

2008-2010
Property
Memorandum of Coverage



of the
California Joint Powers
Risk Management Authority

CALIFORNIA JOINT POWERS RISK MANAGEMENT AUTHORITY

PROPERTY MEMORANDUM OF COVERAGE

PROGRAM YEAR: 2008-2010

LOSS, IF ANY, PAYABLE AS FOLLOWS:

All losses to be adjusted with, and payable to California Joint Powers Risk Management Authority (CJPRMA)

It is agreed that the CJPRMA of the Declarations Page is completed to read as follows:

California Joint Powers Risk Management Authority, all associated, affiliated and/or subsidiary member agencies, corporations, firms, individuals or legal representatives as are now, or as may hereafter be constituted, or any nominee thereof including, but not limited to the following entities;

The Cities of Alameda, Fairfield, Fremont, Livermore, Lodi, Petaluma, Redding, Roseville, San Leandro, San Rafael, Santa Rosa, Stockton, Sunnyvale, Vacaville, Vallejo, and

Redwood Empire Municipal Insurance Fund

It is further understood and agreed that, regarding the CJPRMA: "Member Agency" should be defined as follows:

"Member Agency" means any of the public agencies which are a party to this agreement. Each member agency shall include any special districts for which a member agency acts as the governing body and/or for which the member agency is responsible for providing insurance as of the effective date of this agreement or special districts which are added to a membership by board approval.

1. PROGRAM TERM

This Memorandum of Coverage document shall be in effect from 12:01 A.M. Pacific Standard Time, July 1, 2008 to 12:01 A.M. Pacific Standard Time, July 1, 2010

2. PREMIUM

The annual property premium for the period July 1, 2008 to July 1, 2010 is

\$1,993,167. The premium shall be allocated by individual member.

3. LIMITS OF LIABILITY

\$10,000,000 per occurrence

4. DEDUCTIBLE

- A. All losses, damages, or expenses arising out of any one occurrence shall be adjusted as one loss and from the amount of such adjusted loss shall be deducted the sum of \$25,000.

Whether the claim involves loss at one or more locations, the deductible amount shall apply against the total loss suffered by the CJPRMA from any one occurrence.

- B. If two or more deductible amounts in this Memorandum of Coverage apply to a single occurrence, the total to be deducted shall not exceed the largest deductible applicable.

5. TERRITORY

This Memorandum of Coverage covers within the 50 states comprising the United States of America, the District of Columbia, and Canada.

6. COVERAGE

Except as hereinafter excluded, this Memorandum of Coverage covers:

A. Real and Personal Property

- (1) The interest of the CJPRMA in all real and personal property (including improvements and betterments) owned, used, or intended for use by the CJPRMA, or hereafter constructed, erected, installed, or acquired including while in course of construction, erection, installation, and assembly.

In the event of loss or damage, the CJPRMA agrees to accept and consider the CJPRMA as sole and unconditional owner of improvements and betterments, notwithstanding any contract or lease to the contrary.

- (2) The interest of the CJPRMA in the real and personal property of others in the CJPRMA care, custody, or control and the CJPRMA liability imposed by law or assumed by contract, whether written or oral, for such property. The CJPRMA agrees to defend any suit against the CJPRMA alleging physical loss or damage to property of others in the CJPRMA care, custody or control; even if such suit is groundless, false or fraudulent.
- (3) At the option of the CJPRMA, personal property of the CJPRMA officials and employees while on the premises of the CJPRMA..
- (4) Contractors' interest in property covered to the extent of the CJPRMA's liability imposed by law or assumed by contract, whether written or oral.

B. Business Interruption

- (1) Loss resulting from necessary interruption of business conducted by the CJPRMA and caused by loss, damage, or destruction by any of the perils covered herein during the term of this Memorandum of Coverage to real and personal property as described in Section 6.A.
- (2) If such loss occurs during the term of this Memorandum of Coverage, it shall be adjusted on the basis of ACTUAL LOSS SUSTAINED by the CJPRMA, consisting of the net profit which is thereby prevented from being earned and of all charges and expenses (including ordinary payroll), only to the extent that these must necessarily continue during the interruption of business and only to the extent to which such charges and expenses would have been earned had no loss occurred.

“Ordinary payroll” is defined to be the entire payroll expense for all employees of the CJPRMA except officers, executives, department managers, employees under contract, and other employees whom the CJPRMA at their discretion shall deem necessary.

- (3) However, the CJPRMA shall not be liable for any loss resulting from damage to or destruction of finished stock nor for the time required to reproduce said finished stock. Finished stock shall mean stock manufactured by the CJPRMA which in the ordinary course of the CJPRMA's business is ready for packing, shipment, or sale.
- (4) Resumption of Operations: It is a condition of this insurance that if the CJPRMA could reduce the loss resulting from the interruption of business:

- (a) by a complete or partial resumption of operation of the property CJPRMA, whether damaged or not; or
- (b) by making use of available stock, merchandise, or other property;

such reduction shall be taken into account in arriving at the amount of loss hereunder.

(5) Experience of the Business:

- (a) In determining the amount of net profit, charges, and expenses covered hereunder for the purposes of ascertaining the amount of loss sustained, due consideration shall be given to the experience of the business before the date of damage or destruction and to the probable experience thereafter had no loss occurred.
- (b) With respect to alterations, additions, and property while in the course of construction, erection, installation, or assembly, due consideration shall be given to the available experience of the business after completion of the construction, erection, installation, or assembly.

C. Extra Expense

- (1) Extra expense incurred resulting from loss or damage to property by any of the perils covered herein during the term of this Memorandum of Coverage.
- (2) “Extra expense” means the excess of the total cost during the period of restoration of the damaged property chargeable to the operation of the CJPRMA’s business over and above the total cost that would normally have been incurred to conduct the business during the same period had no loss or damage occurred.

D. Rental Value

- (1) Rental value loss sustained by the CJPRMA resulting directly from the necessary untenability caused by loss, damage, or destruction by any of the perils covered herein during the term of this Memorandum of Coverage to real or personal property as described in Section 6.A. but not exceeding the reduction in rental value less charges and expenses which do not necessarily continue during the period of untenability.
- (2) For the purposes of this insurance, “rental value” is defined as the sum of:

- (a) the total anticipated gross rental income from tenant occupancy of the described property as furnished and equipped by the CJPRMA, and
 - (b) the amount of all charges which are the legal obligation of the tenant(s) and which would otherwise be obligations of the CJPRMA, and
 - (c) the fair rental value of any portion of said property which is occupied by the CJPRMA.
 - (d) any amount due under a revenue bond that is in excess of A, B and C above.
- (3) 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.

E. Soft Costs Applicable to Property in Course of Construction

- (1) Loss resulting from a Delay in Completion of the project caused by loss, damage, or destruction by any of the perils covered herein during the term of this Memorandum of Coverage to real or personal property described in Section 6 A.
- (2) Recovery in the event of loss hereunder shall be limited to such necessary soft costs as hereinafter described over and above those costs which would have been incurred by the CJPRMA during the Delay in Completion had no loss occurred,

For the purposes of this insurance, “soft costs” are defined as:

- (a) the amount of actual interim or construction financing interest, including loan fees and other one time charges incurred to negotiate a new construction loan and/or extend the existing one;
- (b) realty taxes and ground rent, if any;
- (c) advertising and promotional expenses;
- (d) cost of additional commissions incurred upon renegotiating leases;
- (e) architects, surveyors, legal, consulting engineers, or other fees;

- (f) project administration expense;
- (g) insurance premiums.

(3) Definitions

The following terms, wherever used in this clause, shall mean as indicated:

- (a) “Delay in Completion” - the period of time between the Anticipated Date of Completion and the date on which the project is actually completed and operable with the exercise of due diligence and dispatch.
- (b) “Anticipated Date of Completion” - the date at the time of loss on which the project was scheduled to have been completed and operable had no physical loss or damage occurred.

F. Rental Value Applicable to Property in Course of Construction

- (1) To the extent not covered under Clause e, Soft Costs, rental value loss sustained by the CJPRMA resulting directly from necessary delay in tenantability of the project caused by loss, damage, or destruction by any of the perils covered herein during the term of this Memorandum of Coverage to real or personal property as described in Section 6 A but not exceeding the reduction in rental value less charges and expenses which do not necessarily continue during the period of recovery.
- (2) For the purposes of this insurance, “rental value” is defined as the sum of:
 - (a) the total anticipated gross income from tenant occupancy of the project as furnished and equipped by the CJPRMA, and
 - (b) the amount of all charges which are the legal obligation of the tenant(s) and which would otherwise be obligation of the CJPRMA, and
 - (c) the fair rental value of any portion of the project which is anticipated to be occupied by the CJPRMA.

G. Provisions Applicable to Business Interruption, Extra Expense, and Rental Value Coverages

- (1) Period of Recovery: The length of time for which loss may be claimed:

- (a) shall not exceed such length of time as would be required with the exercise of due diligence and dispatch to rebuild, repair, or replace such part of the property as has been destroyed or damaged:
- (b) and, such additional length of time to restore the CJPRMA business to the condition that would have existed had no loss occurred, commencing with the later of the following dates:
 - (i) the date on which the liability of the CJPRMA for loss or damage would otherwise terminate; or
 - (ii) the date on which repair, replacement, or rebuilding of such part of the property as has been damaged is actually completed;

but in no event for more than two years from said later commencement date;

- (c) with respect to alterations, additions, and property while in the course of construction, erection, installation, or assembly shall be determined as provided in (a) above but such determined length of time shall be applied to the experience of the business after the business has reached its planned level of production or level of business operation;
 - (d) shall commence with the date of such loss or damage and shall not be limited by the date of expiration of this Memorandum of Coverage.
- (2) Special Exclusions: This section of the Memorandum of Coverage does not insure against any increase of loss which may be occasioned by the suspension, lapse, or cancellation of any lease, license, contract, or order; nor for any increase of loss due to interference at the CJPRMA premises by strikers or other persons who are employees of the CJPRMA with rebuilding, repairing, or replacing the property damaged or destroyed, or with the resumption or continuation of business, or with the reoccupancy of the premises; nor for any loss occurring to property in transit off premises.
- (3) Expenses to Reduce Loss: This Memorandum of Coverage also covers such expenses as are necessarily incurred for the purpose of reducing any loss under this Memorandum of Coverage, not exceeding, however, the amount by which the loss under this

Memorandum of Coverage is thereby reduced.

- (4) Extension of Coverage: This Memorandum of Coverage, subject to all provisions and without increasing the amount of said Memorandum of Coverage, also insures against loss resulting from damage to or destruction by the perils insured against, of:
- (a) electrical, steam, gas, water, telephone, and other transmission lines and related plants, substations and equipment situated on or outside of the premises;
 - (b) property of a supplier of goods and/or revenue and/or services to the CJPRMA, or a receiver of goods and/or revenue and/or services from the CJPRMA;
 - (c) dams, reservoirs, or equipment connected therewith when water, used as a raw material or used for power or for other manufacturing purposes, stored behind such dams or reservoirs is released from storage and causes an interruption of business as a result of lack of water supply from such sources. (The CJPRMA's liability shall not exceed 30 consecutive days after such length of time as would be required with the exercise of due diligence and dispatch to repair or replace the damaged or destroyed dam, reservoir, or equipment.)
- (5) Interruption by Civil or Other Authority: This Memorandum of Coverage is extended to cover the loss sustained during the period of time, not to exceed eight weeks, when, as a direct result of a peril insured against, access to real and personal property is prohibited by order of civil or military authority.
- (6) Ingress/Egress: This Memorandum of Coverage is extended to cover the loss sustained during the period of time not to exceed eight weeks, when as a direct result of a peril insured against, ingress to or egress from the CJPRMA premises is thereby prevented or impaired.

H. Transit

Property in transit, and this Memorandum of Coverage attaches and covers shipments within and between the territorial limits of this Memorandum of Coverage, including the coastal waters thereof, by any means of conveyance, from the time the property is moved for purpose of loading and continuously thereafter while awaiting and during loading and unloading and in temporary storage, including temporary storage on any conveyance intended

for use for any outbound or used for inbound shipment, including during deviation and delay, until safely delivered into place of final destination.

- (1) This insurance is extended to cover loss or damage to property:
 - (a) sold and shipped by the CJPRMA under terms of F.O.B. point of origin or other terms usually regarded as terminating the shipper's responsibility short of points of delivery.
 - (b) arising out of any unauthorized person(s) representing themselves to be the proper party(ies) to receive goods for shipment or to accept goods for delivery.
 - (c) occasioned by the acceptance by the CJPRMA by its agents, or by its customers of fraudulent bills of lading, shipping and delivery orders, or similar documents.
- (2) The CJPRMA may waive right(s) of recovery against private and contract carriers and accept bills of lading or receipts from carriers, bailees, warehousemen, or processors limiting their liability, but this transit insurance shall not inure to the benefit of any carrier, bailee, warehouseman, or processor.

With respect to shipments made under F.O.B. or similar terms, the CJPRMA agrees to waive its rights of subrogation against consignees at the option of the CJPRMA.

- (3) The CJPRMA is not to be prejudiced by any agreements exempting lightermen from liability.
- (4) Seaworthiness of any vessel or watercraft is admitted by the CJPRMA.

I. Accounts Receivable

- (1) All sums due the CJPRMA from customers, provided the CJPRMA is unable to effect collection thereof as the direct result of loss of or damage to records of accounts receivable;
- (2) Interest charges on any loan to offset impaired collections pending repayment of such sums made uncollectible by such loss or damage;
- (3) Collection expense in excess of normal collection cost and made necessary because of such loss or damage;

- (4) Other expenses, when reasonably incurred by the CJPRMA in reestablishing records of accounts receivable following such loss or damage.

When there is proof that a loss of records of accounts receivable has occurred but the CJPRMA cannot more accurately establish the total amount of accounts receivable outstanding as of the date of such loss, such amount shall be computed as follows:

- (1) The monthly average of accounts receivable during the last available twelve months, together with collection expenses in excess of normal collection costs and made necessary because of such loss or damage, and reasonable expenses incurred in reestablishing records of accounts receivable following such loss or damage, shall be adjusted in accordance with the percentage increase or decrease in the twelve months average of monthly gross revenues which may have occurred in the interim.
- (2) The monthly amount of accounts receivable thus established shall be further adjusted in accordance with any demonstrable variance from the average for the particular month in which the loss occurred, due consideration also being given to the normal fluctuations in the amount of accounts receivable within the fiscal month involved.

There shall be deducted from the total amount of accounts receivable, however established, the amount of such accounts evidenced by records not lost or damaged, or otherwise established or collected by the CJPRMA and an amount to allow for probable bad debts which would normally have been uncollectible by the CJPRMA.

J. Leasehold Interest

- (1) Pro rata proportion from the date of loss to expiration date of the lease (to be paid without discount) on the CJPRMA's interest in:
 - (a) the amount of bonus paid by the CJPRMA for the acquisition of the lease not recoverable under the terms of the lease for the unexpired term of the lease;
 - (b) improvements and betterments to real property during the unexpired term of the lease which is not covered under any other section of this Memorandum of Coverage;
 - (c) the amount of advance rental paid by the CJPRMA and not recoverable under the terms of the lease for the unexpired term of the lease;

when property is rendered wholly or partially untenable by any of the perils covered herein during the term of this Memorandum of Coverage and the lease is canceled by the lessor in accordance with the conditions of the lease or by statutory requirements of the state in which the damaged or destroyed property is located; and

(a) “Interest of the CJPRMA as Lessee” when property is rendered wholly or partially untenable by any of the perils covered herein during the term of this Memorandum of Coverage and the lease is canceled by the lessor in accordance with the conditions of the lease or by statutory requirements of the state in which the damaged or destroyed property is located.

(b) The “Interest of the CJPRMA as Lessee” as referred to herein shall be paid for the first three months succeeding the date of the loss and the “Net Lease Interest” shall be paid for the remaining months of the unexpired lease.

(2) Definitions

The following terms, wherever used in this section shall mean as follows:

(a) the “Interest of the CJPRMA as Lessee” is defined as:

(i) the excess of the rental value of similar premises over the actual rental payable by the lessee (including any maintenance or operating charges paid by the lessee) during the unexpired term of the lease.

(ii) the rental income earned by the CJPRMA from sublease agreements, to the extent not covered under any other section of this Memorandum of Coverage, over and above the rental expenses specified in the lease between the CJPRMA and the lessor.

(b) “Net Lease Interest” is defined as that sum, which placed at 6% interest compounded annually will be equivalent to the “Interest of the CJPRMA as Lessee”.

(3) The CJPRMA shall not be liable for any increase of loss which may be occasioned by the suspension, lapse or cancellation of any license or by the CJPRMA exercising an option to cancel the lease.

7. **PERILS INSURED AGAINST**

This Memorandum of Coverage insures against all risk of direct physical loss of or damage to property described herein including general average, salvage, and all other charges on shipments covered hereunder, except as hereinafter excluded.

Physical loss or damage shall include any destruction, distortion or corruption of any computer data, coding, program or software except as hereinafter excluded.

8. **PERILS EXCLUDED**

This Memorandum of Coverage does not insure:

- A. infidelity or dishonesty of the CJPRMA, or any officer or employee thereof, or loss or damage resulting from the CJPRMA voluntarily parting with title or possession of any property if induced to do so by any fraudulent scheme, trick, device or false pretense; nor any unexplained loss, mysterious disappearance, or loss or shortage disclosed on taking inventory.
- B. against the cost of making good defective design or specifications, faulty material, or faulty workmanship; however, this exclusion shall not apply to loss or damage resulting from such defective design or specifications, faulty material, or faulty workmanship;
- C. against electrical injury or disturbance to electrical appliances, devices, or wiring caused by electrical currents artificially generated unless loss or damage from a “specified cause of loss (or peril)” ensues and then this Memorandum of Coverage shall cover for such ensuing loss or damage;
- D. against mechanical breakdown unless loss or damage from a “specified cause of loss (or peril)” ensues and then this Memorandum of Coverage shall cover for such ensuing loss or damage;
- E. against explosion, rupture, or bursting of steam boilers, steam pipes, steam turbines, or steam engines owned or operated by the CJPRMA unless loss or damage from a “specified cause of loss (or peril)” and then this Memorandum of Coverage shall cover for such ensuing loss or damage;
- F. against errors in processing or manufacture of the CJPRMA product unless loss or damage from a “specified cause of loss (or peril)” and then this Memorandum of Coverage shall cover for such ensuing loss or damage;
- G. against ordinary wear, tear, or gradual deterioration unless other loss or damage from a “specified cause of loss (or peril)” and then this Memorandum of Coverage shall cover for ensuing loss or damage;

- H. against 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 the peril(s) insured against in this Memorandum of Coverage; except;
- (1) if fire ensues, liability is specifically assumed for direct loss by such ensuing fire but not including any loss due to nuclear reaction, nuclear radiation, or radioactive contamination;
 - (2) the CJPRMA shall be liable for loss or damage caused by sudden and accidental radioactive contamination including resultant radiation damage for each occurrence from material used or stored or from processes conducted on the CJPRMA premises, provided at the time of loss there is neither a nuclear reactor capable of sustaining nuclear fission in a self-supporting chain reaction nor any new or used nuclear fuel on the CJPRMA premises;
- I. (1) against 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 by any authority maintaining or using military, naval, or air forces;
 - (b) or by military, naval, or air forces;
 - (c) or by an agent of any such government, power, authority, or forces;
- (2) against any weapon employing atomic fission;
 - (3) against rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering combating, or defending against such occurrence;
 - (4) seizure or destruction by order of public authority, except destruction by order of public authority to prevent the spread of fire or explosion;
 - (5) risks of contraband or illegal trade.

Notwithstanding the above provisions, k. (1), (2), (3), (4), and (5), this insurance shall cover loss or damage directly caused by acts committed by an agent of any government, party, or faction engaged in war, hostilities, or warlike operations, provided such agent is acting secretly and not in connection with any operation of armed forces (whether military, naval, or

air forces) in the country where the property is situated. Nothing in the foregoing shall be construed to include any loss, damage, or expense caused by or resulting from any of the risks or perils excluded above, excepting only the acts of certain agents expressly covered herein, but in no event shall this insurance include any loss, damage, or expense caused by or resulting from any weapon of war employing atomic fission or radioactive force whether in time of peace or war.

J. Caused by, resulting from, contributed to or aggravated by earth movement, including but not limited to earthquake, landslide, subsidence except mudslide caused by accumulation of water on or under the ground, unless loss by or damage from a peril “specified cause of loss (or peril)” and then this Memorandum of Coverage shall cover for ensuing loss or damage;

K. Water

(1) Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not;

(2) Mudslide or mudflow;

(3) Water that backs up or overflows from a sewer, drain or sump; or

(4) Water under the ground surface pressing on, or flowing or seeping through:

(a) Foundations, walls, floors or paved surfaces;

(b) Basements, whether paved or not; or

(c) Doors, windows or other openings

But if Water, as described in (1) through (4) above, results in fire, explosion, or sprinkler leakage, we will pay for the loss or damage caused by that fire, explosion or sprinkler leakage.

L. Certified and Non Certified Terrorism for all single site locations with a value greater than \$50,000,000. A single site shall be defined as follows: Any one building, or a grouping of buildings with less than 100 feet of “clear space” between each and every building within the grouping of buildings. As used in this definition, “clear space” means the open area between one or more buildings, which will not support the spread of fire.

Exclusion B, C, D, E and F do not apply to property in transit.

Exclusions C, D, E, and F do not apply to alterations, additions, and property while in the course of construction, erection, installation, or assembly.

Exclusions C, D, and E do not apply to electronic data processing systems and valuable papers and records.

Exclusion E does not apply to other conveyances CJPRMA herein.

Please refer to Endorsements 1 - 5 for additional exclusions.

9. PROPERTY EXCLUDED

This Memorandum of Coverage does not cover loss or damage to:

- A. Money and securities, jewelry, furs, precious or semi-precious stones, gold, silver or platinum or precious alloys;
- B. Growing crops, standing timber, and animals;
- C. Watercraft, aircraft, motor vehicles licensed for highway use except when garaged, stored or in use on the premises of the CJPRMA or others, but this exclusion shall not apply to contractor's equipment;
- D. Waterborne shipments to and from Puerto Rico, the Virgin islands, Hawaii, and Alaska; waterborne shipments via the Panama Canal;
- E. Export shipments after loading on board an overseas vessel or watercraft or after ocean marine insurance attaches, whichever occurs first, and import shipments prior to discharge from the overseas vessel or watercraft or until the ocean marine insurance terminates, whichever occurs last;
- F. Land, land values; however, this, exclusion shall not apply to the cost of reclaiming, restoring or repairing land improvements. Land improvements as described hereunder are defined as any alteration to the natural condition of the land by grading, landscaping, as well as additions to land such as pavements or similar works;
- G. Water; except water which is normally contained within any type of tank, piping system or other process equipment.
- H. Transmission and Distribution Lines other than those within 500 feet of a CJPRMA premises.
- I. All onshore or off shore:
 - (1) gas and oil drilling risks;
 - (2) petrochemical risks;

- (3) pipeline risks; or
- (4) gas and oil well risks.
- J. Railroad Property, rolling stock tracks or roadbeds.
- K. Any location with total insurable value of \$250,000,000
- L. Bridges, dams as defined by the California Water Code, tunnels and roadways unless the replacement cost values have been declared to the reinsurer and the reinsurer have accepted the risk.

The definition of a dam is as follows:

Dam means any artificial barrier, together with appurtenant works, which does or may impound or divert water, and which either (a) is 25 feet or more in height from the natural bed of the stream or watercourse at the downstream toe of the barrier, or from the lowest elevation of the outside limit of the barrier, if it is not across a stream, channel or watercourse, to the maximum possible water storage elevation; or (b) has an impounding capacity of 50 acre-feet or more.

Any such barrier which is not in excess of 6 feet in height, regardless of storage capacity, or which has a storage capacity not in excess of 15 acre-feet, regardless of height, shall not be considered a dam.

No obstruction in a canal used to raise or lower water therein or divert water there from, no levee, including but not limited to a levee on the bed of a natural lake the primary purpose of which levee is to control floodwater, no railroad fill or structure, and no road or highway fill or structure, no circular tank constructed of steel or concrete or both, no tank elevated above the ground, and no barrier which is not across a stream channel, watercourse, or natural drainage area and which has the principal purpose of impounding water for agricultural use shall be considered a dam.

No obstruction in the channel of a stream or watercourse which is 15 feet or less in height from the lowest elevation of the obstruction and which has the single purpose of spreading water within the bed of the stream or watercourse upstream from the construction for percolation underground shall be considered a dam.

The levee of an island adjacent to tidal waters in the Sacramento-San Joaquin Delta, as defined in Section 12220, even when used to impound water, shall not be considered a dam and the impoundment shall not be considered a reservoir if the maximum possible water storage elevation of

the impounded water does not exceed four feet above mean seal level, as established by the United States Geological Survey 1929 datum.

No noncircular tank, constructed of steel or concrete, or both, that is constructed in a county of the third class by a public agency, under the supervision of a civil engineer registered in the state, that does not exceed 75 acre feet in capacity or 30 feet in height, and no barrier that is not across a stream channel, watercourse, or natural drainage area and that has the principal use as a sewage sludge drying facility shall be considered a dam. Nor shall any impoundment constructed and utilized to hold treated water from a sewage treatment plant be considered a dam. Nor shall any wastewater treatment or storage pond exempted from state regulation and supervision by California Water Code section 6025.5 be considered a dam.

10. VALUATION

At the time of loss, the basis of adjustment unless otherwise endorsed herein shall be as follows:

- A. stock in process, the value of raw materials and labor expended plus the proper proportion of overhead charges;
- B. finished goods whether or not manufactured by the CJPRMA, the selling price at the location where the loss occurs;
- C. raw materials, supplies and other merchandise not manufactured by the CJPRMA, the replacement cost;
- D. Valuable papers and records: The cost to repair, replace or the cost to reproduce the property with other of like kind and quality including the cost of gathering and/or assembling information; or, if not so replaced, actual cash value.

“Valuable papers and records” are defined as written, printed, or otherwise inscribed documents and records, including but not limited to books, maps, films, drawings, abstracts, deeds, mortgages, micro-inscribed documents, manuscripts, media, data storage devices, program devices for electronic and electromechanical data processing and production equipment but not including 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;

- E. As respects Historical Buildings the maximum building limit shall be 130% of the reported value declared to underwriters. Historical Buildings are defined as follows:

Federal: "Certified historic structure includes any building, structure or land area that is listed in the National Register of Historic Places, or Located in a registered historic district and certified by the U.S. Department of the Interior as being historically significant to the district.

State of California: "Historical Landmark" means any historical resource which is registered as a state historical landmark pursuant to Section 5021.

Local: "Local register of historical resources" means a list of properties officially designated or recognized as historically significant by a local government pursuant to a local ordinance or resolution.

- F. Fine Arts – The least of the following:

- (1) the market value;
- (2) the cost of reasonably restoring the property to its condition immediately before the loss plus reduction in market value, if any; or
- (3) the cost of replacing the property with substantially identical property.

- G. Real and Personal Property

- (1) Buildings, structures, furniture and fixtures, machinery, equipment including motor vehicles and mobile equipment, improvements and betterment's – the cost of repair or replacement new without deduction for depreciation including any and all incurred charges;
- (2) Electronic Data Processing or control equipment and production machinery and equipment or any part thereof shall be valued at the cost to repair or replace new except, that with respect to items for which replacement with identical property is impossible, the replacement cost shall be the cost of items similar to the destroyed property and intended to perform the same function but which may include technological advances;

- H. All other property: the cost of repair or replacement new without deduction for depreciation including any and all incurred charges.

- I. Permission is granted for the Insured to replace the damaged property with any property at the same site or at another site within the territorial limits of this policy, but recovery is limited to what it would cost to replace on same site. If property damaged or destroyed is not repaired, rebuilt or replaced within two years after the loss or damage, this Company shall not be liable for more than the actual cash value at the time of loss (ascertained with proper deduction for depreciation) of the property damaged or destroyed. However, limitations imposed by federal, state or municipal building codes shall not result in actual cash valuation.

11. FIRE BRIGADE CHARGES AND EXTINGUISHING EXPENSES

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

- A. fire brigade charges and other extinguishing expenses for which the CJPRMA may be assessed;
- B. loss of fire extinguishing materials expended.

12. DEBRIS REMOVAL

This Memorandum of Coverage covers the following expenses resulting from a peril insured against:

- A. the cost of removal of debris of property covered hereunder;
- B. the cost of removal of debris of property not insured hereunder from the premises of the CJPRMA:
- C. the cost of restoration of land.

13. DEMOLITION AND INCREASED COST OF CONSTRUCTION

In the event of loss or damage under the Memorandum of Coverage that causes the enforcement of any law or ordinance regulating the construction or repair of damaged facilities, this CJPRMA shall be liable for:

- A. the cost of demolishing the undamaged facility including the cost of clearing the site;
- B. the proportion that the value of the undamaged part of the facility bore to the value of the entire facility prior to loss;

- C. increased cost of repair or reconstruction of the damaged and undamaged facility on the same or another site and limited to the minimum requirements of such law or ordinance regulating the repair or reconstruction of the damaged property on the same site. However, the CJPRMA shall not be liable for any increased cost of construction loss unless the damaged facility is actually rebuilt or replaced;
- D. any increase in the business interruption, extra expense, and rental value loss arising out of the additional time required to comply with said law or ordinance.

14. EXPEDITING EXPENSE

This Memorandum of Coverage covers the reasonable extra cost of temporary repair and of expediting the repair of damaged property insured hereunder, including overtime and express freight or other rapid means of transportation.

15. CONTRIBUTING INSURANCE

Contributing insurance is insurance written upon the same plan, terms, conditions, and provisions as those contained in this Memorandum of Coverage. This insurance shall contribute in accordance with the conditions of this Memorandum of Coverage only with other contributing insurance as defined.

16. EXCESS INSURANCE

Excess insurance is insurance over the limit of liability set forth in this Memorandum of Coverage. The existence of such excess insurance shall not prejudice the coverage provided under this Memorandum of Coverage nor will it reduce any liability hereunder.

17. UNDERLYING INSURANCE

- A. Underlying insurance is insurance on all or any part of the deductible and against all or any of the perils covered by this Memorandum of Coverage including declarations of value to the carrier. The existence of such underlying insurance shall not prejudice or affect any recovery otherwise payable under this Memorandum of Coverage.

- B. If the limits of such underlying insurance exceed the deductible amount which would apply in the event of loss under this Memorandum of Coverage, then that portion which exceeds such a deductible amount shall be considered “other insurance.”

18. OTHER INSURANCE

Except for insurance described by the contributing insurance clause, by the excess insurance clause, or by the underlying insurance clause, this Memorandum of Coverage shall not cover to the extent of any other insurance, whether prior or subsequent hereto in date, and whether directly or indirectly covering the same property against the same perils. The CJPRMA shall be liable for loss or damage only to the extent of that amount in excess of the amount recoverable from such other insurance.

19. SUBROGATION

- A. Any release from liability entered into by the CJPRMA prior to loss hereunder shall not affect this Memorandum of Coverage or the right of the CJPRMA to recover hereunder. The right of subrogation against the CJPRMA, subsidiaries or affiliated corporations or companies, or any other corporations or companies associated with the CJPRMA through ownership or management is waived.
- B. In the event of any payment under this Memorandum of Coverage, the CJPRMA shall be subrogated to the extent of such payment to all the CJPRMA rights of recovery therefore. The CJPRMA shall execute all papers required and shall do anything that may be necessary at the expense of the CJPRMA to secure such right. The CJPRMA will act in concert with all other interests concerned, i.e., the CJPRMA and any other parties participating in the payment of any loss as primary or excess insurers, in the exercise of such rights of recovery. If any amount is recovered as a result of such proceedings, the net amount recovered after deducting the costs of recovery shall be divided between the interests concerned in the proportion of their respective interests. If there should be no recovery, the expense of proceedings shall be borne proportionately by the interests instituting the proceedings.

20. SALVAGE AND RECOVERIES

All salvages, recoveries, and payments, excluding proceeds from subrogation and underlying insurance recovered or received subsequent to a loss settlement under this Memorandum of Coverage, shall be applied as if recovered or received prior

to the said settlement and all necessary adjustments shall be made to the parties involved.

21. BRAND OR TRADEMARK

In case of damage by a peril insured against to property bearing a brand or trademark or which in any way carries or implies the guarantee or the responsibility of the manufacturer or the CJPRMA, the salvage value of such damaged property shall be determined after removal at the CJPRMA's expense in the customary manner of all such brands or trademarks or other identifying characteristics. The CJPRMA shall have full right to the possession of all goods involved in any loss under this Memorandum of Coverage and shall retain control of all damaged goods. The CJPRMA, exercising a reasonable discretion, shall be the sole judge as to whether the goods involved in any loss under this Memorandum of Coverage are fit for consumption. No goods so deemed by the CJPRMA to be unfit for consumption shall be sold or otherwise disposed of except by or with the CJPRMA's consent, but the CJPRMA shall allow any salvage obtained by the CJPRMA on any sale or other disposition of such goods.

22. MACHINERY

In case of loss or damage by a peril insured against to any part of a machine or unit consisting of two or more parts when complete for use, the liability of the CJPRMA shall be limited to the value of the part of parts lost or damaged or, at the CJPRMA'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.

23. LIBERALIZATION CLAUSE

If during the period that insurance is in force under this Memorandum of Coverage or within 45 days prior to the inception date thereof, on behalf of the CJPRMA there be adopted, or filed with and approved or accepted by the insurance supervisory authorities, all in conformity with law, any changes in the form attached to this Memorandum of Coverage by which this form of insurance could be extended or broadened without increase premium charge by endorsement or substitution of form, then such extended or broadened insurance shall inure to the benefit of the CJPRMA hereunder as though such endorsement or substitution of form had been made.

24. ERRORS OR OMISSIONS

Any unintentional error or omission made by the CJPRMA shall not void or impair the insurance hereunder provided the CJPRMA reports such error or omission as soon as reasonably possible after discovery.

25. NOTICE OF LOSS

As soon as practicable after any loss or damage occurring under this Memorandum of Coverage is known to the CJPRMA administration office insurance department, the CJPRMA shall report such loss or damage with full particulars to Marsh Risk & Insurance Services, One California Street, San Francisco, California 94111. Marsh Risk & Insurance Services is hereby authorized to appoint McLarens Young International, One Sansome Street, Suite 950, San Francisco, California 94104-4429 to assess the loss on behalf of this CJPRMA.

26. PROOF OF LOSS

It shall be necessary for the CJPRMA to render a signed and sworn proof of loss stating: the place, time, and cause of the loss, damage, or expense; the interest of the CJPRMA and of all others; the value of the property involved in the loss; and the amount of loss, damage, or expense.

27. APPRAISAL

If the CJPRMA fails to agree on the amount of loss, each interested member, upon the written demand either of the CJPRMA or the interested member of the CJPRMA made within 60 days after receipt of proof of loss, shall select a competent and disinterested appraiser. The appraisers shall then select a competent and disinterested umpire. If they should fail for 15 days to agree upon such umpire, then upon the request of the CJPRMA or of this CJPRMA, such umpire shall be selected by a judge of a court of record in the county and state in which such appraisal is pending. Then, at a reasonable time and place, the appraisers shall appraise the loss, stating separately the value at the time of loss and the amount of loss. If the appraisers fail to agree, they shall submit their differences to the umpire. An award in writing by any two shall determine the amount of loss. The CJPRMA and the interested member shall each pay his or its chosen appraiser and shall bear equally the other expenses of the appraisal and of the umpire.

28. PRIVILEGES

Permission granted for the hazard to be increased by any means whether or not within the control or knowledge of the CJPRMA and for the premises therein described to be vacant or unoccupied without limit of time.

29. CONSEQUENTIAL LOSS

This Memorandum of Coverage insures against consequential loss to the property insured caused by change of temperature or humidity or by interruption of power, heat, air conditioning, or refrigeration resulting from a peril insured against.

30. ASSISTANCE AND COOPERATION OF THE CJPRMA

The member entities shall cooperate with the CJPRMA and, upon the CJPRMA's request and expense, shall attend hearings and trials and shall assist in effecting settlements, in securing and giving evidence, in obtaining the attendance of witnesses, and in conducting suits.

31. SUE AND LABOR

In case of actual or imminent loss or damage by a peril insured against, it shall, without prejudice to this insurance, be lawful and necessary for the CJPRMA, their factors, servants, or assigns to sue, labor, and travel for, in, and about the defense, the safeguard, and the recovery of the property or any part of the property insured hereunder; nor, in the event of loss or damage, shall the acts of the CJPRMA in recovering, saving, and preserving the insured property be considered a waiver or an acceptance of abandonment. The CJPRMA shall contribute to the expenses so incurred according to the rate and quantity of the sum herein insured.

32. PAYMENT OF LOSS

All adjusted claims shall be due and payable no later than 30 days after presentation and acceptance of proofs of loss by the CJPRMA or its appointed representative.

33. PARTIAL PAYMENT OF LOSS

In the event of a loss covered by this Memorandum of Coverage, it is understood and agreed that the CJPRMA may allow a partial payment(s) of claim subject to the Memorandum of Coverage conditions.

34. LOSS ADJUSTMENT EXPENSE

This Memorandum of Coverage is extended to include expenses incurred by the CJPRMA or by the CJPRMA's representatives for preparing and certifying details of a claim resulting from a loss which would be payable under this Memorandum of Coverage. However, the CJPRMA shall not be liable under this clause for expenses incurred by the CJPRMA in utilizing the services of a public adjuster.

35. BUY-BACK OPTION

If the CJPRMA recovers property for which the CJPRMA has already paid the member entities, the member entity has the right to buy the property back from the CJPRMA. If the property is not damaged, the member entity will pay the same amount the CJPRMA paid the member entity, plus an amount for loss adjustment, recovery expenses and interest.

36. REINSTATEMENT

No loss hereunder shall reduce the amount of this Memorandum of Coverage.

37. SUIT AGAINST THE CJPRMA

No suit or action on this Memorandum of Coverage for the recovery of any claim shall be sustainable in any court of law or equity unless the CJPRMA shall have fully complied with all the requirements of this Memorandum of Coverage. The CJPRMA agrees that any action or proceeding against it for recovery of any loss under this Memorandum of Coverage shall not be barred if commenced within the time prescribed therefore in the statutes of the state of California.

38. CERTIFICATES OF INSURANCE

All parties to whom a certificate of insurance has been issued by the CJPRMA or the broker, are automatically added to this Memorandum of Coverage upon issuance of said certificates, either as additional insured's or as loss payees, or both, in accordance with the terms and conditions of said certificates.

39. CANCELLATION

- A. This Memorandum of Coverage may be canceled at any time at the request of the CJPRMA by mailing to the CJPRMA at:

2333 San Ramon Valley Blvd., Suite 250
San Ramon, CA 94583-4456

and to the additional insured/loss payees indicated on the certificates of insurance issued during the term of this Memorandum of Coverage and to Marsh Risk & Insurance Services, One California Street, San Francisco, CA 94111, written notice stating when, not less than 90 days thereafter, such cancellation shall be effective, except ten (10) days for non-payment.

- B. The mailing of notice as aforesaid shall be sufficient proof of notice and the effective date and hour of cancellation stated in the notice shall become the end of the Memorandum of Coverage period. Delivery of such written notice by the CJPRMA shall be equivalent to mailing.
- C. Cancellation shall not affect coverage on any shipment in transit on the date of cancellation. Coverage will continue in full force until such property is delivered and accepted.

40. FULL WAIVER

The terms and conditions of this form and endorsements attached thereto are substituted for those of the Memorandum of Coverage to which it is attached, all terms, conditions and endorsements of latter being waived.

41. TITLES OF PARAGRAPHS

The titles of the paragraphs of this form and of endorsements and supplemental contracts, if any, now or hereafter attached hereto are inserted solely for convenience of reference and shall not be deemed in any way to limit or affect the provisions to which they relate.

42. JOINT LOSS AGREEMENT

With respect to insurance provided by this Memorandum of Coverage, it is agreed that:

- A. If at the time of loss, there is in existence of a Memorandum of Coverage, insurance policy(ies) or Reinsurance Certificate issued by either this

CJPRMA, a Property or Boiler and Machinery Insurance company which may cover the same property or cover the location at which the property subject to loss is situated; and

- B. If there is a disagreement between the parties under this Memorandum of Coverage and such other contract either as to:
- (1) whether such damage or destruction was caused by a peril insured against by this Memorandum of Coverage or be an accident insured against by such Property or Boiler and Machinery Insurance policy; or
 - (2) the extent of participation of this Memorandum of Coverage and of such Property or Boiler and Machinery Insurance policy in a loss which is insured against, partially or wholly, by any one or all of said policies;

this Memorandum of Coverage shall, upon written request of the CJPRMA, pay to the CJPRMA one-half of the amount of the loss which is in disagreement, but in no event more than the CJPRMA would have paid if there had been no boiler and machinery insurance policy in effect, subject to the following conditions:

- (3) the amount of the loss which is in disagreement, after making provisions for any undisputed claims payable under the said policies and after the amount of the loss is agreed upon by the CJPRMA and the companies is limited to the minimum amount remaining payable under either the boiler and machinery or this Memorandum of Coverage.

**THIS ENDORSEMENT (1) CHANGES THE MEMORANDUM OF COVERAGE.
PLEASE READ IT CAREFULLY.**

WAR EXCLUSION

All loss, cost or expense directly or indirectly arising out of, resulting as a consequence of or related to war. "War," as utilized herein, shall mean war whether or not declared, civil war, martial law, insurrection, revolution, invasion, bombardment or any use of military force, usurped power or confiscation, nationalization or damage of property by any government, military or other authority.

This exclusion shall apply whether or not there is another cause of loss which may have contributed concurrently or in any sequence to a loss.

**THIS ENDORSEMENT (2) CHANGES THE MEMORANDUM OF COVERAGE.
PLEASE READ IT CAREFULLY.**

**EXCLUSION OF LOSS TO AND LOSS OF USE OF DATA, COMPUTER
HARDWARE AND SYSTEMS.**

Random Attack - Hacking Event or Computer Virus.

We will not pay for direct physical loss or damage caused by a random attack by a hacking event or computer virus. Such loss is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

Random attack means the widespread attack, by a hacking event or computer virus, directed against the computer systems, software, data, or telecommunications systems of multiple organizations or persons who are not part of you, rather than solely at your computer systems, software, data, or telecommunications systems. Such attack is intended for the purpose of fraud, nuisance, or malicious tampering or destruction.

Hacking event means an attack that allows unauthorized access or use of a computer or telecommunications system by electronically circumventing a security system or procedure.

Computer virus means a piece of code that is maliciously or fraudulently introduced into a computer or telecommunications system. Once introduced, the virus may destroy, alter, contaminate, or degrade the integrity, quality, or performance of data or any computer application software, computer network, or computer operating system and related software.

This exclusion does not apply to any specific attack to your computer equipment.

Specific attack means the intentional attack, by a hacking event or computer virus, directed solely at your computer system, software, data or telecommunications system. Such attack is intended for the purpose of fraud, nuisance, or malicious tampering or destruction.

Denial of services

We do not cover any loss of earnings or extra expense caused by or resulting from denial of services.

Denial of services means an intentional specific or random attack on your computer system or telecommunications system for the purposes of nuisance, sabotage, or malicious tampering which has the effect of:

- depleting system resources available through the Internet to authorized external users of your computer system or telecommunications systems; or
- impeding Internet access of authorized external users to your computer system or telecommunications system.

**THIS ENDORSEMENT (3) CHANGES THE MEMORANDUM OF COVERAGE.
PLEASE READ IT CAREFULLY.**

MOLD EXCLUSION

The following is added to the Exclusions section of this Memorandum of Coverage:

We will not pay for loss or damage caused directly or indirectly by “Fungal Pathogens” as utilized herein, shall mean any fungus or Mycota or any byproduct or type of infestation produced by such fungus or Mycota, including but not limited to, mold, mildew, mycotoxins, spores or any biogenic aerosols.

But if “Fungal Pathogens” results in or causes a “specified cause of loss”, we will pay for the loss or damage caused by or resulting from that “specified cause of loss”.

“Specified Causes of Loss” means the following: Fire; lightning; explosion; windstorm or hail; smoke; aircraft or vehicles; riot or civil commotion; vandalism; leakage from fire extinguishing equipment; sinkhole collapse; volcanic action; falling objects; weight of snow, ice or sleet; water damage.

**THIS ENDORSEMENT (4) CHANGES THE MEMORANDUM OF COVERAGE.
PLEASE READ IT CAREFULLY.**

1. POLLUTION EXCLUSION

We will not pay for loss or damage caused by or resulting from any of the following. But if loss or damage caused by a “specified cause of loss (or peril)” results, we will pay only for such resulting loss or damage.

All loss, cost or expense directly or indirectly arising out of, resulting as a consequence of or related to Pollution, whether or not there is another cause of loss which may have contributed concurrently or in any sequence to a loss.

“Pollution” means any actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

2. DEBRIS REMOVAL

This Memorandum of Coverage covers the expense incurred in the removal of debris of the covered property when damaged or destroyed by a covered peril not otherwise excluded herein, all subject to the following:

- a. Our liability for debris removal expense will not exceed the lesser of:
 - 1) The amount actually expended by you for the removal of debris of covered property; or
 - 2) 25% of the amount of direct physical loss or damage to covered property which necessitated the debris removal.
- b. There will be no liability under this Memorandum of Coverage to:
 - 1) Extract “pollutants or contaminants” from land or water; or
 - 2) Remove, restore or replace polluted or contaminated land or water, whether or not the cause of loss is covered
- c. There will be no liability under this Memorandum of Coverage for debris removal expense unless you have reported such expenses to us in writing, within 180 days of the date of direct physical loss or damage.

- d. Payment made will be part of, and not in addition to, the overall Memorandum of Coverage Limit of Liability as stated elsewhere in this Memorandum of Coverage.

3. POLLUTANT/CONTAMINANT CLEAN UP EXTENSION

This Memorandum of Coverage extends coverage for the cost to clean up “pollutants or contaminant” from land or water at insured locations if the discharge, dispersal, seepage, migration, release or escape of “pollutants or contaminants” is caused by or results from a covered peril not otherwise excluded by this Memorandum of Coverage, all subject to the following:

- a. There will be no liability under this Memorandum of Coverage for such expenses unless you have reported such expenses to us in writing within 180 days of the date of direct physical loss or damage.
- b. This Memorandum of Coverage will not be liable for costs to test for, monitor or assess the existence, concentration or effects of “pollutants or contaminants”. However, testing expenses incurred by you in the course of extracting the “pollutants or contaminants” from the land or water will be covered under this Memorandum of Coverage.
- c. Our liability under this provision will not exceed \$1,000,000 per occurrence and \$5,000,000 in the aggregate annually.

Payment made will be part of, and not in addition to, the overall Memorandum of Coverage Limit of Liability as stated elsewhere in this Memorandum of Coverage.

4. ASBESTOS EXCLUSION

This Memorandum of Coverage does not insure against any loss or damage, increased costs, loss of use, or any other type of claim of any description involving asbestos material or asbestos-containing material whether physically damaged or not unless the asbestos is itself physically damaged or destroyed by a covered peril, and then and only then, this Memorandum of Coverage covers the cost to repair, replace and abate the asbestos material and remove the asbestos material debris from the premises. In no event, is this limited coverage extended to the costs of storage of or for any asbestos material

In no event does this Memorandum of Coverage insure against any loss or damage, increased costs, loss of use, or any other type of claim relating to asbestos material or asbestos-containing material not physically damaged or destroyed (including a claim of loss of use) by a covered peril, including asbestos material in undamaged areas of a building or structure where other areas have been physically damaged or destroyed by a covered peril or where a governmental direction, request, order, law, ordinance, code or regulation requires that asbestos material be demolished, removed, repaired, replaced, abated, or modified.

5. DEFINITIONS

The Definitions section of this Memorandum of Coverage is amended to add the following:

“Pollutants or contaminants” mean any solid, liquid, gas, thermal irritant, vapor, soot, fumes, acids, alkalis, chemicals or waste which cause or threaten to cause physical loss, damage, or impurity to property, or unwholesomeness, loss of marketability, or loss of use of property. Waste includes materials to be recycled, reconditioned or reclaimed.

**THIS ENDORSEMENT (5) CHANGES THE MEMORANDUM OF COVERAGE.
PLEASE READ IT CAREFULLY.**

EXCLUSION OF CERTAIN COMPUTER-RELATED LOSSES

- A. The CJPRMA will not pay for loss (“loss”) or damage caused directly or indirectly by the following. Such loss (“loss”) or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss (“loss”) or damage.
1. The failure, malfunction or inadequacy of:
 - a. Any of the following, whether belonging to any CJPRMA member or to others:
 - (1) Computer hardware, including microprocessors;
 - (2) Computer application software;
 - (3) Computer operating systems and related software;
 - (4) Computer networks;
 - (5) Microprocessors (computer chips) not part of any computer system; or
 - (6) Any other computerized or electronic equipment or components; or
 - b. Any other products, and any services, data or functions that directly or indirectly use or rely upon, in any manner, any of the items listed in Paragraph A.1.a. of this endorsement; due to the inability to correctly recognize, process, distinguish, interpret or accept one or more dates or times. An example is the inability of computer software to recognize the year 2000.
 2. Any advice, consultation, design, evaluation, inspection, installation, maintenance, repair, replacement or supervision provided or done by you or for you to determine, rectify or test for, any potential or actual problems described in Paragraph A.1. of this endorsement.
- B. If an excluded Cause of Loss as described in Paragraph A. of this endorsement results:
1. In a Covered Cause of Loss under the Boiler and Machinery Coverage Part or the Memorandum of Coverage; or we will pay only for the loss (“loss”) or damage caused by such “Specified Cause of Loss,” elevator collision, or Covered Cause of Loss.
- C. We will not pay for repair, replacement or modification of any items in Paragraphs A.1.a. and A.1.b. of this endorsement to correct any deficiencies or change any features.