the end of each month, the details of the quantities of lubricating oils and filters contemplated by the Regulation which it markets in the Province of Québec and the total capacity of oil or fluid containers holding 50 litres or less marketed during each of these periods. The Member shall annually transmit to SOGHU, the details of its sales of oils, by Lubricating oil types.
- 3.2 In consideration of its membership in SOGHU, the Member agrees to remit the following amounts to SOGHU:
 - a) membership fees in an amount of \$200 and the taxes pertaining thereto;
 - b) an annual duty, as determined from time to time by SOGHU;
 - c) the EHCs and the taxes pertaining thereto, based on the volume of products sold or supplied by the Member in the Province of Québec, as determined by SOGHU in Schedule 1 hereof, as amended from time to time.
- 3.3 The EHCs shall be disbursed by the Member to SOGHU on a monthly basis, within 30 days of the end of each month and shall be accompanied by the Form which must accompany the monthly payment of the EHCs, appended hereto as Schedule 2, as amended from time to time by SOGHU.
- 3.4 In the event that the Member omits to pay the amounts due hereunder when due, the Member shall pay interest equivalent to the Prime Rate on the arrears effective from the due date. The interest shall be payable on request and, in all cases, no later than the date the next payment becomes due.

- 3.5 The Member agrees to remit to SOGHU within 30 days of the signing hereof, the EHCs on all the products sold or supplied by it between December 1, 2004 and the date when the Member actually becomes a Member of SOGHU.
- 3.6 The Member agrees to remit to SOGHU, upon signing and execution hereof, an up-to-date list including the name and address of its directors and officers, and its name, address and registration number, as the case may be. This information shall be transmitted to RECYC-QUÉBEC under the terms of Section 9 of the Certification Agreement. SOGHU shall remit the said information to RECYC-QUÉBEC.
- 3.7 The Member agrees to collaborate with SOGHU in its efforts to inform consumers of the existence and operation of the recovery system, its accessibility and the advantages of the recovery and recycling system of the products described in the Regulation.
- 3.8 The Member also agrees to collaborate with SOGHU in order to favor the implementation of the Certification Agreement.

4. Term of the Agreement

- 4.1 The Member agrees that upon the signing and execution of the Membership Agreement and the payment of the membership fees, it shall become a Member of SOGHU, subject to its By-laws.
- 4.2 A Member may give 30 days' prior written notice of its intention to withdrawal from SOGHU at any time.
- 4.3 In the event that the Member gives SOGHU written notice of its intention to withdraw, the Member shall be considered to have withdrawn from SOGHU 180 days after the date of receipt of the notice. Upon receipt of the notice, SOGHU shall request an audit of the Member's books and records.
- 4.4 The Member agrees that SOGHU shall transmit a list of the enterprises which have signed a Membership Agreement with SOGHU or which have withdrawn from SOGHU to RECYC-QUÉBEC, which may transmit the said information to the Minister in accordance with the Act.
- 4.5 SOGHU shall be entitled to terminate a Member's Membership Agreement unilaterally in the event of the Member's bankruptcy or insolvency or in the event of non-payment of the EHC for a period of two (2) consecutive months or in the event of a material or repeated breach of its obligations hereunder.

5. Funding of the Costs

- 5.1 The Member acknowledges and agrees that the sums collected by SOGHU from its Members shall serve to fund all of the costs, programs and activities established by SOGHU, in particular:
 - a) the information, awareness and education campaigns;
 - b) the return incentives to be disbursed to the collection points or the collectors;
 - c) the recycling incentives to be disbursed for the recycling of the recovered oils, containers and filters, research and development;
 - d) SOGHU's management fees;
 - e) SOGHU's annual financial contribution to RECYC-QUÉBEC.

6. Audit

- 6.1 The Member agrees to keep complete, accurate and up-to-date books and records of all the transactions and information required under the terms of the Regulation regarding the Products and the payments of EHCs.
- 6.2 The Member agrees that SOGHU and/or RECYC-QUÉBEC, their auditors or other duly authorized representatives, in order to meet the requirements of the Regulation regarding auditing of the information required by the Regulation, shall have full access, during normal business hours, to the place of business and to the books and records of the Member or to the place where the books and records of the Member are kept and to any other document or information required to complete the audits required by the Regulation and the Certification Agreement and shall have the right to take a copy of these documents at the Member's expense, for the duration of the Agreement, and for a period of two (2) years following the termination, resiliation or cancellation of this Agreement or of any renewal thereof, as the case may be.
- 6.3 This audit shall be conducted at SOGHU's expense, unless considerable errors (over 10%) of any amount paid by or any information given by the Member are proved following this audit. The Member shall immediately disburse the following amounts to SOGHU, to which shall be added the taxes pertaining thereto:
- a) the EHCs due;
 - b) the audit expenses (if the errors are over 10%); and
 - c) administration expenses over and above the audit expenses, as the case may be, corresponding to 20% of the EHCs due.

7. Posting

- 7.1 In compliance with the principle of the producer's expanded responsibility, the Member undertakes to observe the provisions of the Consumer Protection Act (R.S.Q. c. P-40.1) regarding the posting of the selling price of the oils, fluids and filters they market, and to inform the retailers which offer their products to consumers.

8. Final Provisions

- 8.1 This Agreement shall bind the Parties and their successors, heirs, legatees, assigns and other respective legal representatives and their beneficiaries.
- 8.2 The Member may not assign, encumber, alienate or subcontract, in whole or in part, the rights and obligations resulting from this Agreement, in any manner, for a purpose not specifically prescribed in the Agreement without the written consent of SOGHU. In the event of any assignment, the Member shall remain liable for the obligations incumbent on it under the terms of this Agreement, jointly and severally with any assignee, even in the event of bankruptcy or insolvency of the assignee. All the documents transmitted by the Member to SOGHU shall be submitted for information, review and verification purposes.
- 8.3 All the rights mentioned herein are cumulative and not alternative. The Member cannot be discharged from its obligations under the terms of this Agreement by the fact that SOGHU remains silent or delays the execution of a right or a remedy granted to it under this Agreement, which shall never be interpreted against SOGHU as an exemption or a waiver of the full execution of its rights and remedies, as long as the legal prescription provided for the exercise of such a right or remedy has not expired.
- 8.4 The preamble and any document appended to this Agreement are an integral part thereof.

- 8.5 Any contested claim arising from the Agreement, any disagreement regarding its performance, including its nullification, and any dispute arising from a problem of interpretation of the Agreement shall be submitted to arbitration, to the exclusion of the law courts.
- 8.6 The Parties hereto agree that the provisions currently in force of the Code of Civil Procedure (R.S.Q., c. C-25) shall govern any arbitration held hereunder.
- 8.7 Any notice required hereunder shall be sufficient if it is recorded in a writing and sent by a mode of communication which allows the sending Party to prove that the said notice was actually delivered to the addressee Party at the address indicated at the beginning of the Agreement or at any other address which the latter may make known in accordance with this section.
- 8.8 This Agreement may be changed or amended in whole or in part, by mutual agreement between the Parties. As the case may be, any change or amendment thus made shall take effect only as of the date it is recorded in a writing duly signed and executed by the Parties and appended to the Agreement.
- 8.9 The Agreement, its interpretation, its performance, its application, its validity and its effects shall be subject to the applicable laws in force in the Province of Québec and in Canada, which govern all of the provisions it contains in whole or in part.
- 8.10 Any provision of the Agreement not in accordance with the laws shall be deemed null and void to the extent that it is prohibited by any of them. The same principle applies for all subordinate or related clauses of such as provision to the extent that their applicability depends on the said provision.

THE PARTIES HAVE SIGNED AND EXECUTED THIS AGREEMENT AT
_____ this _____, _____.

SOCIÉTÉ DE GESTION DES HUILES USAGÉES

Per: _____
Gilles Goddard, General Manager

THE MEMBER

Per: _____

SCHEDULE 1

Schedule of Environmental Handling Charges (EHCs)

- \$0.05 per litre for lubricating oils;
- \$0.05 per litre of capacity of oil containers of 50 litres or less;
- \$0.25 per aerosol container;
- \$0.50 per filter or less than 8 inches or 203 mm (in length) , and \$1.00 per filter of 8 inches or 203 mm (in length) or more;
- \$0.50 per sump type automatic transmission filter, regardless of size.

SCHEDULE 3

Certification Agreement Entered into Between SOGHU and RECYC-QUÉBEC

AGREEMENT ENTERED INTO AT MONTREAL ON NOVEMBER 1, 2004,

BETWEEN: **SOCIÉTÉ QUÉBÉCOISE DE RÉCUPÉRATION ET DE RECYCLAGE**, a government corporation created under the *Act respecting the Société québécoise de récupération et de recyclage*, R.S.Q., c. S-22.01, having its head office at 675 Rue Saint-Amable, Suite 300, Québec (Québec) G1R 2G5, hereinafter represented by Mr. Robert Lemieux, its President and General Manager, who declares that he is duly authorized for this purpose,

(hereinafter “RECYC-QUÉBEC”)

AND: **SOCIÉTÉ DE GESTION DES HUILES USAGÉES**, a non-profit corporation created under Part III of the *Companies Act*, R.S.Q., c. C-38, having its head office at 1 Place Ville-Marie, 37th floor, Montréal (Québec), H3B 3P4 and its principal place of business at 1101 Brossard Blvd., Suite 214, Chambly (Québec) J3L 5R4, hereinafter represented by Mr. Gilles Goddard, its General Manager, who declares that he is duly authorized for this purpose,

(hereinafter “SOGHU”)

WHEREAS the Government of Québec, on September 30, 2000, published in the *Gazette officielle du Québec* the Québec Residual Materials Management Policy, 1998-2008 (hereinafter the “Policy”), which thus became the official policy of the Government under subsection 53.4 of the Environment Quality Act (R.S.Q., c. Q-2, hereinafter the “Act”);

WHEREAS, under subsection 53.30 of the Act, the Government may, by regulation, regulate the recovery and reclamation of residual materials in all or part of the territory of Québec;

WHEREAS, by Order-in-Council 166-2004, adopted on March 10, 2004, the Government decreed the *Regulation respecting recovery and reclamation of used oils, oil or fluid containers and used filters*, as amended from time to time (hereinafter the “Regulation”), in accordance with subparagraph 7 of the first paragraph of subsection 53.30 of the Act;

WHEREAS the different rates of recovery and schedules determined by the Regulation were determined by the Government after consultation of industry representatives, taking into account the situation in 1999-2000 and according to the data available at that time, and these rates have not been adjusted to account for the information available at the time of adoption of the Regulation of 2004;

WHEREAS the rates and schedules determined by the Regulation were not updated upon the adoption of the Regulation so as not to delay the coming into force of the Regulation any further, and this, with the consent of the industry representatives, it being agreed that this situation will be considered subsequently and that adjustments may subsequently be discussed and agreed;

WHEREAS Société de gestion des huiles usagées (hereinafter “SOGHU”) wishes to enter into a certification agreement with Société québécoise de récupération et de recyclage (hereinafter “RECYC-QUÉBEC”) under Section 14 of the Regulation;

WHEREAS SOGHU was created in 2004 by businesses in the oil and oil filter industry for the purpose, in particular, of acting as an approved organization;

WHEREAS SOGHU brings together several businesses which market oils or filters in Québec;

WHEREAS the purposes for which SOGHU was constituted are to promote responsible management of used oils, oil and fluid containers and used filters, and to create and manage, in collaboration with partners, a management structure for these materials, allowing it to provide for the implementation of a recovery and reclamation system for used oils, oil or fluid containers and used filters, all in accordance with the Regulation and this Agreement;

WHEREAS in the Regulation, in particular, any business that markets oils or filters under a trademark it owns or uses is required, through a recovery system that meets the minimum specifications described in Schedule III of the Regulation, to recover or to see to the recovery of used oils, oil or fluid containers and used filters deposited at the collection points provided for in the system and that are of the same type as those it markets, as well as any container or packaging used in the transport of these oils back to the collection points;

WHEREAS in the Regulation, a business subject to the recovery requirements is also required to reclaim or see to the reclamation of all the used oils and filters it has recovered. It is also required to reclaim or see to the reclamation of the oil or fluid containers recovered, to the extent that their reclamation is technically possible and the costs associated with the reclamation do not threaten its competitiveness;

WHEREAS the Regulation stipulates that any business subject to it may be exempted from the requirements under Sections 5 to 7 and 10 to 13 of the Regulation if the business is a member of an organization one or more of the functions of which is to implement or contribute financially toward the implementation of a system to recover or reclaim residual materials, in accordance with the conditions fixed by an agreement entered into between the organization and RECYC-QUÉBEC and if the name of such an organization appears on a list drawn up by RECYC-QUÉBEC and published in the *Gazette officielle du Québec*;

WHEREAS the provisions of any agreement contemplated in subparagraph 7 of the first paragraph of subsection 53.30 of the Act should allow achievement of a level of recovery and reclamation equal to or greater than the one which would have been reached by the application of the regulatory standards, as stipulated in the second paragraph of subsection 53.30 of the Act;

WHEREAS the Policy designates RECYC-QUÉBEC to coordinate the activities of the approved industrial organizations and, more specifically, to monitor the implementation of the certification agreements;

WHEREFORE the Parties establish the following:

Section 1: Interpretation

1. For the purposes of this Agreement:
 - 1.11. “consumer” means a consumer such as this term is defined in subsection 1(e) of the *Consumer Protection Act*, R.S.Q., c. P-40.1;
 - 1.12. “container” means any container contemplated by the Regulation;
 - 1.13. “Agreement” means this Certification Agreement;
 - 1.14. “business” means any person that markets oils, fluids or filters contemplated by the Regulation in Québec under a trademark it owns or uses. In the event that such a person has neither a domicile nor a place of business in Québec, this term means the leading supplier in Québec of this product, regardless of whether this person is the importer;
 - 1.15. “filter” means any type of filter contemplated by the Regulation;
 - 1.16. “oil” means any oil contemplated by the Regulation;
 - 1.17. “Act” means the *Environment Quality Act* (R.S.Q., c. Q-2);
 - 1.18. “Minister” means the Minister of the Environment of Québec;
 - 1.19. “Regulation” means the *Regulation respecting recovery and reclamation of used oils, oil or fluid containers and used filters*, as amended from time to time;
 - 1.20. “reclamation” means reclamation as defined in subsection 53.1 of the Act.

Section 2: Purpose of the Agreement

2. The main purpose of this Agreement is to supervise the recovery and reclamation system established by SOGHU and determine the minimum rates of recovery and reclamation of oils, oil or fluid containers and used filters that this system must assure, and to define specifically the role, obligations and responsibilities of the parties, and the terms and conditions of operation of the Agreement.

Section 3: SOGHU Structure and Business Membership

- 3.6. SOGHU's business is administered by a Board of Directors, the formation of which is governed by its General By-laws, appended in Schedule 1. Any amendment to the General By-laws shall be transmitted to RECYC-QUÉBEC within 10 days. RECYC-QUÉBEC shall designate a representative to the Board of Directors who serves as a non-voting member.
- 3.7. The Board of Directors appoints a General Manager who is responsible for the management of SOGHU's business. The General Manager reports on his management to the Board of Directors.
- 3.8. A Vigilance Committee is formed in the following manner:
- one person appointed by the Minister;
 - one person appointed by RECYC-QUÉBEC;
 - two persons appointed by the groups of municipalities designated in Section 53.31.8 of the Act;
 - one representative of the recovery businesses concerned;
 - one representative of the reclamation businesses concerned;
 - one person appointed by an environmental association representative of the community;
 - one person appointed by a Québec consumer association; and
 - one person appointed by the Conseil québécois du commerce de détail.

The Vigilance Committee's mandate is to make recommendations to the Board of Directors on the development and implementation of measures intended to improve the operation of the recovery and reclamation system pertaining to SOGHU.

- 3.9. For the purpose of enabling the businesses subject to the recovery and reclamation requirements stipulated in the Regulation to join SOGHU, it makes available to them a Membership Agreement, which is approved by RECYC-QUÉBEC and appended in Schedule 4. Any business which signs this Agreement and which pays the contribution stipulated in subsection 4.5 becomes a member in good standing of SOGHU and is exempt from the requirements prescribed Sections 5 to 7 and 10 to 13 of the Regulation, in accordance with Section 14 thereof.
- 3.10. Within 60 days of the coming into force of the Agreement, SOGHU shall forward to RECYC-QUÉBEC the list of businesses which have signed a Membership Agreement with SOGHU. Any addition of a business to this list during the term of this Agreement or any renewal thereof, and any withdrawal of a business from the list, shall be communicated periodically to RECYC-QUÉBEC.

Section 4: Obligations of SOGHU

- 4.11. SOGHU shall implement a system assuring recovery and reclamation of the oils, containers and filters contemplated in the Regulation.
- 4.12. It shall recover, without restriction as to trademark, all types of oils, containers and filters received, including, in particular, used oils brought in non-original containers and unused residues of oils normally consumed or lost during use, according to the objectives indicated in Section 7.
- 4.13. It shall make its services available free of charge to the general public, throughout the territory of Québec, in accordance with the criteria established in Section 6.
- 4.14. It shall specify the terms and conditions and implement a recovery system and promote the development of markets for reclamation of oils, containers and filters in accordance with the criteria stipulated in this Agreement. These terms and conditions shall make it possible, in particular, to consider the methods of recovery already in place, particularly regarding collection of hazardous household residues organized by the municipalities.
- 4.15. It shall establish a rate determining the contribution of its members. It shall establish a collection system for the contributions payable by the member businesses, it being understood that the amounts coming from the contributions shall serve to fund all of the costs, programs and activities contemplated by the Agreement, in particular:
 - Information, awareness and education campaigns;
 - Subsidies payable to the collection points or the recovery businesses;
 - Subsidies payable for reclamation of recovered oils, containers and filters, research and development;
 - SOGHU's management fees;
 - The financial contribution which SOGHU must pay annually to RECYC-QUÉBEC.
- 4.16. SOGHU undertakes to notify RECYC-QUÉBEC and the Minister of the rate of the contribution it establishes for its members and any change it introduces thereto, within 30 days before they come into force. The contribution imposed by SOGHU on its members shall respect the principle of the producer's expanded responsibility as set out in the Policy. The members of SOGHU shall observe the provisions of the *Consumer Protection Act* (R.S.Q., c. P-40.1) regarding the posting of the selling price of the oils, fluids and filters they market. SOGHU shall prescribe its members' commitment in this regard in the Membership Agreement stipulated in subsection 3.4. Two years after the signing of the Agreement, SOGHU shall review the criteria taken into account to determine the rate, so as to make the member businesses responsible for the environmental consequences of the products they market or distribute, taking into consideration, among other factors, the characteristics of the oils, containers and filters with regard to their potential for reuse, recovery and reclamation.
- 4.17. It may enter into any contract, agreement or covenant with organizations, businesses, municipalities or other stakeholders in order to achieve the recovery

and reclamation objectives stipulated in the Agreement, in accordance with the applicable laws and regulations.

- 4.18. It shall pay an annual financial contribution to RECYC-QUÉBEC intended to defray all of the costs arising from the functions and responsibilities assumed under the Agreement, including coordination, monitoring of the agreement, assistance in achieving the objectives, participation in information, education and awareness, development of markets for recovered and reclaimed materials, development of recovery and reclamation technologies, analysis of results, and auditing. The amount of the annual contribution shall be established in accordance with Schedule 2 and payable in two equal installments, no later than September 30 of each year for the months of January to June of the current year, and March 31 of each year for the months of July to December of the previous year; the financial contribution for the year 2004 shall be payable in full to RECYC-QUÉBEC on March 31, 2005;
- 4.19. It shall allow any external auditor, authorized by RECYC-QUÉBEC, to proceed with the audit and validation of any document or any information submitted to it or which must be submitted to it for the performance of the functions entrusted to it under the Agreement and give him the necessary access to any book, document or information belonging to SOGHU or to its member businesses. SOGHU shall prescribe its members' commitment in this regard in the Membership Agreement stipulated in Section 6. The external audit fees billed to RECYC-QUÉBEC in accordance with the contracted awarded following the call for tenders stipulated in subsection 5.5 shall be discharged by SOGHU, in addition to the contribution stipulated in subsection 4.8.
- 4.20. SOGHU undertakes to negotiate service agreements with RECYC-QUÉBEC, as needed, pertaining in particular to the performance of common studies regarding pilot projects, research and development projects, market analyses or information, awareness and education campaigns.

Section 5: Roles and Responsibilities of RECYC-QUÉBEC

- 5.8. RECYC-QUÉBEC undertakes not to disclose any confidential document or information received from SOGHU or a member business, in accordance with the *Act respecting access to documents held by public bodies and the protection of personal information* (R.S.Q., c. A-2.1). However, it may transmit any document or information to the Minister or to the authorized persons of the Ministère de l'Environnement du Québec, or when such transmission is required by any law or required by a judicial or quasijudicial authority.
- 5.9. RECYC-QUÉBEC shall assure monitoring of the Agreement and coordination with the other organizations which have entered into a similar agreement pertaining to the recovery and reclamation of residual materials. It shall promote concerted actions between these organizations and shall give SOGHU the benefit of its expertise, particularly concerning the establishment of a recovery network, information, education and awareness, research and development.
- 5.10. RECYC-QUÉBEC shall account to the Minister for the monitoring of the Agreement and, in particular, the performance of the recovery and reclamation system put in place by SOGHU. RECYC-QUÉBEC shall make the appropriate recommendations to SOGHU and the Minister in this regard.
- 5.11. RECYC-QUÉBEC shall proceed with the analysis and validation of the information transmitted by SOGHU under the Agreement.
- 5.12. RECYC-QUÉBEC shall mandate an external auditor to proceed annually, or in any other period agreed with SOGHU, with the audit of the results and achievement of the recovery and reclamation objectives of SOGHU, the recovery businesses, the reclamation businesses and a sample of no more than fifteen percent (15%) of SOGHU's members. The external auditor shall be chosen by RECYC-QUÉBEC following a call for tenders process. SOGHU shall participate in the selection procedure for the tenders deposited by designating a member of the selection committee. The sample of the SOGHU members for audit purposes shall be determined by RECYC-QUÉBEC, by consensus with SOGHU.
- 5.13. RECYC-QUÉBEC shall report, in its annual report, on the utilization of the financial contributions stipulated in the Agreement.
- 5.14. RECYC-QUÉBEC shall register SOGHU on the list it has published in the *Gazette officielle du Québec* and shall transmit this Agreement to the Minister, in accordance with subparagraph 7 of the 1st paragraph of subsection 53.30 of the Act. This publication shall take place within 60 days of the signing of the Agreement.

Section 6: Establishment of SOGHU's Recovery and Reclamation System

- 6.11. The collection points established by SOGHU shall, by their nature, location and number, be capable of reasonably guaranteeing the achievement of the recovery objectives stipulated in the Agreement, by applying the following criteria.
- 6.12. SOGHU shall establish collection points for each regional municipality within whose territory a member business markets oils, fluids or filters contemplated in the Regulation. A regional municipality is any municipality contemplated in the 2nd paragraph of subsection 53.5 of the Act.

It shall also establish collection points for every town within whose territory a member business markets oils, fluids or filters, which has 25,000 or more inhabitants and whose territory is not part of a regional municipality.

- 6.13. The minimum number of collection points the recovery system must include and their type and location shall be determined according to Option B of Schedule III of the Regulation.
- 6.14. The recovery system shall include collection points where the materials contemplated by the Regulation can be deposited and which are of the same type as the materials marketed by the member businesses located within the territory served by each collection point concerned, as well as the containers and packaging used in the transport of these materials back to the collection points.
- 6.15. A collection point shall consist either of a permanent and fixed depot or a temporary, fixed or mobile depot.

A permanent depot is a depot that is accessible year round during regular business hours for a period of at least 24 hours per week in which at least six of these hours are during the weekend. The opening hours of the depot must be posted in an appropriate location.

A temporary depot is one that is accessible or available periodically and at least once per season.

A fixed depot must be located so as to minimize travel distances for the majority of the persons served by the collection point in the territory concerned.

- 6.16. The use of the recovery system shall be free of charge for every citizen.

- 6.17. SOGHU shall establish a partnership with the various stakeholders for the establishment of several collection points of various types. In particular, it shall seek to establish a partnership with:
- 6.17.1. commercial sector operators, for the establishment of collection points in automobile mechanical repair shops, service stations which have a mechanical repair shop and retail stores offering motor vehicle repair and maintenance services;
 - 6.17.2. industrial sector operators, for the establishment of collection points in factories where there is substantial consumption of oil;
 - 6.17.3. municipal sector, agricultural sector and forest sector organizations, for the integration of the existing collection points into its recovery system, for studies of the complementary relationship between these collection points and its own collection points, or to collaborate in the establishment of new collection points.
- 6.18. SOGHU shall review each year the number of collection points in its recovery system and their location if the system established does not allow the achievement of the recovery and reclamation objectives determined by the Agreement.
- 6.19. SOGHU shall establish a selection and accreditation process for the recovery businesses of the system it operates under the Agreement. The recovery business selection process shall be transparent and favour free enterprise. SOGHU shall give RECYC-QUÉBEC written notice of the selection criteria and process followed, the terms and conditions of operation of the recovery businesses, and the measures taken to assure monitoring of the quality and quantities of recovered oils, containers and filters and their traceability.
- 6.20. SOGHU shall adopt a selection and accreditation process for the reclamation businesses which will proceed with treatment of the oils, fluids, containers and packaging and the recovered filters. SOGHU shall take reasonable measures to assure that the reclamation businesses hold all the permits, licences, certificates, approvals, attestations, accreditations, acquired rights and consents issued, granted or signed by any public authority, required for the accomplishment of the reclamation activities. If a reclamation business proceeds with the processing of recovered materials from outside Québec, this processing must be authorized by the authorities who have jurisdiction and must not be prohibited in Québec. SOGHU shall give RECYC-QUÉBEC written notice of the selection criteria and process followed, the terms and conditions of operation of the reclamation businesses, and the measures taken to assure monitoring of the quantities of reclaimed oils, containers and filters and their traceability.

Section 7: Recovery and Reclamation Objectives

- 7.9. The recovery and reclamation system stipulated in Section 6 shall assure the following rates of recovery and reclamation:
- 7.9.1. for used oils, the minimum rate of recovery shall be 70% of the recoverable oils effective from 2005 and 75% of the recoverable oils effective from 2008. For the purposes of calculation of the years 2005 and 2006, the recoverable oil rate in relation to the oils marketed annually shall be 67%. The Parties agree to review the recoverable oil rate according to analyses to be performed by SOGHU or any other study. However, these analyses and studies shall be submitted to RECYC-QUÉBEC for approval;
 - 7.9.2. for the oil or fluid containers, the minimum rate of recovery shall be 50% effective from 2005 and 75% effective from 2008. The Parties agree to study the possibility of establishing a recoverable container rate for the calculation of the rate of recovery, following analyses or studies performed by SOGHU and approved by RECYC-QUÉBEC;
 - 7.9.3. for used filters, the minimum rate of recovery shall be 50% effective from 2005 and 75% effective from 2008;
 - 7.9.4. for all recovered materials, the rate of reclamation shall be 100% effective from 2005. However, the reclamation requirement shall apply to oil or fluid containers only to the extent that their reclamation is possible and that the costs associated with this reclamation do not represent an economic constraint such that they threaten the competitiveness of SOGHU's member businesses.
- 7.10. The minimum rates of recovery and reclamation stipulated in subsection 7.1 shall be calculated according to the total number of metric tonnes of recoverable oils, containers and filters marketed annually by SOGHU's member businesses. For the purposes of calculation of the quantities of filters recovered, they shall be drained of all free-flowing oil or fluid.
- 7.11. For each of the materials contemplated, the quantities of materials sold annually by all of SOGHU's member companies combined shall be established by SOGHU, accounting for all the declarations of its members on the quantities sold. The data furnished by SOGHU, according to the declarations made to it by its members, shall be verified by its external auditor. These quantities shall be corrected, as the case may be, on the basis of any audit performed in accordance with subsection 5.5.

- 7.12. For each of the materials contemplated, the quantities recovered shall be established in metric tonnes and measured according to the compilation produced by SOGHU of the official weighings performed by the recovery businesses accredited by SOGHU, which shall be corrected following any audit of the accredited recovery businesses.
- 7.13. For each of the material contemplated, the quantities reclaimed shall be established in metric tonnes and measured according to the compilation produced by SOGHU of the confirmations of quantities received for each of the materials by the accredited reclamation businesses. These data shall be corrected following any audit of the accredited reclamation businesses.
- 7.14. SOGHU shall also furnish the quantities of litres of oil and fluid and the number of filters and containers marketed, recovered and reclaimed.
- 7.15. In the event that the recovery and reclamation objectives established in subsection 7.1 for any of the materials contemplated in the Regulation are not achieved, SOGHU, following a written notice from RECYC-QUÉBEC notifying it of the situation, undertakes to take all reasonable measures to achieve the said objectives as soon as possible. In view of the time limits and the data available at the time of adoption of the Regulation, RECYC-QUÉBEC reserves the right to intervene to assure that amounts in addition to SOGHU's budget are allocated with a view to further promotion of recovery and reclamation of the materials for which the recovery or reclamation objectives have not been achieved.
- 7.16. For the purpose of promoting the achievement and even the exceeding of the objectives mentioned in subsection 7.1, a lump sum as established in Schedule 3 shall be paid by SOGHU to RECYC-QUÉBEC as liquidated damages. The lump sum shall be calculated according to the combined performance of the oils, containers and filters, based on the objective stipulated in subsection 7.1 for each of the materials. In the event of a combined performance equal to or greater than the contemplated objectives, no lump sum shall be paid by SOGHU. RECYC-QUÉBEC, at its discretion, may use up to fifty percent (50%) of the lump sum to analyze the recovery and reclamation performances with SOGHU, propose means to achieve the objectives, establish any activity, research, or information, awareness and education campaign for the purpose of achieving the recovery and reclamation objectives.

Section 8: Communication with Consumers

SOGHU undertakes to take the appropriate measures to inform consumers of the existence and operation of the recovery system established under the Agreement, in particular, the access to the collection points and the environmental advantages resulting from recovery and reclamation of discarded used oils, oil or fluid containers and used filters. Those measures shall include, in addition to information campaigns, providing consumers with free information booklets.

Section 9: Annual Report and Transmission of Information and Documents

- 9.6. SOGHU undertakes to transmit the following documents to RECYC-QUÉBEC within the time indicated, as the case may be:
- 9.6.1. the names, addresses and registration numbers, when they are registered in the register of sole proprietorships, partnerships and legal persons, of the member businesses, and the names and addresses of their officers, within 60 days of the coming into force of the Regulation;
 - 9.6.2. the names, addresses and registration numbers, when they are registered in the register of sole proprietorships, partnerships and legal persons, of any business which becomes or ceases to be a member, and the names and addresses of its officers, within 30 days of membership, withdrawal or resignation of a business;
 - 9.6.3. the name, address and contact information of any business the services of which are retained by SOGHU for mobile collection or fixed collection of the products contemplated by the agreement, and the service zones, within 30 days of the signing, amendment, resiliation or cancellation of an agreement to this effect with a business;
 - 9.6.4. any guideline, directive, study, report or other administrative, technical or economic tool developed to promote the implementation of SOGHU's recovery and reclamation system.
- 9.7. SOGHU undertakes to transmit the following documents to RECYC-QUÉBEC and to the Minister within the time limit indicated:
- 9.7.1. a copy of SOGHU's letters patent and business plan, within sixty days of the signing of the Agreement. The business plan shall be approved in advance by RECYC-QUÉBEC;
 - 9.7.2. the description of the recovery system it establishes, in particular, the number and location of collection points, the names and addresses of the persons responsible for recovery, in the case of third parties, and the terms and conditions of transport, storage and processing of the recovered products, according to the different types of oil, containers, packaging or filters, when the Regulation comes into force. This description shall be updated annually and transmitted to RECYC-QUÉBEC and to the Minister no later than the anniversary date of the coming into force of the Regulation;
 - 9.7.3. a description of the information campaigns and the other measures foreseen to promote recovery and reclamation of the products concerned to consumers and obtain their cooperation, within 90 days of the coming into force of the Regulation;

- 9.7.4. the presentation of the means implemented for reclamation of the recovered products, in particular, the reclamation methods chosen, the names and addresses of the persons responsible for reclamation, in the case of third parties, and the efforts projected so that the means of reclamation used conform to the 4R hierarchy (reduce at source, reuse, recycle and reclaim) and to develop the markets or techniques of reclamation or the markets for reclaimed products. This presentation shall be made when the Regulation comes into force. It shall be updated annually and transmitted to RECYC-QUÉBEC and to the Minister no later than the anniversary date of the coming into force of the Regulation;
- 9.7.5. the presentation of the methods of elimination envisioned for recovered products which are not reclaimed, if any, indicating the name and address of the person responsible for elimination, in the case of a third party, within 90 days of the coming into force of the Regulation.
- 9.8. SOGHU shall keep available to the Minister and transmit to RECYC-QUÉBEC the annualized data on the quantities of oil, containers or filters marketed by its members, according to the different types of oils, containers or filters.
- 9.9. Effective from the expiry of the first full year of operation of SOGHU and no later than March 1 of each subsequent year, SOGHU shall transmit to the Minister and to RECYC-QUÉBEC a report of the results of SOGHU's recovery and reclamation activities. This report shall contain at least the items stipulated in this section and all other information agreed between the parties to this Agreement.
- 9.10. The annual report produced by SOGHU under this section shall include:
 - 9.10.1. the list of members in good standing of SOGHU and, as the case may be, of the withdrawals or resignations of members registered during the year;
 - 9.10.2. the names, addresses and contact information of the persons responsible to SOGHU for the recovery, reclamation and elimination activities;
 - 9.10.3. for each type of material contemplated, the quantities recovered and subsequently reclaimed or, if any, the quantities eliminated due to a lack of reclamation alternatives, with an indication of the methods of reclamation or elimination chosen; for oils, these quantities shall be indicated by weight and volume, and for containers and filters, by weight and number of units;

- 9.10.4. the means adopted to promote the development of reclamation techniques for recovered oils, oil or fluid containers and filters, particularly for the purposes of reuse and recycling, and the results of the research conducted;
- 9.10.5. the description of the information campaigns conducted and the other measures taken to promote recovery and reclamation of used oils, oil or fluid containers and used filters;
- 9.10.6. SOGHU's audited annual financial statements and the calculation method that served to establish the contributions and subsidies, and the costs generated during the period covered by the report, by the implementation of SOGHU's recovery and reclamation system, the information, awareness and education campaigns, and the research and development activities;
- 9.10.7. any change occurring during the period shall be the object of the report on information transmitted to the Minister or to RECYC-QUÉBEC under the Agreement;
- 9.10.8. SOGHU's budget forecasts for the next three years after the year covered by the annual report;
- 9.10.9. the information contemplated in subsection 9.3 and in paragraphs 9.5.3, 9.5.4 and 9.5.6 of the Agreement shall be audited by an external auditor who shall certify its veracity, as the case may be. This certificate shall accompany SOGHU's annual report transmitted to the Minister and to RECYC-QUÉBEC.

Section 10: Term, Amendment, Resiliation, Cancellation and Renewal of the Agreement

- 10.5. This Agreement shall take effect on the date it is signed and end on December 31, 2008.
- 10.6. Unless one of the Parties transmits a written notice of non-renewal no less than 180 days before the end of the Agreement, it shall be renewed automatically for a 12-month period. The terms of the Agreement shall remain the same for this new period, with the necessary adjustments. However, the Agreement may not be renewed automatically more than three times.
- 10.7. If either Party gives a notice of non-renewal within the time stipulated in subsection 10.2, the Parties shall undertake the negotiation of a new agreement no later than October 1 of the year when the Agreement ends. However, such negotiation shall not be necessary if SOGHU's notice indicates that it is terminating its operations or if RECYC-QUÉBEC's notice indicates that it does not wish to renew the approval given to SOGHU.

- 10.8. Notwithstanding the foregoing, RECYC-QUÉBEC may terminate the Agreement at any time, on thirty days' written notice, without the possibility of any recourse on the part of SOGHU, if the latter is in default of compliance with its obligations under the terms of the Agreement, the Regulation or any applicable legislation or regulations. However, if the default can be corrected, SOGHU shall be given 30 days' notice to remedy it or to take any action allowing it to be remedied as soon as possible.

Section 11: Final Provisions

- 11.6. The Agreement binds the Parties and their respective successors, heirs, legatees, assigns and other legal representatives and their beneficiaries.
- 11.7. SOGHU may not assign, encumber, alienate or subcontract, in whole or in part, the rights and obligations resulting from the Agreement, in any manner, for a purpose not specifically stipulated in the Agreement, without the written consent of RECYC-QUÉBEC. Notwithstanding any assignment, SOGHU shall remain liable for the obligations incumbent upon it under the terms of the Agreement, jointly and severally with the assignee, even in the event of bankruptcy or insolvency of the assignee.
- 11.8. All the documents transmitted by SOGHU to RECYC-QUÉBEC or to the Minister shall be submitted to them for information, review and audit purposes. SOGHU shall not be discharged from its obligations under the terms of the Agreement by the fact that RECYC-QUÉBEC or the Minister has not insisted on the full performance of one of the commitments contained in the Agreement, and such a fact shall not be considered an exemption from or a waiver of the full performance of this commitment.
- 11.9. In the event of an amendment to the Act or the regulations applicable to the materials contemplated in the Agreement or regarding the legal obligations of the Parties to the Agreement or SOGHU's member businesses, the Parties agree to negotiate in good faith the amendments to be made to the Agreement so that it is always in compliance with the applicable rules.

- 11.10. The Agreement is governed by the laws of Québec, and any dispute arising from the application or performance of the Agreement, directly or indirectly, shall be brought before the competent court of the Judicial District of Québec, excluding any other jurisdiction.

AND THE PARTIES HAVE SIGNED AND EXECUTED THIS AGREEMENT AT QUÉBEC CITY THIS 25TH DAY OF NOVEMBER 2004

RECYC-QUÉBEC

per: (sgd) R.Lemieux
Robert Lemieux
President and General Manager

SOGHU

per: (sdg) Gilles Goddard
Gilles Goddard
General Manager

SCHEDULE 2

(ref.: subsection 4.8)

The financial contribution which SOGHU pays to RECYC-QUÉBEC shall be established each year according to the revenue SOGHU collects from its members from January 1 to December 31 of that year. It shall be composed of a basic contribution of \$240,000 for revenue up to \$8 million and a marginal contribution equivalent to 1.5% for any revenue in excess of \$8 million.

By way of illustration, reference can be made to the following table:

SOGHU REVENUE (in millions of \$)	1 to 8	9	10	11	12	13	14	15	16
% marginal contribution		1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
CONTRIBUTION TO RECYC-QUÉBEC (in thousands of \$)	240	255	270	285	300	315	330	345	360

As stipulated in subsection 4.8, this contribution shall be payable in two installments: the first covering the first 6 months of the current year, and the second covering the last 6 months of the year.

However, for the year 2004, the basic amount of \$240,000 shall not apply and SOGHU's financial contribution to RECYC-QUÉBEC shall be established at 3% of SOGHU's revenue.

Schedule 3 (ref. subsection 7.8)

Incentives to achievement of the recovery objectives for oils, containers and used filters

If applicable, the lump sum paid by SOGHU shall be calculated in the following manner:

$$LS = (RO_O - RA_O) * R_O * I_O + (RO_C - RA_C) * R_C * I_C + RO_F - RA_F) * R_F * I_F$$

If the result of this equation is negative, no sum will be paid

Where

LS = lump sum (\$) [*in French, SF*]

RA_O = Rate Achieved, Oil (% volume) [*in French, TA_H*]

RA_C = Rate Achieved, Containers (% weight) [*in French, TA_C*]

RA_F = Rate Achieved, Filters (% weight) [*in French, TA_F*]

RO_O = Rate Objective, Oil (% volume) [*in French, TO_H*]

RO_C = Rate Objective, Containers (% weight) [*in French, TO_C*]

RO_F = Rate Objective, Filters (% weight) [*in French, TO_F*]

R_O = Volume of Recoverable Oil (L) [*in French, R_H*]

R_C = Volume of Recoverable Containers (kg) [*in French, R_C*]

R_F = Volume of Recoverable Filters (kg) [*in French, R_F*]

I_O = Incentive, Oil (\$/L) [*in French, I_H*]

I_C = Incentive, Containers (\$/kg) [*in French, I_C*]

I_F = Incentive, Filters (\$/kg) [*in French, I_F*]

The recoverable weights and volumes (R_O, R_C, R_F) have been established at the following levels:

R_O = volume of oil sold by SOGHU members * 0.67 (67% recoverable, see 7.1.1)

R_C = weight of containers sold by SOGHU members, 100% recoverable

R_F = weight of filters sold by SOGHU members, 100% recoverable

The incentives shall vary according to the year evaluated and have been established at the following levels:

I_O = \$0.03/l (2005) --- \$0.05/l (2006 & 2007) --- \$0.10/l (2008)

I_C = \$0.05/kg (2005) --- \$0.10/kg (2006 & 2007) --- \$0.50/kg (2008)

I_F = \$0.10/kg (2005) --- \$0.20/kg (2006 & 2007) --- \$0.50/kg (2008)

The recovery objectives as stipulated in the Regulation have been established at the following levels:

RO_O = 70% (2005, 2006, 2007) --- 75% (2008)

RO_C and RO_F = 50% (2005, 2006, 2007) --- 75% (2008)

CALCULATION EXAMPLE:

Year 2005, Volume of oil sold by SOGHU members: 105 Ml
 Weight of containers: 2 Mkg
 Weight of filters sold by SOGHU members: 3.1 Mkg
 Rate Achieved: oil (RA_O) = 71%, containers (RA_C) = 40%, filters (RA_F) = 38%

The lump sum would be calculated according to the formula as follows:

$$\begin{aligned} 2005 - LS (\$) &= (70-71)/100 * 105,000,000 \text{ litres} * .67 * \$0.03/\text{litre} \\ &\quad + (50-40)/100 * 2,000,000 \text{ kg} * \$0.05/\text{kg} \\ &\quad + (50-38)/100 * 3,100,000 \text{ kg} * \$0.10/\text{kg} \\ &= -21105 + 10,000 + 37,200 = \$26,095 \text{ or } \$26,080 \text{ paid by SOGHU} \end{aligned}$$