

Memorandum of Coverage

No. SPP 7126 27

School Property Program

In consideration of the payment of premium and subject to the following terms and conditions, Self-Insured Schools of California (SISC II), hereinafter referred to as the "**Authority**," and the party named in the Declarations, hereinafter referred to as the "**Covered Party**," do hereby agree as follows:

I. Interest & Property Covered

Except as hereinafter excepted, limited or excluded, this Memorandum covers:

- A. The insurable interest of the **Covered Party** in all **Real Property** and **Personal Property** owned by the **Covered Party**, including the **Covered Party's** interest in improvements and betterments to buildings not owned by the **Covered Party**.
- B. The interest and legal liability of the **Covered Party** in **Real** and **Personal Property** of others in the actual or constructive custody of the **Covered Party**.
- C. **Personal Property** of others:
 - 1. Sold or leased by the **Covered Party** and which the **Covered Party** has agreed in writing prior to loss to insure for the account of the purchaser or lessee during course of delivery;
 - 2. Sold or leased by the **Covered Party** under an installation agreement in which it is expressly stated that the **Covered Party's** responsibility for such property continues until the installation is accepted by the purchaser or lessee.
- D. The insurable interest of the **Covered Party** in owned, leased, rented, or borrowed motor vehicles, including busses, while located on the **Covered Party's** premises, but only for direct physical damage to such motor vehicles.

II. Interest & Property Not Covered

This Memorandum does not cover:

- A. Currency, money, notes, securities, deeds, evidences of debt, letters of credit, tickets, telephone cards, and other negotiable instruments.
- B. Domesticated and undomesticated animals, including livestock.
- C. Powered and unpowered aircraft or watercraft, including lighter than air and submersible vessels.

- D. Land, land values, soil, water (including ground water), surface water, process water and drinking water, growing crops, drying crops, and standing and cut timber.
- E. Excavations; gradings (including filling and backfilling); underground pipes, flues, or drains; reservoirs, dams, embankments, and other like structures.
- F. Property sold by the **Covered Party** under a conditional sales agreement, trust agreement, installment agreement, or other deferred or conditional payment plans, after delivery to customer and only during the life of any such agreement.
- G. Wells; foundations, footings of any kind, pilings below the surface of the ground, piers, wharves, docks, pavements, sidewalks, roadways, driveways, hardscape, retaining walls that are not part of a covered building.
- H. Buses and other motor vehicles licensed for highway use, when not on the **Covered Party's** premises.
- I. Waterborne shipments.
- J. Furs, fur garments and garments containing fur, jewels, jewelry, watches, pearls, precious and semi-precious stones, bullion, gold, silver, platinum, and other precious metals and alloys;
- K. Property in the course of shipment, including but not limited to property sent by U.S. Mail, Federal Express, United Parcel Service, or other similar shippers.
- L. Power generating, distributing, transmission and feeder lines or systems not integrated into a covered building. Radio, television, **cellular**, satellite and data transmission lines and systems are also excluded, unless specifically added by scheduled endorsement.
- M. Contraband or property which is stolen, unlawful to possess, or which is used in the course of unlawful trade.
- N. Property while covered under import, export, maritime or ocean marine policies.
- O. Artificial turf and artificial turf fields unless specifically added by endorsement.

III. **Perils Covered**

This Memorandum covers against all risks of direct, physical loss or damage (including general average and salvage charges), except as herein excepted, excluded or limited.

IV. **Perils Excluded**

This Memorandum does not insure against loss, damage or expense caused directly or indirectly by or resulting directly or indirectly from the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss:

- A. Wear and tear, wet or dry rot, gradual deterioration, inherent vice, latent defect, moth, insects and vermin.
- B. Faulty, inadequate or defective: planning, zoning, development, surveying, siting, design, specification, workmanship, repair, construction, renovation, remodeling, grading, compaction, materials used in repair, construction, renovation or remodeling, maintenance,

or the cost of making good any of the foregoing, except any ensuing loss or damage to covered property not otherwise excepted, excluded or limited by this Memorandum is covered.

- C. Delay, loss of market or loss of use.
- D. Dampness or dryness of atmosphere, extremes or changes of temperature, shrinkage, evaporation, loss of weight, rust, contamination, change in flavor, color, texture or finish.
- E. Riot or civil commotion.
- F. Any dishonest or fraudulent act or acts, including intentional misrepresentation or concealment of any material fact or circumstance, committed alone or in collusion with others:
 - 1. By any of the directors, partners, officers, agents or employees of the **Covered Party**, whether or not such acts are committed during regular business hours; or
 - 2. By any of the proprietors, partners, directors, trustees or elected officers of any proprietorship, partnership, corporation, association or other entity (other than a common carrier) engaged by the **Covered Party** to render any service or perform any act in connection with property insured under this Memorandum.
- G. Shortage disclosed or discovered on taking inventory or unexplained or mysterious disappearance.
- H. Settling, cracking, shrinkage or expansion of foundations, walls, floors, roofs or ceilings.
- I. Leakage, seepage, overflow or escape from any automatic fire protection system, automatic sprinkler, fire hydrant, standpipe, plumbing, heating or cooling system or their appliance, caused by freezing while the building(s) or other structure in which such system or appliance is located is vacant or unoccupied, unless the **Covered Party** shall have exercised due diligence with respect to maintaining heat in the building(s) or unless such system or appliance had been drained and the water supply shut off during such vacancy or unoccupancy.
- J. Processing, renovating, restoring, retouching, repairing, or faulty workmanship thereon to **Personal Property**, including, but not limited to, fine arts, unless fire and/or explosion ensues, and then only for direct loss or damage caused by such ensuing fire or explosion.

Additional Exclusion Applicable to Fine Arts

- 1. This Memorandum provides no coverage for breakage of or damage to statuary, marble, glassware, bric-a-brac, porcelains and similar fragile articles, unless caused by fire, lightning, aircraft, theft and/or attempted theft, cyclone, tornado, windstorm, explosion, malicious damage or collision, derailment or overturn of conveyance.
- K. Contamination, leakage, breakage of glass or other fragile articles, marring, scratching, or exposure to light of **Personal Property**, unless such loss or damage is caused directly by fire or the combating thereof, lightening, windstorm, hail, explosion, strike, riot or civil commotion, aircraft, vehicles, breakage of pipes or apparatus.

- L. Error(s) or omission(s) in processing or copying unless fire or explosion ensues and then only for direct loss caused by such ensuing fire or explosion.
- M. Mechanical failure, faulty construction, or error in design involving, directly or indirectly, data processing equipment or data processing systems, unless fires or explosion ensues, and then only for loss, damage or expense caused by such ensuing fire or explosion.
- N. Exposure to weather conditions where any covered **Personal Property** is left in the open and not contained in or reasonably protected by any shelter, structure or building.
- O. Error(s) or omission(s) in machine programming or instruction to a machine.
- P. **War, War-like** acts or terrorism, including, but not limited to, such acts by non-governmental entities, ventures, associations or groups.
- Q. Nuclear reaction, nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, and whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by any peril insured against in this Memorandum, however, subject to the foregoing and all other provisions of this Memorandum, direct loss by fire resulting from nuclear reaction or nuclear radiation or radioactive contamination is insured against by this Memorandum.
- R. Electrical injury or disturbance to electrical appliances, devices, or wiring caused by electrical current artificially generated. But, if loss or damage from a covered peril results to covered property from such electrical injury or disturbance, then this Memorandum shall cover such ensuing loss or damage not otherwise excepted or excluded from coverage; this exclusion shall not apply to electronic data processing systems.
- S. Fungus, mold, mildew or yeast; or any spore or toxin created or produced by or emanating from such fungus, mold, mildew or yeast.
 - 1. Fungus includes, but is not limited to, any of the plants or organisms belonging to the major group fungi, lacking chlorophyll, and including mold, rust, mildew, smut and mushroom;
 - 2. Mold includes, but is not limited to, any superficial growth produced on damp or decaying organic matter or on living organisms, and fungi that produce mold;
 - 3. Spore means any dormant or reproductive body produced by or arising or emanating out of any fungus, mold, mildew, plant, organism or microorganism.
- T. Error(s) or omission(s) in processing or manufacturing of the **Covered Party's** products. But, if loss or damage from a covered peril results to covered property from such error or omission in processing or manufacturing then this Memorandum shall cover such ensuing loss or damage not otherwise excepted or excluded from coverage.
- U. Loss or damage to any aircraft or watercraft, or any motor vehicle licensed for highway use, when not on the **Covered Party's** premises.
- V. Earth Movement as defined below:
 - 1. Earthquake, including land shock waves, seismic waves or tremors before, during or after a volcanic eruption;

2. Landslide, debris flow, mudslide or mudflow;
3. Subsidence or sinkhole; or
4. Any other earth movement, including earth sinking, settling, consolidation, rising or shifting;

Caused by or resulting from human or animal forces or any act of nature, unless direct loss by fire or explosion ensues and then this memorandum will only cover the ensuing loss.

W. **Flood:** The Authority shall not be liable for any loss caused by **Flood** (as defined in Section V. D.), which commences before the effective date and time of this memorandum; nor shall the authority be liable for any loss caused by **Flood** occurring more than seventy-two (72) hours after the expiration of this memorandum, except that coverage shall be available for losses caused by **Flood** occurring within seventy-two (72) hours of the expiration of the memorandum provided that the first damage resulting in such loss commences prior to the date and time of the expiration of this memorandum.

X. Actual, alleged, or threatened release, discharge, escape or dispersal of **Contaminants** or **Pollutants**, all whether direct, indirect, proximate or remote, in whole or in part, and regardless of whether caused by, resulting from, contributed to or made worse, directly or indirectly, by any cause of physical loss or damage covered by this Memorandum.

This exclusion shall not apply when loss or damage directly ensues from fire, lightning, aircraft impact, explosion, riot, civil commotion, smoke, vehicle impact, windstorm, hail, vandalism, or malicious mischief. But, in the event of such ensuing direct loss or damage, this Memorandum shall not provide coverage for more than \$10,000 as a result of such ensuing direct loss or damage.

This exclusion shall also not apply when loss or damage is directly caused by leakage or accidental discharge from an automatic fire protection system.

Y. This Memorandum does not cover:

1. The cost of removal or containment of asbestos, dioxin or halogenated organic compounds, or polychlorinated biphenols (hereinafter all referred to collectively and individually as Materials) from any good, product or structure. However, if a good, product or structure is damaged by fire, lightening, aircraft impact, explosion, riot, civil commotion, smoke, vehicle impact, windstorm or hail, vandalism, malicious mischief, or leakage or accidental discharge from an automatic fire protection system, the cost of removal of asbestos, dioxin or halogenated organic compounds shall be covered herein. The coverage afforded by this limited extension of coverage does not apply to the cost of investigation, litigation or defense of any loss or damage, or any cost for loss of use expense, fine or penalty or for any expense or claim or suit related to any of the above;
2. The cost or increased cost of demolition or increased cost of reconstruction, repair, debris removal or loss of use necessitated by the enforcement of any law or ordinance regulating such Materials;

3. Loss or damage resulting from any governmental direction, order, advisory, opinion, or request alleging, concluding or declaring that such Material present in, or part of, or utilized on any undamaged portion of the **Covered Party's** property may no longer be used for the purpose for which it was intended or installed, or must be removed or modified.
- Z. Notwithstanding any other provision herein, this Memorandum does not cover loss, damage, costs, expenses, fines, penalties or liabilities incurred as a result of, or imposed upon or ordered against the **Covered Party** by any court, judicial or administrative officer or governmental representative or agency arising from any cause whatsoever, direct or indirect.
- AA. This Memorandum does not cover:
1. Damage or consequential loss directly or indirectly caused by, consisting of, or arising from, the failure or omission of any computer, data processing equipment, microchip, operating system, microprocessor (computer chip), integrated circuit or similar device, or any computer software, to:
 - a. Correctly recognize any date as a true and correct calendar date;
 - b. Capture, save, retain, and/or correctly manipulate, interpret or process any data or information or command or instruction as a result of treating any date as other than the true and correct calendar date; and/or
 - c. Capture, save, retain or correctly process any data as a result of the operation of any command which has been programmed into any computer hard drive, memory of any type, operating system or software, being a command which causes the loss of data or the inability to capture, save, retain or correctly process such data on or after any date.
 2. The repair, programming or modification of any part of an electronic data processing system or its related equipment, including, but not limited to, microprocessors, hard drives, microchips and operating systems, to correct deficiencies or features of logic or operation;
 3. Damage or consequential loss arising from the failure, inadequacy, or malfunction of any advice, consultation, design, evaluation, inspection, installation, maintenance, repair or supervision done by the **Covered Party** or for the **Covered Party** or by or for others to determine, rectify or test any potential or actual failure, malfunction, or inadequacy described in (1) above.

Cost, expense, damage or consequential loss described in (1), (2), or (3) above is excluded regardless of any other cause(s) that contributed concurrently or in any other sequence.

This exclusion does not exclude ensuing damage or consequential loss, not otherwise limited, excepted or excluded, which itself results from one or more of the following perils: fire, lightning, explosion, aircraft or vehicle impact, falling objects, windstorm, hail, tornado, hurricane, cyclone, riot, strike, civil commotion, vandalism, malicious mischief, earthquake, volcano, tsunami, freeze or weight of snow.

BB. This Memorandum does not cover:

1. Any functioning malfunctioning or interruption of the Internet, streaming service, or similar facility or system, or of any wireless network, wired network, intranet or private network or similar facility or system;
2. Any corruption, destruction, distortion, erasure or other loss or damage to data, software, operating system or any kind of programming or instruction set;
3. Loss of use or functionality, whether permanent, temporary, partial or complete, of data, code, operating system, program, software, computer, computer system or component, peripheral, or other device dependent upon any microchip, microprocessor or embedded logic, and any ensuing liability, inability or failure of the **Covered Party** to conduct business;

Cost, expense, damage or consequential loss described in 1, 2, or 3 above is excluded regardless of any other cause(s) that contributed concurrently or in any other sequence; This exclusion does not apply to ensuing damage or consequential loss, not otherwise limited, excepted or excluded, which itself results from one or more of the following perils: fire, lightning, earthquake, explosion, falling aircraft, **Flood**, smoke, vehicle impact, windstorm or tempest.

CC. Mechanical breakdown or coincident damage of mechanical equipment due to such breakdown.

DD. Electrical injury or coincident damage of electrical equipment due to such injury.

EE. Explosion, rupture or bursting of steam boilers, steam pipes, steam turbines or steam engines or flywheels owned or operated by the **Covered Party**.

FF. Failure or neglect of the **Covered Party** to use all reasonable means to limit loss, or to save and preserve property at and after the time of a loss.

GG. Any cost or expense incurred to clean up or remediate **Covered property** as a result of the actual or suspected exposure or existence of any virus, bacteria, pathogen, or infectious agent on or about the premises.

V. Definitions

A. **Actual Cash Value:** shall mean the lesser of repair or **Replacement Cost** (at the time of the loss) minus depreciation based on the property's useful life or market value.

B. **Contaminants or Pollutants:** shall mean any solid, liquid, gaseous, or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, waste, bacteria, fungi, virus, or hazardous substances as listed in the United States Federal Water Pollution Control Act, United States Clean Water Act, United States Clean Air Act, United States Resource Conservation and Recovery Act of 1976, United States Toxic Substances Control Act, and related amendments, or as designated by the United States Environmental Protection Agency, which after its release can or does cause or threaten damage to human health or human welfare or causes or threatens damage, deterioration, loss of value, marketability or loss of use to property covered by this Memorandum, including, but not limited to, bacteria, fungi, virus, or hazardous substances as listed in the aforementioned enactments or as

designated by the United States Environmental Protection Agency. Waste includes materials to be recycled, reconditioned or reclaimed.

- C. **Covered Party:** shall mean each individual, entity or other person as named in the Declarations
- D. **Flood:** shall mean a general and temporary condition where two or more acres of normally dry land or two or more properties are inundated by water from:
1. Overflow of inland or tidal waters;
 2. Unusual and rapid accumulation or runoff of surface waters from any source;
 3. Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a **flood** as defined above.
- E. **Location:** shall mean any building (or groups thereof) bounded on all sides by public streets or open waterways or open land space, each of which shall not be less than fifty feet wide (any bridge or tunnel crossing such street or waterway or open space shall render such separation inoperative for the purpose of this definition) when scheduled under this Memorandum with the Authority.
- F. **Personal Property:** shall mean furniture, fixtures, machinery, equipment, stock, interest in tenant improvements and betterments, and all other **Personal Property** owned by the **Covered Party** and used in the business of the **Covered Party**.
- G. **Real Property:** shall mean a building: meaning an intended or existing roofed and walled structure including attached or appurtenant signs, glass, exterior light fixtures and poles, along with man-made structures on the land on which the building is located, including fencing, well-housings, building equipment and machinery and **Personal Property** of the **Covered Party** associated with the building, all owned by the **Covered Party** and used in the business of the **Covered Party**.
- H. **Replacement Cost:** shall mean the cost of replacing **real** or **personal property** with property of reasonably like kind, quality, and utility, without deduction for depreciation.
- I. **War:** shall mean:
1. Hostile or **warlike** action in time of peace or **war**, including action in hindering, combating or defending against an actual, impending or expected attack,
 - a. by any government or sovereign power (de jure or de facto); or
 - b. by any political, religious or governmental authority maintaining or using military, naval or air forces; or
 2. Any weapon of **war** employing atomic fission or radioactive force whether in time of peace or **war**;
 3. Insurrection, revolution, civil **war**, coup, or usurped power; or

4. Action taken by governmental authority in hindering, combating or defending against such an occurrence, seizure or destruction under quarantine or customs regulations, confiscation by order of any government or public authority, or risks of contraband or illegal transportation or trade.

VI. Extensions of Coverage

A. Business Interruption

Business interruption means loss resulting from necessary interruption of business conducted by the **Covered Party** and caused by direct physical loss or damage by any of the perils covered herein during the term of this Memorandum to Real and/or **Personal Property** as covered herein.

If such loss occurs during the term of this Memorandum, it shall be adjusted on the basis of the actual loss sustained by the **Covered Party**, during the period of restoration, consisting of the net profit (or loss) which is thereby prevented from being earned and of all charges and expenses (excluding ordinary payroll), but only to the extent that they must necessarily continue during the interruption of business, and only to the extent to which they would have been incurred had no loss occurred.

Ordinary payroll is defined to be the entire payroll expenses for all employees of the **Covered Party** except officers, executives, and department managers.

This Memorandum does not provide coverage for any loss resulting from the time required to reproduce finished stock. Finished stock shall mean stock manufactured by the **Covered Party** which, in the ordinary course of the **Covered Party's** business, is ready for packing, shipment, trade or sale.

1. Resumption of Operations: It is an express condition of this extension of coverage that, if the **Covered Party** could reduce the loss resulting from the interruption of business,
 - a. By a complete or partial resumption of operations; or
 - b. By making use of other available stock, merchandise or **Location**;
Such reduction will be taken into account in arriving at the amount of loss hereunder, but only to the extent that the Business Interruption loss covered under this policy is thereby reduced.
2. Expense to Reduce Loss: This Memorandum also covers such expenses as are reasonably and necessarily incurred for the purpose of reducing any Business Interruption loss under this Memorandum, provided such coverage shall not exceed the amount by which the Business Interruption loss covered under this Memorandum is thereby reduced.
3. Experience of Business: In determining the amount of net profit (or loss), charges and expenses covered hereunder for the purpose of ascertaining the amount of loss sustained, due consideration shall be given to the experience of the **Covered Party's** business before the date of damage or destruction and to the probable experience thereafter had no loss occurred.

B. Extra Expense

Extra Expense meaning the excess cost reasonably and necessarily incurred to continue the operation of the **Covered Party's** business that would not have been incurred had there been no loss or damage to covered Real and/or **Personal Property** by any of the perils covered herein during the term of this Memorandum.

C. Rental Value

This Memorandum covers the **Covered Party's** loss of total anticipated gross rental income from tenant occupancy of Covered Property as furnished and equipped by the **Covered Party** resulting directly from the necessary untenantability, during the period of restoration, caused by loss, damage or destruction by any of the perils covered herein during the term of this Memorandum to a covered **Location**, but not exceeding the reduction in rental value less charges and expenses which do not necessarily continue during the period of untenantability.

1. Expense to Reduce Loss: This Memorandum also covers such expenses as are reasonably and necessarily incurred for the purpose of reducing any Rental Value loss covered under this Memorandum. Such coverage, however, shall not exceed the amount by which the loss under this Memorandum is thereby reduced.
2. Experience of the Business: In determining the amount of Rental Value covered hereunder for the purpose of ascertaining the amount of loss sustained, due consideration shall be given to the rental experience before the date of damage or destruction and to the probable experience thereafter had no loss occurred.

D. Additional Provisions Applicable to:
Business Interruption, Extra Expense and Rental Value Coverage

1. Period of Restoration: Period of restoration means the period of time that:
 - a. Begins with the date of direct physical loss or damage to covered **Location** by any of the perils covered herein; and
 - b. Ends on the date when the covered **Location** should be repaired, rebuilt, or replaced with reasonable speed and similar quality.

Period of restoration does not include any increased period of time required due to the enforcement of any ordinance or law that requires the insured or others to test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize, or in any way respond to, investigate or assess the effects of **Contaminants** or **Pollutants** as defined in this Memorandum.

2. Special Exclusions: This Memorandum does not cover against any increase of loss or expense which may be occasioned by the suspension, lapse, or cancellation of any lease, license, contract, or order, or for any increase of loss due to delays in rebuilding, repairing, or replacing the covered property damaged or destroyed or with the resumption or continuation of business, or with the reoccupancy of the premises caused by interference at the **Covered Party's** premises by strikes or other persons nor for any increase of loss which may be occasioned by loss or damage to property in transit away from the **Covered Party's** premises.

3. Extension of Coverage: This Memorandum, subject to all of its provisions and without increasing the Limits of Liability as stated herein, also provides coverage for interruption of business conducted by the **Covered Party** resulting from loss or damage, by the perils insured against, during the term of this Memorandum, to:
 - a. Public utility plants, transformers or switching stations, substation furnishing heat, light, power, water, telephone or gas to the **Covered Party's** premises, but within one square mile of the premises;
 - b. Any covered property thereby preventing ingress to or egress from the **Covered Party's** insured **Location**, for a period not exceeding two (2) weeks;
 - c. Any covered property when access to the **Covered Party's** insured **Location** is prohibited by order of civil or military authority, for a period not exceeding two (2) weeks.

E. Valuable Papers and Records

Valuable papers and records, shall mean written, printed or otherwise inscribed documents and records, including but not limited to books, maps, films, drawings, abstracts, deeds, mortgages, micro inscribed documents, manuscripts and media, but not including Electronic Data Processing Data or Electronic Data Processing Programs, money and/or securities.

The term securities shall mean all negotiable and non-negotiable instruments or contracts representing either money or other property and includes revenue and other stamps in current use, tokens and tickets, but does not include money.

F. Electronic Data Processing Equipment, Media, Data and Programs

1. Electronic Data Processing Equipment shall mean electronic data processing systems including keyboards, display screens, terminals, printers and related peripheral equipment;
2. Electronic Data Processing Media shall mean magnetic tapes, compact discs, diskettes, disk packs, cards or other standardized data recording materials which can be read by electronic data processing equipment;
3. Electronic Data Processing Data shall mean information, instructions or programs that are recorded on your media, including original source material used to enter data;
4. Electronic Data Processing Programs shall mean software that are purchased or written specifically to be used with electronic data processing equipment.

G. Property in Transit

Subject to the terms and conditions of this Memorandum, coverage is hereby extended to:

Personal Property of the **Covered Party** or **Personal Property** of others held by the **Covered Party** in trust or on commission or in consignment for which the **Covered Party** may be held liable, while in due course of transit within the limits of the Continental United States of America and Canada, against all risks of direct physical loss or damage to the

property insured occurring during the period of the Memorandum (including general average and salvage charges on shipments covered while waterborne).

H. Demolition and Increased Cost of Construction

In the event of loss or damage during the term of this Memorandum by any of the perils covered herein to a covered **Location**, that causes the enforcement of any law or ordinance regulating the reconstruction or repair of the damaged **Location**, subject to the Limits of Liability, this Memorandum provides coverage for:

1. The cost of demolishing the undamaged part of the **Location**, including the cost of clearing the site;
2. The value of such undamaged part of the **Location** which must be demolished;
3. The increased cost of repair or reconstruction of the damaged **Location** on the same or another site limited to the minimum requirements of such law or ordinance regulating the repair or reconstruction of the damaged **Location** and the cost thereof on the same site. However, this Memorandum does not provide coverage for any increased cost of repair or reconstruction unless the damaged **Location** is actually rebuilt or replaced within two years after the date of loss;
4. The full cost of repair or reconstruction, including engineer's and architect's fees, professional fees, project manager's fees and inspection fees, for both the damaged and demolished portions of the **Location** with materials and in a manner to fully satisfy the minimum requirements of such ordinance law;
5. Any increase in the business interruption, extra expense or rental value loss arising out of the additional time required to comply with such law or ordinance. This increase will be based upon the difference between the additional time required to comply with the law or ordinance and the time it would have taken to replace the property with materials of like kind and quality, absent such law or ordinance.

I. Debris Removal

This Memorandum covers the necessary and reasonable expenses actually incurred by the **Covered Party** for removal of debris of property covered hereunder resulting from damage to covered property by a peril insured against.

This coverage does not apply to costs to:

1. Extract **Contaminants** or **Pollutants** from the debris; or
2. Extract **Contaminants** or **Pollutants** from land or water; or
3. Remove, restore or replace contaminated or polluted land or water; or
4. Remove or transport any property or debris to a site for storage or decontamination required because the property or debris is affected by **Pollutants** or **Contaminants**, whether or not such removal, transport, or decontamination except to the extent such removal, transport, or decontamination is required by any law, statute, or regulation and then subject to the provisions of Section VI, "H. Demolition and Increased Cost of Construction", above.

It is a condition precedent to recovery under this extension of coverage that the Authority shall have paid or agreed to pay for direct physical loss or damage to the property insured hereunder and that the **Covered Party** shall give written notice to the Authority of intent to claim the cost of removal of debris or cost to clean up not later than 180 days after the date of such physical loss or damage.

This extension of coverage does not increase any Limit of Liability of this Memorandum.

J. Fire Brigade Charges and Extinguishing Expense

If property insured is destroyed or damaged by a peril insured against, this Memorandum shall cover:

1. Fire brigade charges and other extinguishing or suppression expenses for which the **Covered Party** may be assessed;
2. Loss of fire extinguishing or suppression materials expended.

VII. Newly Acquired Property

This Memorandum is extended to cover newly acquired property of a nature similar to those scheduled hereunder, including property in the course of new construction. In consideration, the **Covered Party** agrees to report such additions immediately, but no less than sixty (60) days from the date the property is acquired or the start of new construction or the date this Memorandum expires whichever first occurs. This Memorandum shall cease to cover such newly acquired property or property under course of new construction if it is not reported to the Authority within sixty (60) calendar days of acquisition by the **Covered Party**, or the start of such new construction, or the date this Memorandum expires, whichever first occurs.

VIII. Limits of Liability

The Authority shall not be liable under this Memorandum for more than the following limits for loss or damage to covered property arising from any one loss or disaster:

1. While at **Locations** scheduled under this Memorandum:

\$250,000 Blanket limit per any one loss, except;

2. Sublimits of Liability:

\$ 5,000	Trees, plants, shrubs, lawns and landscaping
\$10,000	Property of others
\$10,000	Debris removal
\$10,000	Real or Personal Property at any unscheduled Location /exhibition
\$10,000	Property in transit
\$20,000	Pollution and contamination
\$50,000	Demolition and increased cost of construction
\$50,000	Valuable papers and records including Accounts Receivables

The above sublimits of liability and any other limits stated herein are part of the limit of liability as shown in (1) above and do not serve to increase the limit of \$250,000.

IX. Salvage

All salvages, recoveries and payments recovered or received subsequent to a loss settlement under this policy shall be applied as if recovered or received prior to the said settlement and all necessary adjustments shall be made by the parties hereto.

X. Valuation

At the time of the loss, the value of covered property shall be as follows:

- A. **Real and/or Personal Property** at repair or **Replacement Cost** without deduction for depreciation except as provided below.
 - 1. The Authority's liability for loss on a repair or **Replacement Cost** basis shall not exceed the smallest of the following amounts:
 - a. The limit of this Memorandum applicable to the damaged or destroyed property;
 - b. The repair or **Replacement Cost** of the property or any part thereof identical with such property on the same **Location** and intended for the same occupancy and use; or
 - c. The amount actually and necessarily expended in repairing or replacing said property or any part thereof.
 - 2. The Authority shall not be liable under this Memorandum for any loss occasioned, directly or indirectly, by the enforcement of any ordinance or law regulating the use, construction, repair or demolition of property unless such liability has been specifically assumed under this Memorandum.
 - 3. If the property is not repaired or replaced within twelve (12) months from the date of loss, the valuation is to be on an **Actual Cash Value** basis measured at the time of loss.
- B. Contractor equipment at not more than the **Actual Cash Value** of the property at the time of loss or damage.
- C. Property of others at the amount for which the **Covered Party** is legally liable, but not exceeding **Actual Cash Value**.
- D. Tenant's Improvements and Betterments:
 - 1. If repaired or replaced at the expense of the **Covered Party** within twelve (12) months from the date of loss, the repair or **Replacement Cost** of the damaged or destroyed improvements and betterments.
 - 2. If not repaired or replaced within twelve (12) months from the date of loss, the proportion of the original cost at the time of installation of the damaged or destroyed property which the unexpired term of the lease or rental agreement, whether written or oral, in effect on the date of loss bears to the period from the date such improvements or betterments were made to the expiration date of the lease.
 - 3. If repaired or replaced at the expense of others, there shall be no liability hereunder.

- E. Mercantile Stock: stock actually sold but not delivered at the price at which it was sold, less all discounts and un-incurred expenses.
- F. Manufacturer's Finished Stock: finished stock manufactured by the **Covered Party** at the price, less all discounts and un-incurred expenses, for which the stock has been or would have been sold had no loss occurred.
- G. Valuable Papers and record and media: The cost to repair or replace the property with other property of like kind and quality including the cost of gathering and/or assembling information, but only if such property is actually repaired or replaced.
- H. Patterns and dies: Repair or **Replacement Cost** if actually repaired or replaced within twelve months following the date of loss; otherwise, at scrap value.
- I. Electronic Data Processing Equipment: The actual cost to repair or replace the lost or damaged property with property of the same kind, quality and capability, on the same site and used for the same purpose.
- J. Electronic Data Processing Media: The actual cost to repair or replace the property with other property of like kind and quality.
- K. Electronic Data Processing Data and Programs; the actual cost to reproduce the data and programs, up to the limit of coverage, if the data and programs are actually reproduced. Such costs shall include any additional reasonable expense incurred in reproducing the data and programs, to continue normal computer operations. There shall be no liability hereunder for data and programs that cannot be reproduced due to lack of backup, support documentation or records unless such articles are described and specific limits shown in this Memorandum.
- L. Fine arts: The appraised value; or, if there is no appraisal at the greater of:
 - 1. The original acquisition cost, or
 - 2. The fair market value at the time of loss.
- M. Licensed Vehicles
 - 1. Vehicles older than five (5) years shall be at **actual cash value**.
 - 2. Vehicles newer than five (5) years shall be repair or **Replacement Cost**.
- N. All property not otherwise described; the **Actual Cash Value** of the property at the time the loss or damage occurs.

XI. Terms and Conditions

- A. Assistance and Cooperation of the **Covered Party**. In case of loss or claim, the **Covered Party** shall cooperate with the Authority, and, upon the Authority's request, subject to reimbursement of reasonably incurred expense, shall attend hearings and trials and shall assist in effecting settlement, in securing and giving evidence, in obtaining the attendance of witnesses, and in conducting suits.

- B. Misrepresentation and Fraud. This entire Memorandum shall be void if, whether before or after a loss, the **Covered Party** has concealed or misrepresented any material fact or circumstance concerning this coverage or the subject thereof or any claim arising therefrom, or in case of any fraud, fraudulent act or fraudulent claim, and all claims hereunder shall be forfeited.
- C. Notice of Loss and Proof of Loss. The **Covered Party** shall as soon as practicable report in writing to the Authority every loss, damage or occurrence which may give rise to a claim under this Memorandum, and shall also file with the Authority, within ninety (90) days from date of discovery of such loss, damage or occurrence, a detailed, sworn Proof of Loss. The Proof of Loss shall contain information that states: 1) the time, place and cause of loss; 2) the interest of the **Covered Party** and of all others in the property, including, but not limited to, any liens or mortgages; 3) the amount of loss or damage, including specifications of damaged buildings and other property and detailed repair estimates as well as an itemized inventory of damaged **Personal Property**; 4) and all other insurance thereon.
- D. Settlement of Loss. All adjusted claims shall be paid or made good to the **Covered Party** within sixty (60) days after presentation and acceptance of satisfactory proof of interest and Proof of Loss at the office of the Authority. No claim shall be paid or made good, in whole or in part, to the extent that the **Covered Party** has collected the same, in whole or in part, from others.
- E. Loss Payment. Covered loss, if any, shall be adjusted with and payable to the **Covered Party** unless endorsed otherwise hereon. Receipt of payment by the **Covered Party** or other endorsed payee as provided under this Memorandum shall constitute a release in full of all liability under this Memorandum with respect to such loss. In the event that the Authority makes a partial payment or payments of loss, partial release of liability shall occur as to each such partial payment or payments, and release of liability in full shall occur upon final payment with respect to such loss.
- H. Other Insurance. When this coverage form and any other coverage form or policy covers a loss, the **authority's** coverage shall be excess over any other such insurance or coverage, whether primary, excess, contingent, or on any other basis; provided such other insurance or coverage is not written specifically to apply as excess over the coverage provided by this Memorandum.

When the coverage provided by this Memorandum is excess, the **authority** shall pay only its share of the loss, if any, that exceeds the sum of the total amount that all such other insurance or coverage forms would pay for the loss in the absence of the coverage provided by this Memorandum.

- I. Appraisal. If the **Covered Party** and the Authority fail to agree as to the amount of loss, each shall, on the written demand of either, made within sixty (60) days after receipt of Proof of Loss by the Authority, select a competent and disinterested appraiser. The appraisers shall first select a competent and disinterested umpire, and failing for fifteen (15) days to agree upon such umpire, then, on the request of either party, such umpire shall be selected by a judge of a court of record in the State in which such appraisal is pending. The appraisers shall then appraise the loss, stating separately and itemizing the amount of loss, including both the **Actual Cash Value** at the time of the loss and the cost to repair and replace. Failing to agree, the appraisers shall submit their differences to the umpire. An award in writing signed by any two shall determine the amount of loss. Each party will pay its own appraiser and bear the other expenses of the appraisal and the umpire equally. The Authority shall not be held to have waived any of its rights by any act relating to appraisal.
- J. Exhibition of Property, Examination Under Oath and Inspection and Copying of Records. The **Covered Party**, as often as may be reasonably required, shall exhibit to any person designated by the Authority all that remains of any property herein described or for which a claim has been made, and shall submit, and insofar as is within its power, cause its officers, directors, managers, employees and agents to submit to examinations under oath by any person named by the Authority and subscribe the

same; and, as often as may be reasonably required, shall produce for examination all original writings, records, documents, books of account, bills, vouchers, or certified copies thereof if originals are lost, at such reasonable time and place as may be designated by the Authority or its representative, and shall permit extracts and copies thereof to be made. Each such examination under oath may be recorded or memorialized by the entity issuing this Memorandum through use of a certified shorthand reporter and/or certified videographer, and each such examination under oath shall take place out of the presence of any witness in any other examination under oath. No such exhibition of property or examination under oath or examination of books or documents, nor any other act of the Authority or any of its employees or representatives in connection with the investigation of any loss or claim hereunder, shall be deemed a waiver of any defense which the Authority might otherwise have with respect to any loss or claim, but all such exhibitions, examinations and acts shall be deemed to have been made or done without prejudice to the Authority's liability.

- K. No Benefit to Bailee. The coverage under this Memorandum shall in no way inure directly or indirectly to the benefit of any carrier or other bailee.
- L. Subrogation or Loan. If, in the event of loss or damage, the **Covered Party** shall acquire any right of action against any individual or entity, for loss of or damage to property covered hereunder, the **Covered Party** will, if requested by the Authority, assign and transfer such claim or right of action to the Authority or, at the Authority's option, execute and deliver to the Authority the customary form loan receipt upon receiving an advance of funds in respect of the loss or damage, and will subrogate the Authority to, or will hold in trust for the Authority, all such rights of action to the extent of the amount paid or advanced, and will permit suit to be brought in the **Covered Party's** name under the direction of and at the expense of the Authority.
- M. Machinery. In case of loss or damage by a peril insured against to any part of a machine or unit held either for sale or use consisting of two or more parts when complete, liability under this Memorandum shall be limited to the value of the part of parts lost or damaged or, at the **Covered Party's** option, to the cost and expense of replacing or duplicating the lost or damaged part or parts or of repairing the machine or unit provided that such option shall not exceed the lowest of the above.
- N. Pair, Set, or Parts. In the event of loss or damage to:
 - 1. Any article or articles which are a part of a pair or set, the measure of loss or damage to such article or articles shall be a reasonable and fair proportion of the total value of the pair or set, giving consideration to the importance of said article or articles, but in no event shall such loss or damage be construed to mean total loss of the pair or set; or
 - 2. Any part of property covered consisting, when complete for use, of several parts, the Authority shall only be liable for the value of the part lost or damaged.
- O. Inspection and Audit. The Authority shall be permitted but not obligated to inspect the **Covered Party's** property at any time. Neither the Authority's right to make inspection, nor the making thereof, nor any report thereon, shall constitute an undertaking, on behalf of or for the benefit of the **Covered Party** or others, to determine or warrant that such property is safe.

The Authority may examine and audit the **Covered Party's** books and records at any time during the period this Memorandum is in effect, and within three years after the final termination of this Memorandum, as far as it relates to the subject matter of this Memorandum, including any claim arising therefrom.

- P. Vacancy and/or Unoccupancy. Unless otherwise endorsed hereto, the Authority shall not be liable for loss or damage to any property that has remained vacant or unoccupied for a period of sixty (60) or more days.

- Q. Right to modify. The Authority reserves the right to revise, update and/or modify the terms and conditions of this Memorandum from time to time and throughout the term of the **coverage period** as may seem necessary and reasonable to the Authority due to an amendment to or repeal of any of the provisions of law referred to herein or for any other reason. When it shall do so, the Authority shall provide appropriate notification to members through appropriate bulletins and/or memoranda outlining the changes.

Endorsement No.: 1

The following districts/entities are considered Covered Parties pursuant to the Declarations and are hereby afforded coverage under the Memorandum of Coverage SPP 7126 27

Fresno (1)

Caruthers Unified

Inyo (8)

Big Pine Unified

Bishop Unified

Bishop Joint Union High

Death Valley Unified

Inyo County Career Technical
Education Program JPA

Inyo County Office of Education

Lone Pine Unified

Owens Valley Unified

Round Valley Jt. Elementary

Kern County (45)

Arvin Union

Bakersfield City

Beardsley

Blake

Buttonwillow Union

Caliente Union

Delano Union Elementary

Delano Joint Union High

Di Giorgio

Edison

El Tejon Unified

Elk Hills

Fairfax

Fruitvale

General Shafter

Greenfield Union

Kern County Supt. of Schools

Kernville Union

Lakeside

Lamont

Linns Valley-Poso Flat Union

Lost Hills Union

Maple

Maricopa Unified

McFarland Unified

McKittrick

Midway

Mojave Unified

Muroc Unified

Norris

Panama-Buena Vista Union

Pond Union

Richland

Rio Bravo-Greeley Union

Kern County (cont.)

Rosedale Union

Semitropic

Sierra Sands Unified

South Fork Union

Standard

Taft City Elementary

Taft Union High

Tehachapi Unified

Vineland

Wasco Union Elementary

Wasco Union High

Kings (3)

Central Union

Pioneer Union Elementary

Reef-Sunset Unified

Los Angeles (5)

Antelope Valley SELPA

Palmdale Academy Charter HS

Palmdale School Districts

Westside Union

Wilsona School District

Madera (2)

Chowchilla Elementary

Madera COE

Merced (7)

Delhi

McSwain Union

Merced COE

Merced Union High

Merced River Union Elem.

Weaver Union

Winton

Mono County (3)

Eastern Sierra Unified

Mammoth Unified

Mono COE

San Bernardino (1)

Trona Unified

San Luis Obispo (14)

Atascadero Unified

Bellevue-Santa Fe Charter

Cayucos

Coast Unified

Grizzly Challenge Charter

Lucia Mar Unified

Northern SIPE

Paso Robles Joint Unified

Pleasant Valley

San Luis Coastal Unified

San Luis Obispo COE

San Miguel Joint Union

Shandon Unified

Templeton Unified

Santa Barbara (24)

Ballard

Blochman Union

Buellton Union

Carpinteria Unified

Cold Spring

College Elementary

Cuyama Joint Unified

Goleta Union

Guadalupe Union

Hope

Los Olivos

Montecito Union

Orcutt Union

Santa Barbara CEO

Santa Barbara USD

Santa Barbara SELPA

Santa Maria Jt. Union High

Santa Maria-Bonita

Santa Ynez Valley Charter Sch.

Santa Ynez Valley Special Ed.

Consortium

Santa Ynez Valley High

Solvang

Southern SIPE

Vista Del Mar

Tulare County (1)

Tulare COE

Tuolumne JPA (21)

Alpine COE

Alpine Co. Unified SD

Amador COE

Amador Co. Unified SD

Bellevue SD

Big Oak Flat-Groveland USD

Bret Harte Union HSD

Calaveras COE

Calaveras Unified SD

Columbia Union SD

Curtis Creek Elementary SD

Jamestown Elementary SD

Mark Twain Union Elem. SD

Sonora Elementary SD

Sonora Union HSD

Soulsbyville Elementary SD

Summerville Elementary SD

Summerville Union HSD

Tuolumne Co. Supt. of Schools

Twain Harte SD

Vallecito Union SD

All Counties (1)

California Association of School
Transportation Officials
(CASTO)

Endorsement No.: 2

This endorsement changes the Memorandum of Coverage SPP 7126 27
Please Read This Carefully

Communication Systems Endorsement

This endorsement modifies the Memorandum of Coverage under Part II. INTEREST AND PROPERTY NOT COVERED, Exclusion L.

Radio, television, satellite, or data transmission systems are hereby added to this Memorandum if reported to the Authority and included on the Communication Systems schedule.

The coverage provided herein shall be subject to all other exclusions, limitations, and conditions contained in the Memorandum.

The Authority shall not be liable under this Memorandum for more than the following limits for loss or damage arising from any one loss or disaster:

\$250,000 Blanket limit

Endorsement No.: 3

This endorsement changes the Memorandum of Coverage SPP 7126 27
Please Read This Carefully

Artificial Turf and Artificial Turf Fields

This endorsement modifies the Memorandum of Coverage under Part II. INTEREST AND PROPERTY NOT COVERED, Exclusion O.

Artificial turf and artificial turf fields unless specifically added by endorsement.

The coverage provided herein shall be subject to all other exclusions, limitations, and conditions contained in the Memorandum.

The Authority shall not be liable under this Memorandum for more than the following limits for loss or damage arising from any one loss or disaster:

- A. Square footage of Artificial Turf or Artificial Turf Fields Covered: _____; at
- B. Replacement Value: \$12 per square foot.

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