

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION**

In re:

STAGE STORES, INC., *et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 20-32564-DRJ  
(Jointly Administered)

STEVEN BALASIANO, AS PLAN  
ADMINISTRATOR OF STAGE STORES,  
INC., *et al.*,

Plaintiff,

v.

CERTAIN UNDERWRITERS AT LLOYD'S  
LONDON – BRIT SYNDICATE 2987 AND  
BRIT SYNDICATE 2988, EVEREST  
INDEMNITY INSURANCE COMPANY,  
and QBE SPECIALTY INSURANCE  
COMPANY,

Defendants.

Adv. Pro. No. \_\_\_\_\_

**ADVERSARY COMPLAINT**

Steven Balasiano (the “Plaintiff”), in his capacity as the Plan Administrator of Stage Stores, Inc. (“Stage Stores”) and Specialty Retailers, Inc. (together with Stage Stores, the “Debtors”), hereby submits this complaint (this “Complaint”) against (i) certain Underwriters at Lloyd’s, London – Brit Syndicate 2987 and Brit Syndicate 2988 (“Brit”), (ii) Everest Indemnity Insurance Company (“Everest”), and (iii) QBE Specialty Insurance Company (“QBE” and together with Brit

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<sup>1</sup> The Debtors, along with the last four digits of each Debtor’s federal tax identification number, are: Stage Stores, Inc. (6900) and Specialty Retailers, Inc. (1900).



203256422051000000000001

and Everest, the “Defendants”), and alleges, based on knowledge, information and belief, as follows:

### **NATURE OF THE ACTION**

1. This dispute arises from Defendants’ wrongful denial of, and refusal to pay, a portion of an insurance claim submitted by Stage Stores for damages to its retail stores and inventory caused by Hurricane Harvey in August 2017. Stage Stores suffered significant damages from Hurricane Harvey and reported its losses to Defendants and two other insurance carriers, Aspen Specialty Insurance Company and Interstate Fire & Casualty Company (“Aspen and Interstate” and together with Defendants, the “Carriers”), under their respective all-risk excess property insurance policies.

2. When evaluating the loss, the Carriers incorrectly applied a downward adjustment to Stage Stores’ claim in the amount of \$2,968,149.80 to account for conditional point of sale discounts and unincurred selling costs on the damaged merchandise (the “PoS Discount Amount”).

3. The reduction of Stage Stores’ claim by the PoS Discount Amount was improper and contrary to the express terms of the policies. The plain language of the policies’ valuation clause allows the Carriers to take only those discounts that would have certainly applied to the merchandise (for example, permanent markdowns) – not conditional point of sale discounts that may or may not have been used by hypothetical customer(s) had the loss not occurred.

4. This reading of the valuation clause is consistent with the valuation methodology used to calculate the premiums payable under the policies. When reporting its total insured values to Defendants for purposes of calculating the premiums, Stage Stores *did not* apply any point of sale discounts to its inventory. Had Stage Stores applied point of sale discounts when calculating the total insurable values it reported to Defendants, the premiums payable by Stage Stores would

have been lower. Indeed, over the years, Stage Stores has paid Defendants substantial aggregate premiums predicated on inventory values that were not reduced by any point of sale discounts.

5. In light of the foregoing, Stage Stores disputed the downward adjustment and asserted a claim for the PoS Discount Amount against the Carriers. Notably, Aspen and Interstate agreed with Stage Stores' claim for the PoS Discount Amount and promptly paid their respective 10% participation shares in the aggregate amount of \$593,629.80. Defendants, however, denied Stage Stores' claim for the PoS Discount Amount and allege that it is not payable under the policies' valuation clause.

6. The express terms of the policies require Defendants to pay their respective shares of the PoS Discount Amount. The fact that (i) Aspen and Interstate agreed with the claim and promptly paid their shares under the same valuation clause, and (ii) the policy premiums did not account for any point of sale discounts on the merchandise underscore that Stage Stores' interpretation of the valuation clause is the only reasonable interpretation. Under Defendants' interpretation of the valuation clause, Defendants reap the benefits of higher inventory values when charging premiums, but are permitted to take significant point of sale discounts on the inventory when paying any losses. Defendants' interpretation of the policies is unreasonable. At a minimum, however, the policies are ambiguous and must be construed in favor of coverage and against Defendants.

7. Defendants' wrongful denial of this element of the claim and their refusal to pay their respective shares of the PoS Discount Amount constitutes a breach of the applicable insurance policies. As a result of Defendants' breach, Stage Stores, its post-confirmation bankruptcy estate, and its creditors have suffered, and will continue to suffer, damages. Recovery of the remaining

\$2,374,521.00 of the PoS Discount Amount owed, but wrongfully withheld, by Defendants will yield significant value to Stage Stores' creditors.

8. Accordingly, Plaintiff brings this action seeking (i) declaratory relief that the policies do not permit Defendants to discount the value of the inventory by any point of sale discounts in paying a loss; (ii) damages resulting from Defendants' breach of the applicable insurance policies; and (iii) turnover of Defendants' respective shares of the PoS Discount Amount to the Plaintiff and/or Stage Stores' post-confirmation bankruptcy estate.

### **JURISDICTION AND VENUE**

9. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 1334 and 157(b)(2), the Plan, and the Confirmation Order.

10. This matter constitutes a core proceeding pursuant to 28 U.S.C. § 157(b)(2), and this Court may enter final judgment on the merits of this case.

11. This adversary proceeding is commenced pursuant to Bankruptcy Code §§ 105, 108, and 542, and Federal Rule of Bankruptcy Procedure 7001, and 28 U.S.C. §§ 2201 and 2202.

12. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

### **THE PARTIES**

13. Debtor Specialty Retailers, Inc. is a Texas corporation and Debtor Stage Stores, Inc. is a Nevada corporation. Prior their bankruptcy filing, the Debtors' principal place of business was Houston, Texas. The Debtors are chapter 11 debtors subject to the jurisdiction of this Court.

14. The Plaintiff, with a principal place of business in New York, New York, is the administrator of the Debtors' post-confirmation bankruptcy estates pursuant to this Court's order dated August 14, 2020 (the "Confirmation Order") [Docket No. 705] confirming the *Joint Second Amended Chapter 11 Plan of Stage Stores, Inc. and Specialty Retailers, Inc.* (the "Plan") [Docket

No. 694]. Pursuant to Article IV.D of the Plan, the Plaintiff is vested with the authority to bring claims on behalf of the Debtors' post-confirmation bankruptcy estates and their creditors.

15. Brit is an England and Wales company with its principal place of business in London, United Kingdom. Through the policy issued by Brit to Stage Stores, Brit consented to service of process on it through Mendes & Mount, 750 Seventh Avenue, New York, N.Y. 10019-6829.

16. Everest is a Delaware corporation with its principal place of business in Liberty Corner, New Jersey. Through the policy issued by Everest to Stage Stores, Everest consented to service of process on it through Everest Indemnity Insurance Company, Legal Department, PO Box 830, Liberty Corner, NJ 07938-0830.

17. QBE is a North Dakota corporation, with its principal place of business in Sun Prairie, Wisconsin.

### **FACTS**

#### **A. The Debtors' Chapter 11 Bankruptcy Cases and the Appointment of the Plan Administrator**

18. Prior to their bankruptcy filings, the Debtors were a leading retailer of moderately priced, name-brand apparel, accessories, cosmetics, footwear, and home goods in small and mid-size markets across the United States.

19. On May 10, 2020, the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code with this Court.

20. Despite running a robust sale process for their assets during the bankruptcy, no buyer for the Debtors' assets emerged and the Debtors ultimately ceased operations and liquidated their assets.

21. On August 14, 2020, the Court entered the order confirming the Plan.

22. The effective date of the Plan occurred on October 30, 2020 [Docket No. 898] (the “Effective Date”).

23. On the Effective Date, the Plaintiff was appointed the sole representative of the Debtors’ post-confirmation bankruptcy estates for the purpose of, *inter alia*, monetizing any remaining assets, making distributions to the Debtors’ creditors as contemplated under the Plan, and winding-down and closing the bankruptcy cases. *See* Plan Art.IV.D.

24. Pursuant to 11 U.S.C. § 108, the Plaintiff has until two years after Petition Date (*i.e.*, May 10, 2022) to assert any claims or causes of action on behalf of the Debtors’ post-confirmation bankruptcy estates.

**B. The Insurance Policies**

25. Prior to its bankruptcy filing, Stage Stores routinely purchased insurance coverage from third-party carriers in the ordinary course of its business.

26. In 2017, Stage Stores purchased excess property coverage for the period of May 1, 2017 through and including May 1, 2018 (the “Coverage Period”) from each of the Defendants. True and correct copies of Stage Stores’ policies with (i) Brit (the “Brit Policy”), (ii) QBE (the “QBE Policy”), and (iii) Everest (the “Everest Policy,” and together with the Brit Policy and QBE Policy, the “Policies”) are attached hereto as **Exhibits A-C**, respectively.

27. Stage Stores also purchased property coverage for the Coverage Period from non-defendants Aspen and Interstate pursuant to two policies (the “Aspen and Interstate Policies”). True and correct copies of the Aspen and Interstate Policies are attached hereto as **Exhibit D-E**, respectively.

28. The Policies had a primary limit of liability of \$10 million, and a first layer excess limit of \$15 million, on a shared basis.

29. Subject to the limitations in the Policies, Defendants insured Stage Stores against all risks of direct physical loss or damage to the insured property incurred during the Coverage Period, including any damage caused by floods, wind, and/or earth movement.

30. The property insured under the Policies included all of Stage Stores' real and personal property located within the territorial limits of the Policies that was owned, used, or intended for use by Stage Stores, or acquired by Stage Stores, and property of others in Stage Stores' care, custody, or control.

31. A summary of the Policies is included below:

| <b><u>Carrier</u></b> | <b><u>Policy No.</u></b> | <b><u>Coverage Period</u></b> | <b><u>Annual Premium</u></b>                                 | <b><u>Limits of Liability and Underlying Amount</u></b>   |
|-----------------------|--------------------------|-------------------------------|--|---|
| Brit                  | PD-10921-00              | 5/1/2017 – 5/1/2018           | \$36,300   | \$4,950,000 (33%) part of \$15,000,000; excess of \$10,000,000  |
| Everest               | CA3X001135171            | 5/1/2017 – 5/1/2018           | \$32,400   | \$4,050,000 (27%) part of \$15,000,000; excess of \$10,000,000  |
| QBE                   | CFE3968001               | 5/1/2017 – 5/1/2018           | Layer 1: \$106,250<br>Layer 2: \$76,500<br>Layer 3: \$42,500 | Layer 1: \$3,000,000 (20%) part of \$15,000,000; excess of \$10,000,000<br>Layer 2: \$10,000,000 (40%) part of \$25,000,000; excess of \$25,000,000<br>Layer 3: \$25,000,000 (50%) part of \$50,000,000, excess of \$50,000,000 |

32. Stage Stores paid all annual premiums due under the Policies, which exceeded \$250,000 in the aggregate for the Coverage Period.

33. Upon information and belief, in addition to the premiums paid to Defendants for the Coverage Period, Stage Stores paid Defendants substantial aggregate premiums on account of prior coverage years under previous policies.

34. Each of the Policies provide that the annual premium payable by Stage Stores was based on \$1,326,404,593 of total insurable values reported by Stage Stores to Defendants.

35. When calculating the total insurable values it reported to Defendants, Stage Stores valued its inventory at the selling price, which included a permanent markdown of 20%.

36. When calculating the total insurable values that it reported to Defendants, Stage Stores did not reduce the value of its inventory by any point of sale discounts. This was known to Defendants.

37. Had Stage Stores applied point of sale discounts to the inventory values it reported to Defendants, the annual premiums charged by Defendants under the Policies would have been lower.

38. Because the annual premiums charged by Defendants were based on the value of Stage Stores' inventory *without* application of any point of sale discounts, Stage Stores reasonably believed that Defendants would pay losses for damaged inventory without application of any point of sale discounts.

39. Further, the plain language of the Policies does not allow Defendants to apply a discount for any conditional or hypothetical point of sale discounts.

40. Each of the Policies contained the following valuation clause (the "Valuation Clause"):

8. Valuation

At time of loss, the basis of adjustment shall be as follows:

...

**F. Finished Stock** and other merchandise not manufactured by the Insured but held for sale, at the Insured's selling price less discounts to which the goods would have been subject had no loss occurred, and labor (internal or 3rd party) at the cost to restock. Any obsolete inventory is a deduction to the inventory at the time of loss only, and not a percentage applied to the total inventory loss.

(emphasis added); see Exhibits A-C, Art.III.8.

41. The Aspen and Interstate Policies contain the same Valuation Clause.



42. In calculating the amount of a loss for damaged inventory, the Valuation Clause requires Defendants to pay Stage Stores the selling price of the goods less any discounts that the goods “would” have been subject to, plus the cost of labor to restock.

43. The use of the word “would” in the Valuation Clause clearly communicates that the only discounts that Defendants can take prior to paying a loss are those discounts that would have certainly been applied to, or used on, the merchandise. This is consistent with the fact that, during the underwriting process, Stage Stores’ inventory valuation reflected the 20% markdown “to which the goods would have been subject had no loss occurred.”

44. The Valuation Clause does not permit Defendants to discount the inventory by any conditional or hypothetical point of sale discounts that customers *could* have or *may* or *might* have used had the loss not occurred.

**C. The Hurricane Harvey Loss and Defendants’ Wrongful Denial of the Point of Sale Discount Element of the Claim**

45. On or about August 25, 2017, several of Stage Stores’ stores and the inventory located therein were damaged by the winds and/or flooding caused by Hurricane Harvey.

46. Stage Stores reported its losses caused by Hurricane Harvey (the “Loss”) to Defendants by and through their representative(s).

47. Stage Stores also reported the Loss to non-defendants Aspen and Interstate.

48. Defendants do not dispute that the damages sustained by Stage Stores in connection with Hurricane Harvey are covered under the Policies.

49. Instead, Defendants dispute the amount payable to Stage Stores under the Policies for the Loss.

50. When evaluating the claim, the Carriers determined that the net loss payable to Stage Stores was \$11,979,191.39, calculated as follows:

|  |                               |
|--|-------------------------------|
| Inventory  | \$10,221,101.16               |
| Furniture, Fixtures and Equipment,<br>and Improvements and Betterments | \$4,100,616.23                |
| Capital Expenditures   | \$775,074.00                  |
| Business Income  | \$158,387.34                  |
| Professional Fees  | \$249,166.04                  |
| Sub Total  | <u>\$15,504,344.77</u>        |
| Applied Deductibles  | (\$756,697.38)                |
| Rent Abatement   | (\$24,000.00)                 |
| Salvage Proceeds   | (\$1,744,456.00)              |
| NFIP <sup>2</sup> Recovery   | <u>(\$1,000,000.00)</u>       |
| <b>Net Loss</b>  | <b><u>\$11,979,191.39</u></b> |

51. The Carriers paid their respective shares of the \$11,979,191.39 net loss amount to Stage Stores.

52. In calculating the \$11,979,191.39 net loss amount, however, the Carriers applied a downward adjustment to Stage Stores' claim equal to the \$2,968,149.80 PoS Discount Amount to account for point of sale discounts and certain unincurred selling costs on the damaged inventory.

53. The PoS Discount Amount was calculated by Defendants' forensic accountant as follows:

|                               |                              |
|-------------------------------|------------------------------|
| Inventory Measure             | \$10,221,101.16              |
| Point of Sale Store Discounts | \$2,864,578.78               |
| Unincurred Selling Costs      | \$108,710.02                 |
| Additional Shrinkage Value    | <u>(\$5,139.00)</u>          |
| Net                           | \$13,189,249.96              |
| Measure to Date               | <u>(\$10,221,100.16)</u>     |
| <b>Net</b>                    | <b><u>\$2,968,149.80</u></b> |

54. Based on the plain language of the Policies, Stage Stores disputed the downward adjustment and submitted a claim for the \$2,968,149.80 PoS Discount Amount to the Carriers.

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<sup>2</sup> "NFIP" refers to the National Flood Insurance Program.

55. In a letter dated November 28, 2018 (the “November 2018 Sedgwick Letter”), claims adjuster Sedgwick Claim Services Management (“Sedgwick”) confirmed that Aspen agreed with Stage Stores’ claim for the PoS Discount Amount. A true and correct copy of the November 2018 Sedgwick Letter is attached hereto as **Exhibit F**.

56. In a letter dated December 18, 2018 (the “December 2018 Sedgwick Letter”), Sedgwick confirmed that Interstate agreed with Stage Stores’ claim for the PoS Discount Amount. A true and correct copy of the December 2018 Sedgwick Letter is attached hereto as **Exhibit G**.

57. In addition to their respective shares of the \$11,979,191.39 net loss amount, Aspen and Interstate each promptly paid Stage Stores \$296,814.90 (for a total of \$593,629.80), which amount was equal to Aspen and Interstate’s respective 10% participation shares of the PoS Discount Amount payable under the Aspen and Interstate Policies.

58. Defendants, however, did not pay their respective participation shares of the PoS Discount Amount as follows:

| <b><u>Carrier</u></b> | <b><u>% Share Under Policy</u></b> | <b><u>\$ Share Under Policy</u></b> |
|-----------------------|------------------------------------|-------------------------------------|
| Brit                  | 33%                                | \$979,490.00                        |
| Everest               | 27%                                | \$801,401.00                        |
| QBE                   | 20%                                | \$593,630.00                        |
| <b>Total</b>          | <b>80%</b>                         | <b>\$2,374,521.00</b>               |

59. On or about June 6, 2019, Defendants denied Stage Stores’ claim for the PoS Discount Amount.

60. In the denial letter dated June 6, 2019 (the “June 2019 Sedgwick Letter”), Sedgwick informed Stage Stores of Defendants’ position that the PoS Discount Amount is not payable to Stage Stores under the Valuation Clause. A true and correct copy of the June 2019 Sedgwick Letter is attached hereto as **Exhibit H**.

61. Defendants' interpretation of the Valuation Clause is contrary to the plain language in the Policies which provides that the discounts Defendants can take prior to paying a loss are only those that the customer would actually use.

62. Defendants' interpretation of the Valuation Clause in the context of the Policies at large is unreasonable because it allows Defendants to pay out on losses based on inventory values calculated at a lower level, while allowing Defendants to charge premiums based on inventory values calculated at a higher level.

63. Defendants' denial of Stage Stores' claim for the PoS Discount Amount is contrary to the terms and conditions of the Policies and applicable law, which gives effect to plain language, construes ambiguity in favor of coverage, and narrowly construes exclusions, the applicability of which Defendants have the burden of proving.

64. Defendants' denial of Stage Stores' claim for the Pos Discount Amount breached their obligation and responsibility to provide coverage to Stage Stores for the Loss as required under the Policies.

65. As a result of Defendants' wrongful denial of Stage Stores' claim for the PoS Discount Amount and breach of the Policies, Stage Stores, its post-confirmation bankruptcy estate, and its creditors have suffered, and will continue to suffer, damages.

### **CAUSES OF ACTION**

#### **Count I**

(Declaratory Judgment)

66. Plaintiff adopts and incorporates the preceding paragraph nos. 18 through 65 of the Complaint as if fully set forth herein.

67. Pursuant to 28 U.S.C. §§ 2201 and 2202, Plaintiff requests this Court to determine Stage Stores' rights under the Policies issued by Defendants.

68. Plaintiff seeks a declaration by this Court that:

- a. The Policies do not permit Defendants to discount the value of the inventory by point of sale discounts in paying a loss when the premiums charged were based on an inventory valuation that excluded any point of sale discount amount; and
- b. The PoS Discount Amount, to the extent not yet paid, is payable to Stage Stores under the Policies.

69. In the alternative, Plaintiff asserts that the operative wording of the Policies as set forth hereinabove are ambiguous and must be interpreted in favor of coverage and against Defendants.

**Count II**  
(Breach of Contract)

70. Plaintiff adopts and incorporates the preceding paragraph nos. 18 through 65 of the Complaint as fully set forth herein.

71. Stage Stores met all, or substantially all, of its contractual obligations under the Policies, including payment of all premiums due thereunder. The premiums charged were based on an inventory valuation that specifically excluded any point of sale discounts.

72. Defendants wrongfully denied Stage Stores' claim for the PoS Discount Amount and have refused to pay such amount to Stage Stores. Defendants' actions constitute a breach of the Policies, and Stage Stores, its post-confirmation bankruptcy estate, and its creditors have suffered damages proximately caused as a direct result of Defendants' breach.

73. As a result of Defendants' breach of the Policies, Stage Stores is entitled to recover:

- a. As to Defendant Brit, \$979,490.00, which amount is equal to Brit's 33% participation share of the PoS Discount Amount;
- b. As to Defendant Everest, \$801,401.00, which amount is equal to Everest's 27% participation share of the PoS Discount Amount;
- c. As to Defendant QBE, \$593,630.00, which amount is equal to QBE's 20% participation share of the PoS Discount Amount; and

- d. As to all Defendants, Plaintiff's reasonable attorneys' fees and costs incurred in this matter.

**Count III**  
(Turnover)

74. Plaintiff adopts and incorporates the preceding paragraph nos. 18 through 65 of the Complaint as if fully set forth herein.

75. Section 542(a) of the Bankruptcy Code provides in pertinent part "an entity, other than a custodian, in possession, custody, or control, during the case, of property that the trustee may use, sell, or lease under 363 of this title, or that the debtor may exempt under 522 of this title, shall deliver to the trustee, and account for, such property or the value of such property . . . ." 11 U.S.C. § 542(a).

76. The PoS Discount Amount is property of Stage Stores' post-confirmation bankruptcy estate pursuant to section 541 of the Bankruptcy Code.

77. Accordingly, pursuant to section 542 of the Bankruptcy Code, Defendants must turn over to the Plaintiff and/or Stage Stores' post-confirmation bankruptcy estate their respective shares of the PoS Discount Amount, plus any and all related fees, costs, and/or damages awarded by this Court.

**PRAYER FOR RELIEF**

**WHEREFORE**, Plaintiff respectfully requests this Court to enter judgment granting the following relief:

- i. On count one, a determination and declaration that (i) the Policies do not permit Defendants to discount the value of the inventory by point of sale discounts in paying a loss when the premiums charged were based on an inventory valuation that excluded any point of sale discount amount, (ii) the PoS Discount Amount is payable under the Policies, and (iii) a discretionary award of reasonable attorney's fees and costs incurred in securing this declaration;
- ii. On count two, an award for damages in the following amounts on account of Defendants' breach of contract:

- a. As to Defendant Brit, an amount equal to \$979,490.00;
- b. As to Defendant Everest, an amount equal to \$801,401.00; and
- c. As to Defendant QBE, and amount equal to \$593,630.00;
- iii. On count three, a judgement requiring Defendants to turn over their respective shares of the PoS Discount Amount to the Plaintiff and/or Stage Stores' post-confirmation bankruptcy estate pursuant to 11 U.S.C. § 542;
- iv. An award for the costs and disbursements incurred by Plaintiff in this action;
- v. An award for Plaintiff's reasonable attorneys' fees to the extent permitted by law; and
- vi. Such other and further relief as the Court deems just and proper.

Dated: May 9, 2022

/s/ James W. Walker

James W. Walker (TX Bar No. 20709600)

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- and -

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# Exhibit A





# Lloyd's Certificate

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**This Insurance** is effected with certain Underwriters at Lloyd's, London—Brit Syndicate-2987 and Brit Syndicate 2988

**This Certificate** is issued in accordance with the limited authorization granted to the Correspondent by certain Underwriters at Lloyd's, London whose syndicate numbers and the proportions underwritten by them can be ascertained from the office of the said Correspondent (such Underwriters being hereinafter called "Underwriters") and in consideration of the premium specified herein, Underwriters hereby bind themselves severally and not jointly, each for his own part and not one for another, their Executors and Administrators.

**The Assured** is requested to read this Certificate, and if it is not correct, return it immediately to the Correspondent for appropriate alteration.

All inquiries regarding this Certificate should be addressed to the following Correspondent:

Brit Global Specialty USA  
161 N. Clark Street, Suite 3200  
Chicago, IL 60601

## CERTIFICATE PROVISIONS

1. **Signature Required.** This Certificate shall not be valid unless signed by the Correspondent on the attached Declaration Page.
2. **Correspondent Not Insurer.** The Correspondent is not an Insurer hereunder and neither is nor shall be liable for any loss or claim whatsoever. The Insurers hereunder are those Underwriters at Lloyd's, London whose syndicate numbers can be ascertained as hereinbefore set forth. As used in this Certificate "Underwriters" shall be deemed to include incorporated as well as unincorporated persons or entities that are Underwriters at Lloyd's, London.
3. **Cancellation.** If this Certificate provides for cancellation and this Certificate is cancelled after the inception date, earned premium must be paid for the time the insurance has been in force.
4. **Service of Suit.** It is agreed that in the event of the failure of the Underwriters hereon to pay any amount claimed to be due hereunder, the Underwriters hereon, at the request of the Assured will submit to the jurisdiction of a Court of competent jurisdiction within the United States. Nothing in this Clause constitutes or should be understood to constitute a waiver of Underwriters' rights to commence an action in any Court of competent jurisdiction in the United States, to remove an action to a United States District Court, or to seek a transfer of a case to another Court as permitted by the laws of the United States or of any State in the United States.

It is further agreed that service of process in such suit may be made upon Mendes & Mount, 750 Seventh Avenue, New York, N.Y. 10019-6829\* and/or their nominees and that in any suit instituted against any one of them upon this contract, Underwriters will abide by the final decision of such Court or of any Appellate Court in the event of any appeal.

The above-named are authorised and directed to accept service of process on behalf of Underwriters in any such suit and/or upon the request of the Assured to give a written undertaking to the Assured that they will enter a general appearance upon Underwriters' behalf in the event such a suit shall be instituted.

Further, pursuant to any statute of any state, territory or district of the United States which makes provision thereof, Underwriters hereon hereby designate the Superintendent, Commissioner or Director of Insurance or other officer specified for that purpose in the statute, or his successor or successors in office, as their true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the Assured or any beneficiary hereunder arising out of this contract of insurance and hereby designate the above-named as the person to whom the said officer is authorised to mail such process or a true copy thereof.
5. **Assignment.** This Certificate shall not be assigned either in whole or in part without the written consent of the Correspondent endorsed hereon.
6. **Attached Conditions Incorporated.** This Certificate is made and accepted subject to all the provisions, conditions and warranties set forth herein, attached or endorsed, all of which are to be considered as incorporated herein.
7. **Short Rate Cancellation.** If the attached provisions provide for cancellation, the table below will be used to calculate the short rate proportion of the premium when applicable under the terms of cancellation.

**Short Rate Cancellation Table For Term of One Year.**

| Days Insurance in Force | Per Cent of one year Premium | Days Insurance in Force   | Per Cent of one year Premium | Days Insurance in Force   | Per Cent of one year Premium | Days Insurance in Force    | Per Cent of one year Premium |
|-------------------------|------------------------------|---------------------------|------------------------------|---------------------------|------------------------------|----------------------------|------------------------------|
| 1 .....                 | 5%                           | 66 - 69.....              | 29%                          | 154 - 156.....            | 53%                          | 256 - 260 .....            | 77%                          |
| 2 .....                 | 6                            | 70 - 73.....              | 30                           | 157 - 160.....            | 54                           | 261 - 264 .....            | 78                           |
| 3 - 4 .....             | 7                            | 74 - 76.....              | 31                           | 161 - 164.....            | 55                           | 265 - 269 .....            | 79                           |
| 5 - 6 .....             | 8                            | 77 - 80.....              | 32                           | 165 - 167.....            | 56                           | 270 - 273 ( 9 mos ) .....  | 80                           |
| 7 - 8 .....             | 9                            | 81 - 83.....              | 33                           | 168 - 171.....            | 57                           | 274 - 278 .....            | 81                           |
| 9 - 10 .....            | 10                           | 84 - 87.....              | 34                           | 172 - 175.....            | 58                           | 279 - 282 .....            | 82                           |
| 11 - 12 .....           | 11                           | 88 - 91 ( 3 mos ) .....   | 35                           | 176 - 178.....            | 59                           | 283 - 287 .....            | 83                           |
| 13 - 14 .....           | 12                           | 92 - 94.....              | 36                           | 179 - 182 ( 6 mos ) ..... | 60                           | 288 - 291 .....            | 84                           |
| 15 - 16 .....           | 13                           | 95 - 98.....              | 37                           | 183 - 187.....            | 61                           | 292 - 296 .....            | 85                           |
| 17 - 18 .....           | 14                           | 99 - 102.....             | 38                           | 188 - 191.....            | 62                           | 297 - 301 .....            | 86                           |
| 19 - 20 .....           | 15                           | 103 - 105.....            | 39                           | 192 - 196.....            | 63                           | 302 - 305 ( 10 mos ) ..... | 87                           |
| 21 - 22 .....           | 16                           | 106 - 109.....            | 40                           | 197 - 200.....            | 64                           | 306 - 310 .....            | 88                           |
| 23 - 25 .....           | 17                           | 110 - 113.....            | 41                           | 201 - 205.....            | 65                           | 311 - 314 .....            | 89                           |
| 26 - 29 .....           | 18                           | 114 - 116.....            | 42                           | 206 - 209.....            | 66                           | 315 - 319 .....            | 90                           |
| 30 - 32 ( 1 mos ) ..... | 19                           | 117 - 120.....            | 43                           | 210 - 214 ( 7 mos ) ..... | 67                           | 320 - 323 .....            | 91                           |
| 33 - 36 .....           | 20                           | 121 - 124 ( 4 mos ) ..... | 44                           | 215 - 218.....            | 68                           | 324 - 328 .....            | 92                           |
| 37 - 40 .....           | 21                           | 125 - 127.....            | 45                           | 219 - 223.....            | 69                           | 329 - 332 .....            | 93                           |
| 41 - 43 .....           | 22                           | 128 - 131.....            | 46                           | 224 - 228.....            | 70                           | 333 - 337 ( 11 mos ) ..... | 94                           |
| 44 - 47 .....           | 23                           | 132 - 135.....            | 47                           | 229 - 232.....            | 71                           | 338 - 342 .....            | 95                           |
| 48 - 51 .....           | 24                           | 136 - 138.....            | 48                           | 233 - 237.....            | 72                           | 343 - 346 .....            | 96                           |
| 52 - 54 .....           | 25                           | 139 - 142.....            | 49                           | 238 - 241.....            | 73                           | 347 - 351 .....            | 97                           |
| 55 - 58 .....           | 26                           | 143 - 146.....            | 50                           | 242 - 246 ( 8 mos ) ..... | 74                           | 352 - 355 .....            | 98                           |
| 59 - 62 ( 2 mos ) ..... | 27                           | 147 - 149.....            | 51                           | 247 - 250.....            | 75                           | 356 - 360 .....            | 99                           |
| 63 - 65 .....           | 28                           | 150 - 153 ( 5 mos ) ..... | 52                           | 251 - 255.....            | 76                           | 361 - 365 ( 12 mos ) ..... | 100                          |

Rules applicable to insurance with terms less than or more than one year:

- A. If insurance has been in force for one year or less, apply the short rate table for annual insurance to the full annual premium determined as for insurance written for a term of one year.
- B. If insurance has been in force for more than one year:
  1. Determine full annual premium as for insurance written for a term of one year.
  2. Deduct such premium from the full insurance premium, and on the remainder calculate the pro rata earned premium on the basis of the ratio of the length of time beyond one year the insurance has been in force to the length of time beyond one year for which the policy was originally written.
  3. Add premium produced in accordance with items (1) and (2) to obtain earned premium during full period insurance has been in force.

**8. Conformity Clause.** It is hereby noted and agreed that:

- The words "the Policy" or "this Policy" as they may appear herein shall be deemed to read "this Certificate".
- The words "Insured" and "Insurance Company" or "Company" as they may appear herein shall be deemed to read "Assured" and "Underwriter" respectively.

---

**This Declaration Page is attached to and forms part of Certificate provisions  
(SLC-3-USA-NMA2868 (PD) 0513)**

---

**Certificate Number:** PD-10921-00

**Previous Policy Number:** N/A

**Authority Reference Number:** B0356JV134K17A000  
B0356JJ520X17A000

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**1. Assured's Name and address**

Stage Stores Inc  
2425 West Loop South  
Houston, TX 77027

---

**2. Policy Period**

**Effective Date:** 01-MAY-2017      **Expiration Date:** 01-MAY-2018

Both days at 12:01a.m. local standard time

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**3. Insurance is effective with certain UNDERWRITERS AT LLOYD'S, LONDON – BRIT SYNDICATE 2987.**

Percentage: 70.00%

**And BRIT SYNDICATE 2988.**

Percentage: 30.00%

---

**4. Limits of Liability and Underlying Amount(s)** (Deductibles, SIR or Primary Amounts)

Layer 1: \$4,950,000 (33.00%) part of \$15,000,000 excess of \$10,000,000

---

**5. Locations Covered:**

As per the most current Statement of Values on file with Brit Global Specialty USA-Property Direct.

---

**6. Joint Assured:** If more than one individual, firm, corporation, or other entity is named as an **Assured** in this Policy, the first **Assured** named above shall act for all purposes of this policy.

---

**7. Loss Payable Clause:** Loss, if any, to be adjusted only with the Assured and payable to the Assured.

---

|   |          |
|---|----------|
| <b>8. Policy Premium (Excluding Terrorism):</b> | \$36,300 |
| <b>Terrorism Premium:</b>                       | \$ N/A   |
| <b>Policy Fee:</b>                              | \$ N/A   |
| <b>Catastrophe Modeling Fee:</b>                | \$0.00   |
| <b>Inspection Fee:</b>                          | \$0.00   |
| <b>Total Due:</b>                               | \$36,300 |

---

**9. Minimum Earned Premium:** 25.00%

This premium is based on: \$1,326,404,593 of total insurable values reported to the **Underwriter** by the **Assured** in the application or request for this insurance as shown in item 5. Locations Covered above.

---

**10. Forms and endorsements attached hereto and special conditions**

| <u>Form</u> | <u>Edition Date</u> | <u>Form / Endorsement Name</u>  |
|-------------|---------------------|---|
| NMA2868     | 0513                | Certificate Declarations  |
| LMA5096     |                     | Several Liability Clause  |
| 800006      | 06-16               | Complaints Procedure  |
| 800001      | 0513                | Notice of Claim or Incident Form-A                                      |
| 800005      | 0513                | US Treasury Dept's Office of Foreign Assets Control - OFAC              |
| 550016      | 0513                | Electronic Data Endt-Named Perils and All Risk                          |
| 550022      | 0513                | Electronic Date Recognition Exclusion Endt-All Risk                     |
| 550021      | 0513                | Nuclear-Chemical-and Biological Exclusion Endt                          |
| 550013      | 0513                | Minimum Earned Premium Clause   |
| LMA5219     | 0115                | US Terrorism Risk Insurance Act Of 2002 As Amended Not Purchased Clause |
|             |                     | Manuscript Policy Form for the account Stage Stores, Inc                |

---

**11. Service of Suit**

Mendes & Mount LLP 750 Seventh Avenue, New York, NY, 10019 or as agreed by Brit Syndicates Limited and as dictated by Lloyd's regulations.

---

**Dated:** 09-JUN-2017

by

---

Nick Davies



One Lime Street London EC3M 7HA

## SEVERAL LIABILITY CLAUSE

**PLEASE NOTE - This notice contains important information. PLEASE READ CAREFULLY**

The liability of an insurer under this contract is several and not joint with other insurers party to this contract. An insurer is liable only for the proportion of liability it has underwritten. An insurer is not jointly liable for the proportion of liability underwritten by any other insurer. Nor is an insurer otherwise responsible for any liability of any other insurer that may underwrite this contract.

The proportion of liability under this contract underwritten by an insurer (or, in the case of a Lloyd's syndicate, the total of the proportions underwritten by all the members of the syndicate taken together) is shown in this contract.

In the case of a Lloyd's syndicate, each member of the syndicate (rather than the syndicate itself) is an insurer. Each member has underwritten a proportion of the total shown for the syndicate (that total itself being the total of the proportions underwritten by all the members of the syndicate taken together). The liability of each member of the syndicate is several and not joint with other members. A member is liable only for that member's proportion. A member is not jointly liable for any other member's proportion. Nor is any member otherwise responsible for any liability of any other insurer that may underwrite this contract. The business address of each member is Lloyd's, One Lime Street, London EC3M 7HA. The identity of each member of a Lloyd's syndicate and their respective proportion may be obtained by writing to Market Services, Lloyd's, at the above address.

Although reference is made at various points in this clause to "this contract" in the singular, where the circumstances so require this should be read as a reference to contracts in the plural.

LMA5096 (Combined Certificate)

7 March 2008

## Complaints Procedure

We strive to provide an excellent service to all *Our* customers but occasionally things can go wrong. We take all concerns seriously and endeavour to resolve all customers' problems promptly. If *You* have a question or concern about *Your* policy *You* should, in the first instance follow the guidance notes or instructions in the insurance documentation *You* have been sent. *Your* broker will also be able to advise *You* and provide assistance in this regard.

Alternatively, if *You* wish to contact *Us* directly *You* should either write or telephone:

**The Complaints Department**  
**Brit Syndicates Limited**  
The Leadenhall Building  
122 Leadenhall Street  
London EC3V 4AB

Telephone: 0044 (0) 20 385 70000  
Facsimile: 0044 (0) 20 385 70001  
Email: [BGS.Complaints@britinsurance.com](mailto:BGS.Complaints@britinsurance.com)

In the unlikely event that *You* remain dissatisfied and wish to make a complaint *You* can do so at any time by referring the matter to *Us* at the above stated address or the Complaints Team at Lloyd's at the following address:

Complaints  
Lloyd's  
One Lime Street  
London EC3M 7HA

Email: [complaints@lloyds.com](mailto:complaints@lloyds.com)  
Telephone: 0044 (0)20 7327 5693  
Fax: 0044 (0)20 7327 5225  
Website: [www.lloyds.com/complaints](http://www.lloyds.com/complaints)

Details of Lloyd's complaints procedure are set out in a leaflet "Your Complaint - How We Can Help" available at [www.lloyds.com/complaints](http://www.lloyds.com/complaints) and are also available from the above address.

Should *You* remain dissatisfied after Lloyd's has considered your complaint and *You* are NOT a policyholder in the UK, *You* should, in the first instance, seek advice from *Your* broker\_as to whom *You* should direct your complaint.





## **Notice of Claim or Incident Form – 800001 05-13**

An important value of your insurance coverage is the ability of your insurance company to respond quickly when you have a claim.

Please forward immediately to the addresses below any notice(s) of claim or incident that may be of such sufficient size or nature that it might involve this property certificate.

North American Risk Services  
P.O. Box 166002  
Altamonte Springs, FL 32716-6002  
Attn: Claims / New Loss Unit

and

Brit Global Specialty USA – Property Direct  
161 North Clark Street, Suite 2900  
Chicago, IL 60601  
Attn: Claims Department

You may also call or email your notice of claim or incident to the following:

North American Risk Services, Inc.  
Phone: 1 (800)315-6090 x1384

and

Brit Global Specialty USA – Property Direct  
Phone: 1.312.577.9457  
EMAIL: [propdir.claims@britinsurance.com](mailto:propdir.claims@britinsurance.com)



## CERTIFICATEHOLDER MESSAGE

### U.S. TREASURY DEPARTMENT'S OFFICE OF FOREIGN ASSETS CONTROL ("OFAC")

No coverage is provided by this Certificateholder Message nor can it be construed to replace any provisions of your Certificate. You should read your Certificate and review your Declarations page for complete information on the coverages you are provided.

This Message provides information concerning possible impact on your insurance coverage due to directives issued by OFAC. **Please read this Message carefully.**

The Office of Foreign Assets Control (OFAC) administers and enforces sanctions Certificate, based on Presidential declarations of "national emergency". OFAC has identified and listed numerous:

- Foreign agents;
- Front organizations;
- Terrorists;
- Terrorist organizations; and
- Narcotics traffickers;

As "Specifically Designated Nationals and Blocked Persons". This list can be located on the United States Treasury's web site – <http://www.treas.gov/ofac>.

In accordance with OFAC regulations, if it is determined that you or any other Assured, or any person or entity claiming the benefits of this insurance has violated U.S. sanctions law or is a Specially Designated National and Blocked Person, as identified by OFAC, this insurance will be considered a blocked or frozen contract and all provisions of this insurance are immediately subject to OFAC. When an insurance Certificate is considered to be such a blocked or frozen contract, no payments nor premium refunds may be made without authorization from OFAC. Other limitations on the premiums and payments also apply.



**THIS ENDORSEMENT CHANGES THE CERTIFICATE. PLEASE READ IT CAREFULLY.**

ASSURED: Stage Stores Inc

CERTIFICATE NUMBER: PD-10921-00

This endorsement is effective on the inception date of this Certificate unless otherwise stated herein:

---

**ELECTRONIC DATA ENDORSEMENT – NAMED PERIL AND ALL RISK**

**1. Electronic Data Exclusion**

Notwithstanding any provision to the contrary within the Certificate or any endorsement thereto, it is understood and agreed as follows:

- a) This Certificate does not insure loss, damage, destruction, distortion, erasure, corruption or alteration of **Electronic Data** from any cause whatsoever (including but not limited to **Computer Virus**) or loss of use, reduction in functionality, cost, expense of whatsoever nature resulting therefrom, regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

**Electronic Data** means facts, concepts and information converted to a form useable for communications, interpretation or processing by electronic and electromechanical data processing or electronically controlled equipment and includes programs, software, and other coded instructions for the processing and manipulation of data or the direction and manipulation of such equipment.

**Computer Virus** means a set of corrupting, harmful or otherwise unauthorized instructions or code including a set of maliciously introduced unauthorized instructions or code, programmatic or otherwise, that propagate themselves through a computer system or network of whatsoever nature. **Computer Virus** includes but is not limited to 'Trojan Horses', 'worms' and 'time or logic bombs'.

- b) However, in the event that a peril listed below results from any of the matters described in paragraph a) above, this Certificate, subject to all its terms, conditions and exclusions will cover physical damage occurring during the Certificate period to property Assured by this Certificate directly caused by such listed peril.

Listed Perils:

Fire  
Explosion

**2. Electronic Data Processing Media Valuation**

Notwithstanding any provision to the contrary within the Certificate or any endorsement thereto, it is understood and agreed as follows:

Should **Electronic Data** processing media Assured by the Certificate suffer physical loss or damage insured by this Certificate, then the basis of valuation shall be the cost of the blank media plus the costs of copying the **Electronic Data** from back-up or from originals of a previous generation. These costs will not include research and engineering nor any costs of recreating, gathering or assembling such **Electronic Data**. If the media is not repaired, replaced or restored the basis of valuation shall be the cost of the blank media. However this Certificate does not insure any amount pertaining to the value of such **Electronic Data** to the **Assured** or any other party, even if such **Electronic Data** cannot be recreated, gathered, or assembled.

**ALL OTHER TERMS AND CONDITIONS OF THIS CERTIFICATE REMAIN UNCHANGED.**

Date 06/09/2017



**THIS ENDORSEMENT CHANGES THE CERTIFICATE. PLEASE READ IT CAREFULLY.**

ASSURED: Stage Stores Inc

CERTIFICATE NUMBER: PD-10921-00

This endorsement is effective on the inception date of this Certificate unless otherwise stated herein:

---

**Electronic Date Recognition Exclusion Endorsement - All Risk**

It is hereby understood and agreed that:

- A.** This Certificate does not apply, in whole or in part, to any injury, damage, loss, claim, cost or expense, whether preventative, remedial, replacement, statutorily mandated or otherwise, directly or indirectly arising out of, resulting from, related to or involving:
- 1.** Any actual, alleged, anticipated, potential or threatened failure, malfunction, inadequacy or degradation in performance of:
- a.** Any of the following, whether owned, used, licensed, leased by or to, or in the care, custody or control of the **Assured** or any other person or entity, including those for whom the **Assured** is or may be responsible or legally liable:
- 1) All computer software;
  - 2) All middleware;
  - 3) All computer hardware and computer peripherals
  - 4) Any device that stores, retrieves, processes, transmits or presents data, including but not limited to embedded chips, microprocessors, mainframe computers, personal computers, computer networks, local and wide area networks, routers, hubs, switches and bridges and any and all like or related items, including components thereof; or
  - 5) Any other computerized or electronic equipment, components or devices; 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 any data containing dates, date changes or date values prior to, during or after the year 2000, including but not limited to, leap year calculations;

2. Any advice, consultation, design, evaluation, inspection, installation, maintenance, repair, replacement or supervision provided or done by you or for you to assess, rectify, test for or monitor that which is described in paragraph A.1. of this endorsement.
3. Any rendering of or failure to render advice, consultation or review concerning a person's or entity's obligations to report, respond, disclose or otherwise address that which is described in paragraph A.1. of this endorsement;
4. Any wrongful or inaccurate disclosure or failure to disclose the impact or potential impact on the **Assured's** operations as a result of that which is described in paragraph A.1. of this endorsement; or
5. Any actual or alleged failure to exercise appropriate business judgment in relation to that which is described in paragraph A.1. of this endorsement.

However, this exclusion does not apply to ensuing loss or damage resulting from one of the following causes of loss:

- a. Fire, lightning, explosion, windstorm, hail and theft;
- b. Smoke, aircraft or vehicles, riot or civil commotion;
- c. Vandalism, leakage from fire extinguishing equipment, sinkhole collapse;
- d. Volcanic action, falling objects, weight of snow, ice or sleet;
- e. Water damage, elevator collision resulting from mechanical breakdown;

if such loss would otherwise be covered by this Certificate.

**ALL OTHER TERMS AND CONDITIONS OF THIS CERTIFICATE REMAIN UNCHANGED**



**THIS ENDORSEMENT CHANGES THE CERTIFICATE. PLEASE READ IT CAREFULLY.**

ASSURED: Stage Stores Inc

CERTIFICATE NUMBER: PD-10921-00

This endorsement is effective on the inception date of this Certificate unless otherwise stated herein:

---

**NUCLEAR, CHEMICAL AND BIOLOGICAL EXCLUSION ENDORSEMENT**

It is hereby understood and agreed that the following exclusions are added to this Certificate.

This Certificate does not insure against:

- A. Loss or damage arising directly or indirectly from nuclear detonation, reaction, nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, or due to any act or condition incident to any of the foregoing, 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 physical loss or damage insured against by this Certificate, however such nuclear detonation, reaction, nuclear radiation or radioactive contamination may have been caused. This exclusion replaces any other nuclear detonation, nuclear reaction, nuclear radiation or radioactive contamination exclusions found elsewhere in this Certificate.
- B. Loss or damage arising directly or indirectly from the dispersal, application or release of, or exposure to, chemical or biological materials or agents, all whether controlled or uncontrolled, or due to any act or condition incident to any of the foregoing, 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 physical loss or damage insured against by this Certificate, however such dispersal, application, release or exposure may have been caused.

**ALL OTHER TERMS AND CONDITIONS OF THIS CERTIFICATE REMAIN UNCHANGED.**

Date 06/09/2017



**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

ASSURED: Stage Stores Inc

CERTIFICATE NUMBER: PD-10921-00

This endorsement is effective on the inception date of this Certificate unless otherwise stated herein:

---

**MINIMUM EARNED PREMIUM CLAUSE**

It is hereby understood and agreed that this policy is written subject to a 25.00% Minimum Earned Premium, regardless of time in force.

|                                |                    |
|--------------------------------|--------------------|
| <b>Minimum Earned Premium:</b> | <b>\$ 7,791.75</b> |
| <b>Fully Earned Fees:</b>      | <b>\$ 0.00</b>     |
| <b>Total:</b>                  | <b>\$ 7,791.75</b> |

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Date: 06/09/2017





**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

ASSURED: Stage Stores Inc

POLICY NUMBER: PD-10921-00

This endorsement is effective on the inception date of this Policy unless otherwise stated herein:

---

**U.S. TERRORISM RISK INSURANCE ACT OF 2002 AS AMENDED**  
**NOT PURCHASED CLAUSE**

This Clause is issued in accordance with the terms and conditions of the "U.S. Terrorism Risk Insurance Act of 2002" as amended as summarized in the disclosure notice.

It is hereby noted that the Underwriters have made available coverage for "insured losses" directly resulting from an "act of terrorism" as defined in the "U.S. Terrorism Risk Insurance Act of 2002", as amended ("TRIA") and the Insured has declined or not confirmed to purchase this coverage.

This Insurance therefore affords no coverage for losses directly resulting from any "act of terrorism" as defined in TRIA except to the extent, if any, otherwise provided by this policy.

All other terms, conditions, insured coverage and exclusions of this Insurance including applicable limits and deductibles remain unchanged and apply in full force and effect to the coverage provided by this Insurance.

LMA5219  
12 January 2015

**STAGE STORES, INC.**

**Global Property Insurance Policy**

**Policy # PD-10921-00**

**(Including Boiler and Machinery)**

**Insurer/Security:**

**Certain Underwriters at Lloyd's, London-Brit Syndicate 2987**  
**Certain Underwriters at Lloyd's, London-Brit Syndicate 2988**

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Note: Any term that appears in bold print, other than titles of clauses, is defined in **Definitions**.

## I. SUPPLEMENTAL DECLARATIONS

### 1. NAMED INSURED AND MAILING ADDRESS

**Stage Stores, Inc.** and any subsidiary, affiliated, associated, or allied company, corporation, firm, organization, and the Insured's interest in partnerships and/or joint ventures, and/or any owned (wholly or partially) or controlled company(ies) where the Insured maintains an interest, as now or hereafter constituted or acquired; and any other party or interest that the Insured is required by contract or agreement to insure;

all hereafter referred to as the "Insured."

Mailing Address:

Stage Stores, Inc.

2425 West Loop South

Houston, TX 77027

### 2. POLICY TERM

This policy attaches and insures;

FROM: May 1, 2017

TO: May 1, 2018

beginning and ending at 12:01AM, standard time, at location of the property involved unless otherwise described herein.

### 3. POLICY TERRITORY

This policy insures the United States of America, its territories and possessions, the District of Columbia, Guam, Puerto Rico, the U.S. Virgin Islands and Canada, including their respective inland and coastal waters. However, coverage applies worldwide, as respects Contingent Time Element and Time Element Extensions.

### 4. LOSS OR DAMAGE INSURED

This policy insures against all risks of direct physical loss or damage to insured property occurring during the policy term, also including **General Average and/or Salvage** and all other charges on shipments insured 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.

### 5. LIMITS OF LIABILITY

In the event of loss or damage insured under this policy, this **Insurer** shall be liable for its proportional share of USD 100,000,000 per **occurrence**, and its proportional share of the following program per **occurrence** and/or policy year annual aggregate sublimits of liability, excess of policy deductibles.

The total amount to be indemnified under this policy and/or any locally admitted version of this policy issued by the **Insurer** or its representatives shall not exceed the overall limit or applicable program sublimits stated in this policy.

Program Sublimits of Liability:

|              |                       |  |
|--------------|-----------------------|--|
| \$1,000,000  | per <b>occurrence</b> | and in the aggregate in any one policy year as respects losses caused by <b>Earthquake</b> for property situated in the State of California.                   |
| \$10,000,000 | per <b>occurrence</b> | and in the aggregate in any one policy year as respects losses caused by <b>Earthquake</b> for property situated in <b>High Hazard Earthquake Zones</b> .      |
| \$50,000,000 | per <b>occurrence</b> | and in the aggregate in any one policy year as respects losses caused by <b>Earthquake</b> for property situated outside <b>High Hazard Earthquake Zones</b> . |

**Earthquake** limits shall not apply to any ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

|              |                       |   |
|--------------|-----------------------|---|
| \$10,000,000 | per <b>occurrence</b> | and in the aggregate in any one policy year as respects losses caused by <b>flood</b> for property situated in <b>High Hazard Flood Zones</b> per Endorsement #7. |
| \$50,000,000 | per <b>occurrence</b> | and in the aggregate in any one policy year as respects losses caused by <b>flood</b> for property situated outside <b>High Hazard Flood Zones</b> .              |

**Flood** limits shall not apply to any ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

**Flood** zone designations at time of inception of this Policy will be the Zones utilized for Limits of Liability and deductible application, regardless of any post-policy inception change in the designation by FEMA or any other organization responsible for determining flood zones.

|              |                       |  |
|--------------|-----------------------|--|
| \$250,000    | per <b>occurrence</b> | and in the aggregate in any one policy year as respects losses insured under the Land and Water Clean Up Expense                   |
| \$1,000,000  | per <b>occurrence</b> | as respects Accounts Receivable  |
| \$100,000    | per <b>occurrence</b> | as respects Asbestos Removal (after a covered loss under this policy)  |
| \$10,000,000 | per <b>occurrence</b> | as respects Gross Earnings or Loss of Profits  |
| \$5,000,000  | per <b>occurrence</b> | as respects Civil or Military Authority  |
| \$10,000,000 | per <b>occurrence</b> | as respects Contingent Time Element, including Attraction Properties for <b>direct customers and suppliers</b> , worldwide.        |
| \$10,000,000 | per <b>occurrence</b> | as respects Debris Removal or 25% of the total insurable values at the location where loss or damage occurs, whichever is greater. |
|              |                       | <b>Demolition and Increased Cost of Construction</b>   |
| Included     | per <b>occurrence</b> | as respects the value of the undamaged property - clause F.1)  |
| Included     | per <b>occurrence</b> | as respects the cost of demolishing the undamaged property - clause F.2)   |

|              |                       |   |
|--------------|-----------------------|---|
| \$10,000,000 | per <b>occurrence</b> | as respects the increased cost of repair or reconstruction - clause F.3)                            |
| \$10,000,000 | per <b>occurrence</b> | as respects the increase in Time Element loss – clause F.4)   |
| \$1,000,000  | per <b>occurrence</b> | as respects Exhibition and Trade Show   |
| \$10,000,000 | per <b>occurrence</b> | as respects Expediting Expense  |
| \$1,000,000  | per <b>occurrence</b> | as respects Extended Increased Cost of Construction   |
| \$25,000,000 | per <b>occurrence</b> | as respects Extra Expense   |
| \$500,000    | per <b>occurrence</b> | as respects Fine Arts however \$25,000 any one item unless on file with company.                    |
| Included     | per <b>occurrence</b> | as respects Fire Brigade Charges and Extinguishing Expenses   |
| \$2,500,000  | per <b>occurrence</b> | as respects Impounded Water   |
| \$5,000,000  | per <b>occurrence</b> | as respects Ingress/Egress  |
| \$1,000,000  | per <b>occurrence</b> | as respects Land Improvements   |
| \$5,000,000  | per <b>occurrence</b> | as respects Leasehold Interest  |
| Included     | per <b>occurrence</b> | as respects Personal Property of Employees  |
| \$5,000,000  | per <b>occurrence</b> | as respects Professional Fees   |
| \$10,000,000 | per <b>occurrence</b> | as respects <b>Property While in the Course of Construction</b>                                     |
| \$2,500,000  | per <b>occurrence</b> | as respects Protection and Preservation of Property – Time Element                                  |
| \$1,000,000  | per <b>occurrence</b> | as respects Royalties   |
| \$5,000,000  | per <b>occurrence</b> | as respects Service Interruption/Off Premise Power  |
| \$1,000,000  | per <b>occurrence</b> | and \$2,000,000 in the aggregate, as respects Special Perils Business Interruption                  |
| \$5,000,000  | per <b>occurrence</b> | as respects <b>Transit</b>  |
| \$500,000    | per <b>conveyance</b> | as respects <b>Transit</b> (Each railroad car or trailer shall be considered a separate conveyance) |
| \$5,000,000  | per <b>occurrence</b> | as respects Valuable Papers and Records and Electronic Data Processing Media                        |

ACCIDENT TO AN OBJECT (BOILER AND MACHINERY), BUT NOT TO EXCEED:

|              |                       |  |
|--------------|-----------------------|--|
| \$60,000,000 | per <b>occurrence</b> | as respects Property Damage and Time Element |
| \$1,000,000  | per <b>occurrence</b> | as respects Ammonia Contamination            |
| \$2,500,000  | per <b>occurrence</b> | as respects Consequential Damage             |

ADDITIONAL SUBLIMITS:

|              |                       |   |
|--------------|-----------------------|---|
| \$10,000,000 | per <b>occurrence</b> | as respects <b>Automatic Coverage</b> (Newly Acquired Property) |
| \$10,000,000 | per <b>occurrence</b> | as respects Errors and Omissions                                |
| \$10,000,000 | per <b>occurrence</b> | as respects <b>Miscellaneous Unnamed Locations</b>              |

## 6. DISTANCE LIMITATIONS

|        |   |
|--------|---|
| 5 Mile | as respects Civil or Military Authority         |
| 5 Mile | as respects Ingress/Egress                      |
| 5 Mile | as respects Transmission and Distribution Lines |
| 5 Mile | as respects Attraction Properties               |

## 7. TIME LIMITS

In addition to any time limits shown elsewhere in this policy, the following also apply:

|          |  |
|----------|--|
| 90 Days  | as respects Automatic Coverage (Newly Acquired Property) |
| 60 Days  | as respects Civil or Military Authority.                 |
| 60 Days  | as respects Ingress/Egress                               |
| 365 Days | as respects the Extended Period of Liability             |
| Excluded | as respects Ordinary Payroll                             |
| 120 Days | as respects Delay in Completion                          |

## 8. WAITING PERIOD

|          |  |
|----------|--|
| 24 Hours | As respects Service Interruption – Time Element                    |
| 8 Hours  | As respects <b>Electronic Data Processing Media</b> - Time Element |

The stated Waiting Period is a qualifier for coverage. Once the Waiting Period is exceeded, the applicable Time Element Loss is calculated from the date and time of loss, (or earlier if Preservation of Property – Time Element is applicable) and the policy deductible is then applied.

## 9. DEDUCTIBLES

In each case of loss covered by this policy, the **Insurer** will be liable only if the Insured sustains a loss in a single **occurrence** greater than the applicable deductible(s) specified below, and only for its share of that amount.

Unless otherwise stated below, when this policy insures more than one location, the deductible will apply against the total loss covered by this policy in any one **occurrence**.

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 USD 500,000 except:

### Miscellaneous Deductibles

|             |   |
|-------------|---|
|             | All losses, damages or expenses arising out of any one <b>occurrence</b> for the following: |
| USD 100,000 | Property in <b>Transit</b>  |

### Accident to an Object Deductibles

|            |  |
|------------|--|
| USD 50,000 | Per <b>Accident</b> as respects Boiler and Machinery ( <b>Accident</b> to an <b>Object</b> ) |
|------------|--|



Flood Deductibles

USD 1,000,000 for loss or damage caused by **Flood** for insured property at locations situated in **High Hazard Flood Zones** per Endorsement #7. However, this deductible shall not apply to insured property situated outside of the above designated **flood** zone. Furthermore, this deductible shall not apply to any ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

Earthquake Deductibles

5% of the value, per unit of insurance, for loss or damage caused by  
Minimum **Earthquake** to insured property situated in the State of  
USD500,000 California, subject to a minimum of USD 250,000 in total for all units of insurance per **occurrence**. However, this deductible will not apply to insured property situated outside of this designated **earthquake** zone. This deductible shall apply only to those units of insurance suffering a loss in the **occurrence**. Furthermore, this deductible shall not apply to ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

2% of the value, per unit of insurance, for loss or damage caused by  
Minimum **Earthquake** to insured property situated in **High Hazard**  
USD500,000 **Earthquake Zones**, subject to a minimum of USD 250,000 in total for all units of insurance per **occurrence**. However, this deductible will not apply to insured property situated outside of this designated **earthquake** zone. This deductible shall apply only to those units of insurance suffering a loss in the **occurrence**. Furthermore, this deductible shall not apply to ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

Named Windstorm Deductibles

5% of the value, per unit of insurance, for loss or damage caused by  
Minimum **Named Windstorm** to insured property situated in **Tier 1**  
USD500,000 **Counties/Parishes or Zones** for **Named Windstorm**, subject to a minimum of USD 250,000 in total for all units of insurance per **occurrence**. However, this deductible shall not apply to property situated outside of this designated **Named Windstorm** zone. This deductible shall apply only to those units of insurance suffering a loss in the **occurrence**. Furthermore, this deductible shall not apply to ensuing loss or damage caused by or resulting from fire explosion and/or sprinkler leakage.

The amount of the deductibles above shall be determined by applying the above percentages, separately to each of the following units of insurance:

- (1) Each building or structure, not including the value of its foundations, which has sustained loss or damage;
- (2) Personal property within each building or structure if that personal property sustains loss or damage;
- (3) Personal property in the open that sustains loss or damage;
- (4) The Time Element values impacted by insured loss or damage to said property that sustains loss or damage.

Unit(s) of Insurance:

Property Damage Values (1,2 and 3 above) to be used when calculating deductibles shall be either those specified for each unit of insurance shown in the most recent Statement of Values on file with the **Insurer** or, if not so specified (or property under construction), the values will be determined at the time of loss.

Time Element Values to be used when calculating deductibles shall be either those specified for each unit of insurance shown in the most recent Statement of Values on file with the **Insurer** or, if not so specified, based upon the twelve (12) months following the date of loss, with consideration for the most probable experience of the business for the Location, had no loss occurred.

Time Element as used above refers to the following coverages:

- a. Gross Earnings
- b. Loss of Profits
- c. Rental Value and Rental Income

Deductible Clarifications:

(1) In the event that the Insured maintains underlying insurance through the National Flood Insurance Program, it is agreed that this policy shall be excess over the recovery under such National Flood Insurance Policy(s). Should the amount of loss payable under such National Flood Insurance Policy(s) exceed the applicable **flood** deductible under this policy, then no deductible shall apply hereunder. However, if the amount to be paid under such National Flood Insurance Policy(s) is less than the applicable **flood** deductible under this policy, then the amount to be deducted hereunder shall not exceed the difference between the amount to be paid under the Insured's National Flood Insurance Policy(s) and the applicable **flood** deductible under this policy. Insurance maintained through the National Flood Insurance Program shall be considered Underlying Insurance.

(2) If two or more deductible amounts in this policy apply to a single **occurrence**, the total to be deducted shall not exceed the largest individual deductible pertaining to any one cause of loss involved in the occurrence. Where deductibles apply on a per location basis, the single largest deductible at each location shall apply.

(3) In any **occurrence** where loss or damage is caused by more than one cause of loss insured against under this policy, the Insured shall have the right to separate the loss amount by cause of loss for the purposes of application of the deductible(s) specified in this section, notwithstanding the above reference to two or more deductibles and the policy limits.

(4) Whenever mortgage or lease conditions require insurance protection without deductibles, or with deductibles less than are provided herein, **Insurers** agree to make payment without consideration of the applicable deductible. However, the Insured agrees to reimburse the **Insurers** for any payments so made within 30 days of such payment.

(5) If other insurance applies to the same property as insured hereunder, and to the extent recovery is made from such other insurance, the deductible under this policy shall be reduced by such recovery, but in no event shall the deductible under this policy be less than shown in the policy. If recovery from such other insurance is greater than the deductible in this policy, then the deductible under this policy shall not apply.

(6) In the event that all or any portion of the deductible is payable under the Insured's primary insurance or by local, state or governmental funding organizations, such payment shall be considered Underlying Insurance as defined in Section IV, Clause 9.

(7) The deductible amounts specified above shall not apply to general average contributions, salvage charges and sue and labor expenses.

(8) For Contingent Time Element loss, when a deductible is not specifically stated as applying to Contingent Time Element, the deductible for Contingent Time Element loss will be determined as though the contingent time element location was an insured location under this Policy.

**10. LOSS ADJUSTERS**

It is hereby understood and agreed that each and every loss will be adjusted by the Adjuster named below unless otherwise agreed by the Insured and the **Insurer**.

Richard Martin  
vrs»**vericlaim**  
A Toplis & Harding Corporation  
5871 Glenridge Dr NE, Suite 395  
Atlanta, GA 30328

**11. INSURER, PARTICIPATION AND PREMIUM**

**Insurer/Security:** Certain Underwriters at Lloyd's, London-Brit Syndicates 2987 (70% share) & London-Brit Syndicates 2988 (30% share) hereafter referred to as the **Insurer**.

**Insurer** Policy Number: PD-10921-00

In consideration of the premium charged, the **Insurer** agrees to indemnify the Insured for the amount recoverable under the terms and conditions of this policy, and any endorsements hereto, provided that:

- a. The liability of the **Insurer** shall not exceed its percentage of the limit of liability, any sublimit of liability or any aggregate limit of liability in any one policy year.
- b. The liability of the **Insurer** shall not exceed the participation limit described below.

**LAYERED AND LAYERED/QUOTA-SHARE**

| Layer No. | <b>Insurer's</b> Limit of Liability | Part of (Layer Limit) | Excess of (Underlying Limit) |
|-----------|-------------------------------------|-----------------------|------------------------------|
| 4         | 0%                                  | 50,000,000            | 50,000,000                   |
| 3         | 0%                                  | 25,000,000            | 25,000,000                   |
| 2         | 33%                                 | 15,000,000            | 10,000,000                   |
| 1         | 0%                                  | 10,000,000            | Deductibles                  |

In the event of loss or damage insured by this policy, this **Insurer** shall be liable for their proportional interest (outlined above) of the Limits of Liability set forth in Clause No. 5 of this section, or as described in Appendix I.

Domestic Premium: USD 30,855

Domestic Terrorism Premium: USD 0

Deductions from Insurer Premium: 0% Retail Commission  
*(Broker compensation)* 0% Wholesale Commission  
 (applied against annual premium above)

**12. BROKER OF RECORD**

Aon Risk Services Central, Inc. – Illinois Division  
 200 East Randolph Street  
 Chicago, IL 60601

**13. VALUES AT POLICY INCEPTION**

USD 1,326,404,593 Domestic (United States of America)  
 USD 0 International (all other countries)  
 USD 1,326,404,593 Total Values at Inception  
 The values reported are for premium purposes only.  
 See Appendix I for State allocation.

**14. PREMIUM ADJUSTMENT**

It is understood and agreed that there shall be no premium adjustment during the term of the policy for additions or deletions of locations unless the total insured values of such additions or deletions (for acquisitions and divestitures) exceeds 5% of the total values reported at inception.

**15. ADDITIONAL CONDITIONS**

Unless otherwise specified below, coverage provided by this policy follows all Policy Terms and Conditions as outlined herein unless endorsed or otherwise listed below:

- 1)
- 2)
- 3)
- 4)
- 5)

Attached to and forming part of Policy No. PD-10921-00 issued by Certain Underwriters at Lloyd's, London-Brit Syndicates 2987 & 2988.

---

Authorized Signature/**Insurer**

USD = United States Dollar

## APPENDIX I

In consideration of the premium charged, it is agreed that the following provisions are added to the policy as respects the liability of the **Insurer**:

### 1. LAYERED PROGRAM

The Insurer's participation under this policy to which it subscribe is several and not joint, and is limited solely to the extent of its individual participation(s). The participating insurers are not responsible for the participation of any co-participating insurer who for any reason does not satisfy all or part of its obligations under this program.

Furthermore, when a sublimit is shown as applying in the aggregate in any one policy year, the limit of liability detailed above shall also be applied in the aggregate during any policy year separately for each applicable sublimit and shall not exceed such sublimit during any policy year.

### 2. EXCESS CLAUSE VOIDED

**The following Excess Clause located in GENERAL CONDITIONS is voided**

#### 10. EXCESS CLAUSE

This clause only applies in the event that there exists primary or underlying Policy(ies) providing coverage beneath the attachment point of this Policy. In the event of loss caused by or resulting from loss or damage not otherwise excluded, or to more than one location, for purposes of the attachment point of this policy, this policy shall recognize that the limit of liability of the underlying coverage shall apply first to the perils, coverages and/or locations not insured under this policy and the remainder, if any, to the perils, coverages and/or locations insured hereunder. This policy shall recognize the erosion of the underlying policy limits by all perils, coverages or locations insured by the underlying policy. Upon exhaustion of the limit of liability of the underlying coverage, this **Insurer** shall then be liable for the loss uncollected only for those perils, coverages, and/or locations insured under this Policy, subject to the **Insurer's** limit of liability as specified herein.

In the event the aggregate limits (if any) provided for **Flood** and/or **Earthquake** in any underlying insurance are diminished or exhausted in any one Policy year, the coverage provided under this policy shall respond as excess of the remaining limits.

In such event, the applicable amount of the deductible provision of the underlying insurance shall apply to the combination of all policies.

**And replaced with the following two provisions**

### 3. PRIORITY OF PAYMENTS (applicable to primary or **underlying policy(ies)** only)

Any recoveries made under this policy shall first apply to loss or damage not insured by the excess policy(ies). Upon exhaustion of this policy's limit, the excess policy(ies) shall step down and be liable for the loss in excess of the amount attributed to this policy as respects loss or damage insured thereunder subject to the excess policy(ies) limits.

**4. STEP DOWN / DROP DOWN** (applicable to excess policies only)

In determining the amount of any loss or damage for which this policy is excess, the total loss caused by any combination of loss or damage, all of which are insured against under the primary policy or **underlying policy**, shall be used even though such loss or damage is not insured against under this excess policy.

- A. Any recoveries made under the primary or **underlying policy** shall first apply to loss or damage not insured against by this policy. Upon exhaustion of the primary or **underlying policy** limits, this policy shall apply in excess of the amount attributed to the primary or **underlying policy** as respects loss or damage insured hereunder subject to the limit of this policy.
- B. If there is any other excess insurance insuring the property insured hereunder for loss or damage insured against in the primary or **underlying policy** but not insured by this policy, this policy shall then allocate any loss recoveries made under the primary or **underlying policy** in the same proportion as the amount of loss or damage insured against by this policy bears to the combined total loss. Upon exhaustion of the primary or **underlying policy** limits, this policy shall apply in excess of the amount attributed to the primary or **underlying policy** as respects loss or damage insured hereunder subject to the limit of this policy.
- C. Sub-Paragraph B. above shall not apply, however, when the amount of loss attributed to loss or damage insured under the primary or **underlying policy**, but not insured under this policy, exceed the total amount of insurance provided by the primary and excess coverages with respect to said loss or damage. In this situation, any recoveries made under the primary or **underlying policy** shall first apply to loss or damage not insured by this policy. Upon exhaustion of the primary or **underlying policy** limits, this policy shall apply in excess of the amount attributed to the primary or **underlying policy** as respects loss or damage insured hereunder subject to the limit of this policy.
- D. It is further agreed, in the event the **Flood** and/or **Earthquake** annual aggregate limits of any primary or **underlying policy** are diminished or exhausted in any one policy year, any loss or damage insured under this policy for **Flood** and/or **Earthquake** shall apply as excess of any undiminished or unexhausted limits subject to the **underlying policy** deductibles.

All other terms and conditions of this policy remain unchanged.

## II. TERMS AND CONDITIONS

### 1. INSURED PROPERTY

All real and Personal property while such property is located anywhere within the territorial limits of this policy, including while in due course of **transit**, which is owned, used, or intended for use by the Insured, or acquired by the Insured, and property of others in the Insured's care, custody or control including the Insured's liability for such property and including the costs to defend any allegations of liability for loss or damage to such property; including but not limited to the following:

- A. Improvements and betterments. The **Insurer** agrees to accept and consider the Insured as sole and unconditional owner of the improvements and betterments, notwithstanding any contract or lease to the contrary.
- B. Personal property of the Insured's officials and employees, while in the Insured's care, custody or control or while on the Insured's premises, (except personal automobiles).
- C. The interest of the Insured's customers in property sold by the Insured under conditional sale, trust agreement, installment plan or other deferred payment plan including property which is leased to customers under a lease/purchase agreement.
- D. Real and/or Personal Property of others that the Insured has agreed to insure prior to loss or damage including property not in the Insured's care, custody or control.
- E. **Property While in the Course of Construction** and/or during erection, assembly and/or installation.
- F. Contractors' and vendors' interest in property covered to the extent of the Insured's liability imposed by law or assumed by contract, whether written or oral.

### 2. PROPERTY NOT INSURED

This policy does not insure loss or damage to:

- A. Motor vehicles licensed for highway use when not on the Insured's premises, except this exclusion shall not apply to contractor's equipment, or to such property which constitutes stock or property on exhibit or being serviced or repaired.
- B. Land, except as insured under Land and Water Clean Up Expense. This exclusion shall not apply to the cost of reclaiming, restoring or repairing land improvements. Land improvements as described hereunder include, but are not limited to, any alteration to the natural condition of the land by grading, excavating, landscaping, earthen dikes or dams, as well as additions to land such as pavements, roadways, ponds, golf courses, or similar works.
- C. Currency, money, gold bullion, evidence of debt, except Accounts Receivable as defined in the policy, notes or securities except as otherwise described in this policy.



- D. Growing crops and standing timber not to be used for industrial processes; live animals not used for research.
- E. Water, except as insured under Impounded Water, Land and Water Clean Up Expense, or when contained in any form of piping system, processing system or holding tank or used in the manufacturing process.
- F. 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.

However, this exclusion will not apply to:

- 1) ferry shipments to, from and between countries in Continental Europe, the United Kingdom and Ireland; and
- 2) air or inland waterway shipments to, from and between countries in Continental Europe.
- G. Waterborne shipments via the Panama Canal, and to and from Puerto Rico, the Virgin Islands, Hawaii, and Alaska;
- H. Aircraft, watercraft, spacecraft, satellites, except this exclusion shall not apply to such property that constitutes stock.
- I. Off-shore property, dams, dikes, bridges and tunnels, unless specifically reported to the **Insurer**. Bridges and tunnels which are part of, located upon and/or attached to real property insured by this Policy are covered by this Policy.

### 3. **LOSS OR DAMAGE EXCLUDED**

This policy does not insure the following:

- A.
  - 1) Loss or damage caused by 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 such government, power, authority, or forces;
  - 2) Loss or damage caused by any weapon employing atomic fission or fusion;
  - 3) Loss or damage caused by rebellion, revolution, civil war, usurped power; or action taken by governmental authority in hindering, combating, or defending against such **occurrence**;
  - 4) Loss or damage caused by seizure or destruction by order of public authority, except destruction by order of public authority to prevent spread of, or to otherwise contain, control or minimize loss, damage, or destruction which occurs due to loss or damage insured under this policy;

- 5) Risks of contraband or illegal trade.
- B. Loss or damage caused by nuclear reaction or 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, attributed to, or aggravated by loss or damage insured herein except:
- 1) The **Insurer** shall be liable for loss or damage caused by sudden or accidental radioactive contamination, including resultant radiation damage for each **occurrence** from material used or stored or from processes conducted on insured 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 insured premises;
  - 2) If fire ensues, liability is specifically assumed by the **Insurer** for such ensuing loss or damage insured hereunder but not including any loss due to nuclear reaction, nuclear radiation or radioactive contamination.
- C. Loss or damage caused by **fraudulent or dishonest acts** committed by the Insured or any of the Insured's employees.
- This exclusion does not apply to loss or damage resulting from the Insured voluntarily parting with title or possession of any property if induced to do so by any fraudulent scheme, trick, device or false pretense, nor shall this exclusion apply to willful acts of destruction committed by the Insured's employees.
- D. Normal or ordinary wear, tear, gradual deterioration, rust, corrosion, settling, cracking, erosion except if physical loss or damage not excluded in this policy ensues, then this policy shall insure only the ensuing loss or damage. However, if an **Accident** to an **Object** ensues, then this exclusion shall not be applicable.
- E. The cost of making good defective design, faulty material, or faulty workmanship, except, if physical loss or damage not excluded in this policy ensues, then this policy shall insure only the ensuing loss or damage. However, if an **Accident** to an **Object** ensues, then this exclusion shall not be applicable.
- F. Errors in processing or manufacture, except, if physical loss or damage not excluded in this policy ensues, then this policy shall insure only the ensuing loss or damage.
- G. Except as provided in Land and Water Clean Up Expense, loss or damage arising out of the dispersal, release or escape of contaminants or pollutants into or upon land, the atmosphere or any water course or body of water.
- H. Inherent vice or latent defect, except if physical loss or damage not excluded in this policy ensues, then this policy shall insure only the ensuing loss or damage.
- I. Mildew, mold, spoilage or decay; unless caused by physical loss or damage not otherwise excluded.

#### 4. COVERAGE EXTENSIONS

Except as excluded, this policy covers:

##### A. Accounts Receivable

In the event of insured loss or damage to records or accounts receivable from customers caused by loss or damage insured herein, this **Insurer** will indemnify the Insured as follows:

- 1) All sums due the Insured (from customers), provided the Insured is unable to effect collection thereof as a result of loss or damage to records of accounts receivable by loss or damage insured by this policy.
- 2) All sums due the Insured from factoring transactions, when the property of the debtor has been lost or damaged by loss or damage insured by this policy and the Insured has been unable to effect collection thereof.
- 3) Interest charges on any loan to offset impaired collections pending repayment of such sums made uncollectible by such loss or damage.
- 4) Collection expenses in excess of normal collection cost and made necessary because of such loss or damage.
- 5) Other expenses, when reasonably incurred by the Insured in reestablishing records of accounts receivable following such loss or damage.

For purpose of this insurance, charges under a credit card company and maintained on **Electronic Data Processing Media** shall be deemed to represent sums due the Insured from customers.

When there is proof that a loss of records of accounts receivable has occurred by the Insured and the Insured 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 (12) months shall be adjusted in accordance with the percentage increased or decreased in the twelve (12) 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 Insured and an amount to

allow for probable bad debts which would normally have been uncollectible by the Insured.

**B. Brands and Labels**

In case of insured loss or damage 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 Insured, the salvage value of such damaged property shall be determined after removal in the customary manner, at the expense of the **Insurer**, of all such brands or trademarks or other identifying characteristics.

**C. Consequential Damage**

1. This policy also insures against consequential loss caused by or resulting from a change in temperature or humidity or by interruption of power, heat, air conditioning, or refrigeration, telephone or telegraphs, supply water or telecommunications as a result of physical loss or damage of the type insured to property/equipment or plants used to provide refrigeration, cooling humidifying, dehumidifying air conditioning heating, generating, converting power or telephone or telegraphs, or telecommunications, including all connections and supply from transmission lines and pipes, power generating equipment, utility plants or sources, whether or not such equipment is on or off the premises of the Insured.
2. The policy shall further insure the resulting reduction in value of the remaining undamaged components or parts of property customarily sold as units, pairs, sets, lots or ranges of sizes or colors.

**D. Control of Damaged Property**

The Insured shall have full right to the possession of all property manufactured, sold or distributed by the Insured involved in any loss under this policy and shall retain control of all damaged property. The Insured, exercising reasonable discretion, shall be the sole judge as to whether the property involved in any loss under this policy is fit for consumption, sale or use and any property so deemed by the Insured to be unfit for consumption, sale or use shall not be sold or otherwise disposed of except by the Insured or with the Insured's consent, but the Insured shall allow the **Insurer** any salvage proceeds obtained by the Insured on any sale or other disposition of such merchandise.

**E. Debris Removal**

The policy insures the necessary and reasonable expenses incurred by the Insured to remove, clean-up and/or properly dispose of any debris remaining after any loss or damage covered under this policy.

**F. Demolition and Increased Cost of Construction**

In the event of insured loss or damage insured under this policy that causes the enforcement of any law, ordinance and/or governmental directive regulating the construction, repair or use of property, the **Insurer** shall be liable for:

1. The cost of demolishing the undamaged property including the cost of clearing the site;
2. The value of the undamaged property which had to be demolished;
3. The increased cost of repair or reconstruction, whichever is less, of the damaged and undamaged property on the same or another site and limited to the costs that would have been incurred in order to comply with the minimum requirements of such law, ordinance and/or governmental directive regulating the repair or reconstruction or use of the damaged property. However, the **Insurer** shall not be liable for any increased cost of construction loss unless the damaged property is actually rebuilt or replaced;
4. The increase in loss, including, but not limited to, Business Interruption, Extra Expense, Rental Value, Leasehold Interest or Royalties or extensions thereof arising out of the additional time required to comply with said law, ordinance and/or governmental directive.

**G. Expediting Expense**

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

**H. Fines and Penalties**

This policy is extended to insure such Fines or Penalties as may be imposed on the **Insured** for the breach of contract either in respect of goods and services delayed or not delivered, or in respect of the **Insured's** failure or delay to take delivery of goods and services ordered, as a direct result of a cause of physical loss not otherwise excluded herein to Real and Personal property covered under this policy. For the purposes of this clause, liquidated damages shall also be considered fines and penalties.

**I. Fire Brigade Charges and Extinguishing Expenses**

This policy insures the following expenses resulting from:

1. fire brigade charges and other extinguishing expenses for which the Insured may be assessed;
2. loss of fire extinguishing materials expended.

**J. Land and Water Clean Up Expense**

This policy insures the reasonable and necessary cost or expense of decontamination or removal or disposal of land and water on or under the premises of the Insured

It is a condition precedent to recovery under this clause that the **Insurer** shall have paid, or agreed to pay for, loss or damage to the property insured hereunder unless such payment is precluded solely by the operation of any deductible.

It is also a condition precedent to recovery under this clause that the Insured shall give written notice to the **Insurer** of intent to claim for decontamination and clean up expense not later than one hundred-eighty (180) days after the date of such loss or damage

**K. Professional Fees**

This policy insures the reasonable fees and expenses incurred by the Insured, or by the Insured's representatives for assessing, preparing and/or certifying details of a claim resulting from a loss which would be payable under this policy. The reasonable fees and expenses of Aon Property Risk Consulting, Inc. qualify for this coverage extension. However, this policy does not insure the expenses of Public Adjustors or attorneys. However, the reasonable fees and expenses of Aon Property Risk Consulting, Inc. qualify for this coverage extension.

**L. Protection and Preservation of Property – Property Damage**

In case of actual or imminent loss or damage of the type insured against by this policy, the expenses incurred by the Insured in taking reasonable and necessary actions for the temporary protection and preservation of insured property, shall be recoverable under the policy and be subject to the applicable deductible, and without increase in the limit provisions contained in this policy.

**M. Tax Treatment of Profits**

This policy insures the additional loss sustained by the Insured resulting from loss or damage insured by this policy in the event the tax treatment of:

- A. the profit portion of a loss recovery involving finished stock manufactured or purchased by the Insured; and/or
- B. the profit portion of business interruption loss proceeds;

differs from the tax treatment of profits that would have been incurred had no loss occurred.

**N. Temporary Removal of Property**

This policy insures property temporarily removed from a location for the purposes of being repaired or serviced, or in order to avoid loss or damage insured by this policy. However, this coverage does not apply to property removed for normal storage.

**O. Transit**

This policy insures loss or damage not otherwise excluded, to insured property in **transit** including resulting loss as afforded under Time Element Coverages provided under this policy.

- 1) This insurance is extended to insure loss or damage to property:
  - (a) sold and shipped by the Insured 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) at the Insured's option, which is incoming to the Insured.

2) This policy also insures loss or damage:

- (a) 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;
- (b) occasioned by the acceptance by the Insured, by its agents, or by its customers of fraudulent bills of lading, shipping and delivery orders, or similar documents.

## 5. TIME ELEMENT COVERAGE

This policy is extended to cover Time Element loss as described below resulting from insured loss or damage not otherwise excluded. The Insured has the option at any time during the loss adjustment to choose whether to calculate its claim in accordance with the Gross Earnings provision (5.A) and applicable extensions or the Loss of Profits provision (5.B) and applicable extensions. This election may be made at any time before final payment of claim.

### A. Gross Earnings

- 1) Loss due to the necessary interruption of business conducted by the Insured, whether total or partial, including all interdependencies between or among companies owned or operated by the Insured, resulting from physical loss or damage insured herein and occurring during the term of this policy to property insured herein.
- 2) Such loss shall be adjusted on the basis of the actual loss sustained by the Insured, consisting of the net profit which is prevented from being earned including **ordinary payroll** and payroll;

**and**

all charges and other expenses (including **soft costs**) to the extent that these must necessarily continue during the interruption of business, but only to the extent to which such charges and expenses would have been incurred had no loss occurred.

- 3) In determining the amount of net profit, charges, and expenses insured hereunder for the purposes of ascertaining the amount of the actual loss sustained, due consideration shall be given to the experience of the business before the date of the loss or damage and to the probable experience thereafter had no loss occurred.
- 4) As respects Time Element Coverage - Gross Earnings, the **Insurer** shall not be liable under this section for any loss resulting from loss or damage to **finished stock** nor for the time required to reproduce said **finished stock** or stock in process.



**B. Loss of Profits**

Coverage under this clause applies where the Insured elects Loss of Profits coverage under this policy. Such election may be exercised at any time prior to loss settlement as outlined elsewhere in this policy. If such claim involves more than one location, including interdependency, the entire claim will be adjusted using a single coverage (Gross Earnings or Loss of Profits).

1. Loss of gross profit as hereinafter defined, resulting from interruption of or interference with the business and caused by physical loss or damage to real or personal property as insured herein.
2. Indemnity: The amount of loss of gross profit shall be based on REDUCTION IN TURNOVER and on INCREASE IN COST OF WORKING, and the amount payable as indemnity thereunder shall be:

- (a) In respect to REDUCTION IN TURNOVER: The sum produced by applying the rate of gross profit to the amount by which the turnover during the indemnity period shall, in consequence of the damage, fall short of the standard turnover;
- (b) In respect to INCREASE IN COST OF WORKING: The additional expenditure necessarily and reasonably incurred for the sole purpose of avoiding or diminishing the reduction in turnover which but for that expenditure would have taken place during the indemnity period in consequence of the damage, but not exceeding the sum produced by applying the rate of gross profit to the amount of the reduction thereby avoided;
- (c) In respect to auditors fees, the reasonable charges payable by the Insured to their auditors for producing and certifying any particulars or details in the Insured's books of account or other books or documents or such other profits, information or evidence as may be required by the **Insurer**;

less any sum saved during the indemnity period in respect of such of the standing charges of the business payable out of gross profit as may cease or be reduced in consequence of the damage.

3. Definitions applicable to Loss of Profits:
  - (a) Gross Profit: The sum produced by adding to the net profit the amount of all the standing charges of the business, including **soft costs** or if there be no net profit the amount of said standing charges less the amount of any net trading loss. Standing charges shall include, but not be limited to, wages and depreciation on property.
  - (b) Net Profit: The net trading profit (exclusive of all capital receipts and accretions and all outlay properly chargeable to capital) resulting from the business of the Insured after due provision has been made for all standing and other charges including depreciation but before the deduction of any taxation chargeable on profits.



- (c) Wages: The remuneration (including where applicable: bonuses, overtime, living allowance (if any), national insurance contribution, holiday pay or other payments pertaining to wages) of all employees other than those whose remuneration is treated as salaries in the Insured's books of account.
- (d) Turnover: The money (less discounts allowed) paid or payable to the Insured for goods sold and delivered and for services rendered in course of the business.
- (e) Indemnity Period: The period beginning with the **occurrence** of the damage and ending not later than the period of indemnity stipulated under the primary insurance, twenty-four (24) months or as described in the Supplemental Declarations of this policy, whichever is greater, during which period of time the results of the business shall be affected in consequence of the damage.
- (f) Rate of Gross Profit: The rate of gross profit earned on the turnover during the financial year immediately before the date of the damage.
- (g) Annual Turnover: The turnover during that period in the 12 months immediately before the date of the damage.
- (h) Standard Turnover: The turnover during that period in the 12 months immediately before the date of the damage which corresponds with the indemnity period.

With respect to subparagraphs f-Rate of Gross Profit, g- Annual Turnover and h- Standard Turnover as described above, such adjustments shall be made as may be necessary to provide for the trend of the business and for variations in or special circumstances affecting the business either before or after the damage or which would have affected the business had the damage not occurred, so that the figures thus adjusted shall represent as nearly as reasonably practicable the results which but for the damage would have been obtained during the relative period after the damage.

4. Memoranda:

MEMO 1: If during the indemnity period goods shall be sold or services shall be rendered elsewhere other than at the damaged premises for the benefit of the business either by the Insured or by others on its behalf, the money paid or payable in respect of such sales or services shall be brought into account in arriving at the turnover during the indemnity period.

MEMO 2: In adjusting any loss, account shall be taken and an equitable allowance made if any shortage in turnover due to the damage is postponed by reason of the turnover being temporarily maintained from accumulated stocks of finished goods in warehouses and/or depots.

MEMO 3: In the event of a loss or damage to property insured herein, which results in an interruption of research and development activities which in themselves would not have produced gross profit during the indemnity period, this policy shall insure the actual loss sustained of the continuing standing charges, including wages directly attributable to such research and development activities.

**C. Extra Expense**

This policy provides coverage for the reasonable and necessary Extra Expense (including **soft costs**) incurred by the Insured in order to continue as nearly as practicable the normal operation of the Insured's business following physical loss or damage insured to property insured herein occurring during the policy term.

**D. Leasehold Interest**

This policy provides coverage for the leasehold interest of the Insured as outlined below:

Pro rata proportion from the date of loss to expiration date of the lease (to be paid without discount) on the Insured's interest in:

- 1) The amount of bonus paid by the Insured for the acquisition of the lease not recoverable under the terms of the lease;
- 2) Improvements and betterments to real property which are not covered under any other section of this policy;
- 3) The amount of advance rental paid by the Insured and not recoverable under the terms of the lease;

when property is rendered wholly or partially untenable by any covered loss during the term of this policy and the lease is canceled by the party not the Insured under this policy in accordance with the conditions of the lease or by statutory requirements of the appropriate jurisdiction in which the damaged or destroyed property is located; and

"The Interest of the Insured as Lessee or Lessor" when property is rendered wholly or partially untenable by any covered loss during the term of this policy and the lease is canceled by the party not the Insured by this policy in accordance with the conditions of the lease or by statutory requirements of the appropriate jurisdiction in which the damaged or destroyed property is located.

"The Interest of the Insured as Lessee or Lessor" 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.

Definitions applicable to Leasehold Interest:

- 1) "The Interest of the Insured as Lessee" is 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; and

- 2) the rental income earned by the Insured from sublease agreements, to the extent not covered under any other section of this policy, over and above the rental expenses specified in the lease between the Insured and the lessor.
- 3) "The Interest of the Insured as Lessor" is the difference between the rents payable to the lessor under the terms of the lease in effect at the time of loss and the actual rent collectible by the lessor during the unexpired term of the lease provided the lease is canceled by the lessee, to the extent not covered under any other section of this policy.
- 4) "Net Lease Interest" is that sum, which placed at 6% interest compounded annually will be equivalent to the "The Interest of the Insured as Lessee or Lessor."

It is understood and agreed that in the event loss or damage insured results in both loss of Rental Income and/or Rental Value and loss of the Interest of the Insured as Lessor, the provisions and limit of liability of the Rental Income and Rental Value coverage will be applied first in accordance with the applicable period of recovery. The coverage provided by the Leasehold Interest provisions and limit of liability shall be applied and commence at the cessation of the Rental Income and Rental Value coverage and continue until the expiration of the lease.

**E. Rental Value and Rental Income**

- 1) This policy provides coverage for Loss of Rental Income and/or Loss of Rental Value of the Insured caused by physical loss or damage insured herein occurring during the term of this policy to property and/or premises rented, leased or occupied by the Insured and/or rented or leased by the Insured to others.
- 2) Rental Income shall include the following:
  - a) The total anticipated gross rental income from tenant(s) of the Insured's building(s) and structure(s), and
  - b) The amount of all charges assumed by tenant(s) except those charges which do not continue, which would otherwise be obligations of the Insured, and
  - c) The fair rental reasonably expected from unrented portions of such property and the fair rental for that portion occupied by the Insured.
- 3) Rental Value shall include the following:
  - a) Rental Income Insurance in those situations where the Insured is required under a lease or rental agreement to maintain such insurance on behalf of any landlord.
  - b) Rental expenses incurred by the Insured in excess of the expenses which would have been incurred had a leased or rented premises not been damaged or destroyed by loss or damage insured herein. Such coverage

will apply for all additional expenses incurred during the period of untenability or if the lease cannot be terminated until its expiration.

**F. Royalties**

- 1) Loss of Royalties, Fees and Commissions which would have been earned under Royalties, Fees or Commission Agreements between the Insured and any concern(s), as a result of loss or damage to the property of such concern(s) caused by physical loss or damage to property of the type insured herein occurring during the term of this policy.
- 2) Such loss shall be adjusted on the basis of actual loss sustained of such income which would have been earned had no loss occurred.

**6. TIME ELEMENT EXTENSIONS**

The Time Element Extensions extend the coverages provided in Clauses 5.A, B, C, D, E, and F, above.

- A. This policy insures the actual loss sustained caused by or resulting from loss or damage of the type insured to:

1) **Attraction Property**

Property not owned or operated by the Insured, which attracts business or trade to the vicinity of the Insured's operations.

There is no liability for any loss or damage otherwise insured under the Contingent Business Interruption/Contingent Extra Expense clause below.

2) **Contingent Time Element**

Property, that impairs or prevents;

- a) Any **direct supplier(s)** of goods and/or services to the Insured, from rendering and/or delivering their goods and/or services, or
- b) Any **direct customer(s)** of goods and/or services from the Insured, from accepting the Insured's goods and/or services.

For the purposes of this coverage extension, such supplier or customer can be located anywhere in the world.

There is no liability for any loss or damage otherwise insured under the Service Interruption/Off Premises Power clause below.

3) **Service Interruption/Off Premises Power**

Property of service providers, including, but not limited to, electricity, water, gas, sewerage, steam, telephone, telecommunications, including voice/data, or their

respective transmission and distribution lines or utility plants which directly or indirectly provide incoming or outgoing services to the Insured situated on or outside of the Insured's premises.

Coverage provided in this section is extended to include any **accidental event** at the above provider of services.

There is no liability for any loss or damage otherwise insured under the Contingent Business Interruption/Contingent Extra Expense or Attraction Property clauses above.

4) **Impounded Water**

Dams, reservoirs, or equipment connected therewith when water, used as a raw material, for power or other manufacturing purpose, is stored behind or in such dams or reservoirs, is released from storage and impairs or prevents operations of the insured due to adequate water supply from such sources. This coverage is afforded for thirty (30) days from the date of initial loss or damage. The Insured shall use due diligence and dispatch to repair or replace the damaged dam, reservoir or connected equipment.

**B. Civil or Military Authority**

This policy is extended to cover the actual loss sustained by the insured during the period of time when access to covered property is impaired by order or action of civil or military authority issued as a result of loss or damage of the type insured against to property, other than property as described under Property Insured. The loss or damage that causes the action or order of civil or military authority must occur within the number of miles from the Insured Property as stated in the Supplemental Declarations section of this Policy.

This coverage is afforded for the number of days as stated in the Supplemental Declarations section of this Policy.

**C. Ingress/Egress**

This policy is extended to cover the actual loss sustained by the insured during the period of time when ingress to or egress from covered property is impaired as a result of loss or damage of the type insured against to property, other than property described under Property Insured. The damage that causes the ingress to or egress from to be impaired, must occur within the number of miles from the Insured Property as stated in the Supplemental Declarations section of this Policy.

This coverage is afforded for the number of days as stated in the Supplemental Declarations section of this Policy.

**D. Protection and Preservation of Property-Time Element**

The policy is extended to cover the actual loss sustained during the period of time, when the Insured takes reasonable and necessary actions for the temporary protection and preservation of property insured, to prevent impending loss or damage insured. Such coverage applies regardless of whether actual insured loss or damage occurs.

**E. Research and Development**

In the event of insured loss or damage to property insured herein which results in an interruption of research and development activities, which in themselves would not have produced income during the recovery period, this policy shall insure the actual loss sustained of the continuing charges and expenses, including **ordinary payroll**, and payroll, directly attributable to such research and development activities.

**F. Time to Replace Stock or Raw Material**

Notwithstanding the paragraph in the Business Interruption – Gross Earnings provision to the contrary, this policy is extended to cover the additional expenses incurred over and above normal, during the time required to replace raw materials, stock in process or finished goods to the inventory level which existed prior to the loss.

**G. Waterway Access**

This policy is extended to cover the actual loss sustained during the period of time, when the insured's business or operations are impaired fully or partially as a result of the inability to utilize waterways, when the inability is the result of physical loss or damage not otherwise excluded. Coverage is afforded for thirty (30) days from the date of initial actual loss sustained.

Contingent Time Element and Attraction Properties referenced in 6.A.1 and 6.A.2 will be considered as insured property for application of the following Time Element Extensions.

Service Interruption/Off Premises Power  
 Impounded Water  
 Civil or Military Authority  
 Ingress/Egress  
 Protection and Preservation of Property-Property Damage  
 Waterway Access

**7. TIME ELEMENT PROVISIONS**

The following apply to all Time Element Coverage and Time Element Extensions except Loss of Profits, unless otherwise stated therein:

**A. Period of Recovery**

The length of time for which loss may be claimed is referred to as the period of recovery and:

- 1) shall commence with the date of such loss or damage and shall not be limited by the date of expiration of this policy;
- 2) shall not exceed such length of time as would be required with the exercise of due diligence and dispatch to rebuild, repair, or replace the property that has been destroyed or damaged;

**and,**

- 3) such additional length of time to restore the Insured's business to the condition that would have existed had no loss occurred, commencing with the later of the following dates:
  - (a) the date on which the liability of the **Insurer** for loss or damage would otherwise terminate; or
  - (b) the date on which repair, replacement or rebuilding of the property that has been damaged is actually completed and the Insured has resumed normal operations.

but in no event for more than the number of days for Extended Period of Liability as stated in the Supplemental Declarations section of this policy;

- 4) With respect to loss or damage occurring to **property in the course of** construction, due consideration shall be given to the level of production or level of business operations that would reasonably have been achieved after completion of construction had no loss or damage occurred.
- 5) With respect to damage occurring to research and development activities, if there is a delay in planned product completion, release or offering, due consideration shall be given to the level of production or business operations that would reasonably have been achieved had no loss occurred. .
- 6) The Period of Recovery shall not include:
  - a) Any days which would coincide with a shutdown planned prior to loss,
  - b) Any increase of loss which may be occasioned by the suspension, lapse or cancellation of any lease or by the Insured exercising any option to cancel a lease unless the suspension, lapse or cancellation is due to the loss or damage covered by this policy.
  - c) Any additional loss due to fines, penalties or damages for breach of contract or non-delivery of goods.

B. If the Insured can reduce the loss resulting from the interruption of business:

- 1) by a complete or partial resumption of operations of the property insured, whether damaged or not; or
- 2) by making use of stock, merchandise, or other property insured herein;

Such reduction shall be taken into account in arriving at the amount of loss hereunder. However, when making use of stock, merchandise or other insured property the insured shall be reimbursed to replenish the stock or merchandise used to reduce the loss.

C. Expense to Reduce Loss: (not applicable to Extra Expense)

This policy also insures such expenses as are necessarily incurred for the purpose of reducing any loss under this policy, but in no event shall the aggregate of such expenses exceed the amount by which the loss under this coverage part is thereby reduced.

D. Experience of the Business:

In determining the amount of loss insured hereunder due consideration shall be given to the experience of the business before the date of loss or damage and to the probable experience thereafter had no loss or damage occurred.



### III. POLICY LOSS ADJUSTMENT AND SETTLEMENT

#### 1. NOTICE OF LOSS

The Insured shall report to the **Insurer** any loss or damage which may become a claim under this insurance policy as soon as may be practicable after it becomes known to the Director of the Risk Management Department (or the individual acting in a similar capacity) of the Insured.

#### 2. KNOWLEDGE OF OCCURRENCE

It is agreed that knowledge of an **occurrence** by an agent, servant or employee of the Insured shall not in itself constitute knowledge by the Insured. Knowledge is understood to occur only when the Director of the Risk Management Department (or the individual acting in a similar capacity) of the Insured shall have received notice from its agent, servant or employee.

#### 3. PROOF AND PAYMENT OF LOSS

A detailed Proof of Loss shall be filed with the **Insurer** as soon as practicable. Loss shall be adjusted with the Risk Management Department of the Insured or assigned representatives, and all adjusted claims shall be paid to the Insured or its order within thirty (30) days after filing and acceptance of a Proof of Loss.

#### 4. PARTIAL PAYMENT OF LOSS

It is understood and agreed that this **Insurer** will make partial payments of claims subject to the policy provisions and the normal policy adjustment provisions.

To obtain said partial claim payment, the Insured shall submit a partial Proof of Loss with supporting documentation. Upon receipt and approval of a partial Proof of Loss, the **Insurer** will make partial payments to the Insured within no more than fourteen (14) days to the Insured.

#### 5. LOSS PAYABLE

Loss, if any, shall be adjusted with and payable to the Insured or its order.

#### 6. SUBROGATION AND SUBROGATION WAIVER

A. It is agreed that upon payment of any loss, this **Insurer** is subrogated to all the rights of the Insured to the extent of such payment.

Any release or waiver of liability entered into by the Insured in the course of their business prior to loss (including but not limited to bills of lading and/or receipts from carriers, bailees, warehousemen, lightermen, processors, limiting or releasing their liability) hereunder shall not prejudice the Insured's rights of recovery under this policy.

B. The right of subrogation against the Insured's subsidiary, affiliated, or associated corporations or companies, joint ventures, partnerships or individuals, or any other party required to be insured, or any other corporations or companies associated with the Insured through ownership or management is waived.

C. In the event of any payment under this policy, except where subrogation rights have been

waived, the **Insurer** shall be subrogated to the extent of such payment to all the Insured's rights of recovery therefore. The Insured shall execute all papers required and shall take reasonable and necessary action to secure such subrogation rights. The **Insurer** will act in concert with all other interests concerned, such as the Insured and any other company(ies) 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, after deducting the costs of recovery, such amount shall be divided between the interests concerned in the proportion of their respective interests. If there should be no recovery, all costs and expenses shall be borne by the party instituting the proceedings.

## 7. **SALVAGE AND RECOVERIES**

Except as described elsewhere herein, after expenses incurred in salvage or recovery are deducted, any salvage or other recovery, except recovery through subrogation proceedings and/or from underlying and/or excess insurance as described herein, shall accrue entirely to the benefit of this **Insurer** until the sum paid by the **Insurer** has been recovered.

## 8. **VALUATION**

At time of loss, the basis of adjustment shall be as follows:

- A. On buildings and structures, at the replacement cost new; if not replaced, then at the actual cash value.
- B. On machinery, equipment, furniture, fixtures and improvements and betterments at the replacement cost new or the cost of repair, whichever is less. If not replaced, then at the actual cash value.
- C. The cost of architects', surveyors', inspectors' and/or engineers' plans, drawings, specifications, fees and charges including the cost for supervision of construction and repair of damages.
- D. **Valuable Papers and Records** and **Electronic Data Processing Media** at the value blank plus the cost of labor, service and/or supplies for actually reconstructing, researching, gathering information, reproducing, recreating, transcribing or copying such papers, records and **Electronic Data Processing Media**.
- E. **Fine Arts** owned by the Insured at the cost of reasonably restoring the property to its condition immediately prior to the loss, or in the event that the property cannot be restored at the appraised value prior to the loss. In absence of such appraisal, at the market value at the time of loss.  
  
**Fine Arts** which is the property of others, either at the Insured's contractual or legal liability.
- F. **Finished Stock** and other merchandise not manufactured by the Insured but held for sale, at the Insured's selling price less discounts to which the goods would have been subject had no loss occurred, and labor (internal or 3<sup>rd</sup> party) at the cost to restock. Any obsolete inventory is a deduction to the inventory at the time of loss only, and not a percentage applied to the total inventory loss.

- G. Property of others and property leased by the Insured, or for which the Insured has agreed to insure, at the Insured's contractual or legal liability for said damage.
- H. Stock in process (raw stock which has undergone any aging, seasoning, or other processing by the Insured, but which has not become finished stock) shall be valued at the Insured's selling price of finished stock at the time of the loss, less any manufacturing expense not incurred by the Insured and less any discounts, rebates and unincurred expense to which the sales price would have been subject.
- I. Contractor's equipment shall be valued at actual cash value, unless an agreed value applies or at the **Insured's** contractual or legal liability for said loss or damage.
- J. All other property, not otherwise mentioned above, at the replacement cost new; if not replaced, then at the actual cash value.

It is understood and agreed that as respects replacement cost new, the Insured shall have the option of replacing equipment having technological advantages and/or representing an improvement in function and/or forming part of a program of system enhancement provided that such replacement can be accomplished without increasing the **Insurer's** liability.

The Insured, using reasonable discretion, shall be the sole judge as to whether electrical and mechanical equipment are damaged and unusable. This **Insurer** shall be allowed to dispose of, as salvage, any non-proprietary property deemed unusable by the Insured.

As respects A., B. and J. above, the Insured may elect not to replace the property lost, damaged, or destroyed and obtain loss settlement on a replacement cost basis if the proceeds of such loss settlement are expended in any other capital expenditures related to the Insured's operations within the territorial limits of the policy.

## 9. CURRENCY

It is hereby understood and agreed that all amounts used herein are in United States currency and that premiums shall be paid and all losses shall be adjusted and paid in United States currency. In the event of a loss adjustment involving foreign currency, conversion into the currency of the United States of America shall be calculated as follows:

- A. As respects real and personal property, the cost of repair, replacement or reconditioning shall be converted, as of the date of repair, replacement or reconditioning based on the rate of exchange quoted in the Wall Street Journal.

If the property is not replaced or repaired, the conversion into the currency of the United States of America shall be at the rate of exchange quoted in the Wall Street Journal as of the date of loss.

- B. As respects all other coverages, currency shall be converted at the rate of exchange quoted in the Wall Street Journal and such rate of exchange shall be based on the average of the daily rate of exchange quoted in the Wall Street Journal for the period of loss.

## 10. COINSURANCE WAIVER

This policy is not subject to Coinsurance or Average Clause.

**11. SEVERABILITY OF INTEREST**

Each of the Insureds insured by this policy will have the same protection and obligations as if the policy has been issued individually to each of them, except as respects the obligations associated with the **Cancellation** clause. However, the inclusion of more than one Insured will not operate to increase the limit of liability of the **Insurer** beyond the limit of liability as stated in the Supplemental Declarations section.

**12. APPRAISAL**

In case the Insured and this **Insurer** shall fail to agree as to the amount of loss, then, on the written demand of either, each shall select a competent and disinterested appraiser and notify the other of the appraiser selected within Twenty (20) days of such demand. The appraisers shall select a competent and disinterested umpire; and, failing for Fifteen (15) days to agree upon such umpire, then on request of the Insured or the **Insurer**, such umpire shall be selected by a judge of a district court of a judicial district in accordance with the Jurisdiction and Suit clause of this policy. The appraisers shall then appraise the loss, separating the loss to each item; and, failing to agree, shall submit their differences only to the umpire. An award in writing, so itemized of any two when filed with the **Insurer**, shall determine the amount of loss. Each appraiser shall be paid by the party selecting each respective appraiser and the expenses of appraisal and umpire shall be paid by the parties equally.

**13. JURISDICTION AND SUIT**

It is hereby understood and agreed that in the event of the failure of the **Insurer** to pay an amount claimed to be due hereunder, at the direction of the Insured, the **Insurer** will submit to the jurisdiction of any court of competent jurisdiction within the United States and will comply with all requirements necessary to give such jurisdiction.

## IV GENERAL CONDITIONS

### 1. CERTIFICATES OF INSURANCE

All parties to whom a Certificate of Insurance has been issued are automatically added to this policy upon issuance of said certificates, either as Additional Insureds, Mortgagees or as Loss Payees, or both, in accordance with the terms and conditions of this policy unless otherwise agreed to by the **Insurer**. Permission is granted for Aon Risk Services to issue Certificates on the **Insurer's** behalf.

### 2. CANCELLATION

A. This policy may be canceled at any time at the request of the Insured, or it may be canceled by the **Insurer** by mailing via registered or certified mail to the **Insured** and with copies provided to Aon Risk Services, during the term of this policy, written notice stating when no less than Ninety (90) days thereafter, except Ten (10) days for nonpayment of premium, such cancellation shall be effective.

This insurance may be canceled at any time by the Insured by surrender of this policy to the **Insurer** or by mailing or delivery to the **Insurer** written notice stating when thereafter such cancellation shall take effect. Return premium shall be allowed the Insured on a pro rata basis if the **Insurer** cancels and also on a pro rata basis if the Insured cancels.

Payments or tender of any unearned premium by the **Insurer** shall not be a condition precedent to the effectiveness of cancellation, but such payment shall be made as soon as practicable.

B. The mailing of notice as described in A. above shall be sufficient proof of notice and the effective date and hour of cancellation stated in the notice shall become the end of the policy period. Delivery of such written notice either by the Insured or by this **Insurer** 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 safely delivered and accepted at place of final destination.

### 3. INSPECTION AND AUDIT

This **Insurer** shall be permitted, but not obligated, to inspect the Insured's property at any reasonable time. Neither the **Insurer's** right to make inspections, nor the making thereof, nor any report thereon, shall constitute an undertaking, on behalf of or for the benefit of the Insured or others, to determine or warrant that such property is safe.

### 4. LIBERALIZATION

If during the period that insurance is in force under this policy, any authorized endorsement or filed rules or regulations affecting the same are revised by statute or otherwise so as to broaden the insurance without additional premium charge, such extended or broadened insurance shall inure to the benefit of the Insured hereunder.

**5. MORTGAGE CLAUSE**

Loss or damage, if any, under this policy shall be payable to the mortgagee(s) (or trustee(s)) as interest(s) may appear, and this insurance, as to the interest(s) of the mortgagee(s) (or trustee(s)) only therein, shall not be invalidated by any act or neglect of the mortgagor or owner of the described property, nor by any foreclosure or other proceedings or notice of sale relating to the property, nor by any change in the title or ownership of the property, nor by the occupation of the premises for purposes more hazardous than are permitted by this policy provided that in case the mortgagor or owner shall neglect to pay any premium due under this policy, the mortgagee (or trustee) shall, on demand, pay the same.

This **Insurer** reserves the right to cancel this policy at any time as provided by its terms, but in such case this policy shall continue in force for the benefit only of the mortgagee (or trustee) for Ten (10) days after notice to the mortgagee (or trustee) of such cancellation and shall then cease and this **Insurer** shall have the right, on like notice, to cancel this agreement.

**6. OTHER INSURANCE**

Except as referred to in Contributing Insurance, Excess Insurance and Underlying Insurance clauses, this policy shall not insure to the extent of any other insurance, whether prior or subsequent hereto in date and whether directly or indirectly insuring the same property against the same loss or damage. This insurance shall be excess of and/or supplementary to the amount recoverable from such other collectible insurance. Notwithstanding this Other Insurance provision, this Policy will guarantee prompt payment in full of the amount of loss which would have been otherwise recoverable hereunder as if this clause did not exist and the Insured shall cooperate with the **Insurer** to pursue recovery of any Other Insurance.

**7. CONTRIBUTING INSURANCE**

Permission is granted for other policies written upon the same terms, conditions, and provisions irrespective of limit or attachment point as those contained in this policy. This policy shall contribute to the total of each loss otherwise payable herein to the extent of the participation of this policy in the total limit of liability stated herein.

**8. EXCESS INSURANCE**

Permission is granted for the Insured to have excess insurance over the limit of liability in this policy without prejudice to this policy and the existence of such insurance, if any, shall not reduce any liability under this policy.

**9. UNDERLYING INSURANCE**

Permission is granted for the Insured to purchase insurance on all or any part of the deductible and against all or any of the coverage provided by this policy. The existence of such underlying insurance shall not prejudice or affect any recovery otherwise payable under this policy.

**10. EXCESS CLAUSE**

This clause only applies in the event that there exists primary or underlying Policy(ies) providing coverage beneath the attachment point of this Policy. In the event of loss caused by or resulting from loss or damage not otherwise excluded, or to more than one location, for purposes of the

attachment point of this policy, this policy shall recognize that the limit of liability of the underlying coverage shall apply first to the perils, coverages and/or locations not insured under this policy and the remainder, if any, to the perils, coverages and/or locations insured hereunder. This policy shall recognize the erosion of the underlying policy limits by all perils, coverages or locations insured by the underlying policy. Upon exhaustion of the limit of liability of the underlying coverage, this **Insurer** shall then be liable for the loss uncollected only for those perils, coverages, and/or locations insured under this Policy, subject to the **Insurer's** limit of liability as specified herein.

In the event the aggregate limits (if any) provided for **Flood** and/or **Earthquake** in any underlying insurance are diminished or exhausted in any one Policy year, the coverage provided under this policy shall respond as excess of the remaining limits.

In such event, the applicable amount of the deductible provision of the underlying insurance shall apply to the combination of all policies.

#### **11. NON-REDUCTION OF LIMITS OF LIABILITY**

Any loss hereunder shall not reduce the limit(s) of liability under this policy except for aggregate limits as stated in the Supplemental Declarations section.

#### **12. ERRORS AND OMISSIONS**

No inadvertent error, inadvertent omission or inadvertent failure in making reports or other data hereunder shall prejudice the Insured's right of recovery, but shall be corrected when discovered. It is further understood and agreed that any error in description of locations, or values of projects insured or to be insured by this policy shall not invalidate or reduce the policy limit of liability, or otherwise prejudice any recovery under this policy.

#### **13. PERMITS**

Permission is hereby granted for any building(s) to be and remain vacant and unoccupied without limit of time and without prejudice to the Insured's right of recovery for claim under this policy.

Any change in occupancy or use of the premises or any increase in hazard shall not prejudice the Insured's right of recovery for claim under this policy.

#### **15. TITLES OF PARAGRAPHS**

The several titles of the various paragraphs of this policy (and of Endorsements and Supplemental Policies, if any, which are attached to this policy) are inserted solely for convenience or reference and shall not be deemed in any way to limit or affect the provisions to which they relate.

#### **16. DEFINITIONS**

##### **A. Accident**

1) **Accident** shall mean:

- a) Any condition or occurrence within boilers or fired or unfired vessels owned by, operated by, or under the control of the Insured and subject to pressure or vacuum



including piping or apparatus attached to and forming a part thereof, except that the words "any condition or occurrence" shall not include explosion, other than explosion of the parts of a steam boiler containing steam or water, steam piping, steam turbines, or steam engines;

- b) Mechanical breakdown of any machine or apparatus arising out of any condition or occurrence within such machine or apparatus;
- c) Electrical injury or disturbance to electrical appliances, devices, fixtures, wiring, or other electrical or electronic equipment caused by electrical currents artificially generated.

However, the term **Accident** does not include:

- a) Loss or damage from fire or from the use of water or other means to extinguish fire; and
- b) The normal operation of any safety or protective device;

**Accident** shall not mean:

- a) Depletion, deterioration, corrosion or erosion;
  - b) Wear and tear;
  - c) Leakage at any valve, fitting, shaft seal, gland packing, joint or connection.
- 2) The term **Accident** shall not apply to the following property:
- a) Property in **transit**;
  - b) Property while in the course of construction, erection, installation, or assembly;
  - c) Electronic data processing systems used for administrative, statistical, or accounting purposes;
  - d) Any sewer piping, any piping forming a part of a fire protective system, or any water piping other than:
  - e) Boiler feed water piping;
  - f) Boiler condensate return piping;
  - g) Water piping used in a heat transfer system for cooling, humidifying, or space heating purposes;
  - h) Any vehicle, aircraft, or self-propelled equipment or floating vessel;
  - i) Any elevator, crane, ladle or bucket, hoist, power shovel, drag line, excavator, scale, or conveyor, but not excluding any pressure vessel, gears, engines or electrical equipment used with a machine.

## **B. Accidental Event**

An unintended occurrence which results in an interruption of operations.

## **C. Architect Fees and Engineering Fees**

Any cost associated with the preparation of plans for the repair or reconstruction of the damaged property.



**D. Direct Customers and Direct Suppliers**

Customers and suppliers of the Insured that do business directly with the Insured. Direct Customers and Suppliers would include intermediaries or wholesale operations that do not materially modify or change property, as well as the original manufacturer or ultimate customer.

**E. Earthquake**

Quaking, vibratory or undulating movement of a portion of the earth's crust, produced by underground volcanic forces or by breaking and shifting of rock beneath the earth's crust. Whenever used in this Policy, the term "earthquake" shall be restricted exclusively to the actual, specific cracking, rupturing, shifting or toppling of property and shall not include ensuing loss or damage resulting from fire, explosion or sprinkler leakage.

**F. Electronic Data Processing Media**

All forms of data, converted data, electronically converted data and/or programs and/or applications and/or instructions and/or media vehicles employed.

**G. Fine Arts**

Fine Arts shall include, but not be limited to, bona fide works of art, works of rarity, works of historical value, works of artistic merit, photographs, (positives and negatives) lithographs, illustrations, galley proofs, and/or original records.

**H. Finished Stock**

Stock manufactured by the Insured which, in the ordinary course of the Insured's business, is ready for packing, shipment or sale.

**I. Fire Brigade Charges/Fire Extinguishing Materials and Expenses**

Fire fighting and/or containment charges and/or fire department service charges and other extinguishing expenses.

**J. Flood**

Waves, tide or tidal water, tsunamis, rapid accumulation of surface waters, or the rising (including overflowing or breaking of boundaries) of lakes, reservoirs, rivers, streams or other bodies of water. It is understood and agreed that, whenever used in this policy, **flood** shall not include ensuing loss or damage resulting from fire, explosion or sprinkler leakage.

**K. Fraudulent or Dishonest Acts**

Fraudulent or dishonest acts committed by the Insured or the Insured's employees with the manifest intent to:

1. cause the Insured to sustain loss; and

2. obtain financial benefit for the Insured, Insured's employee, or for any other person or organization intended by the Insured or the employee to receive such benefit for such fraudulent or dishonest act or acts.

**L. General Average and/or Salvage:**

1. General Average, Salvage and Special Charges, as per foreign custom, payable according to foreign statement, and/or per York-Antwerp Rules and/or in accordance with the contract of affreightment, if and as required; or, failing any provision in or there be no contract of affreightment, payable in accordance with the Laws and Usages of the Port of New York.
2. General Average Contributions, Salvage and Special Charges and Sue and Labor Charges will be payable in full, irrespective of insured and contributory values.

**M. High Hazard Earthquake**

All insured property situated in New Madrid Earthquake Counties as more fully defined in Endorsement #3 or Pacific Northwest Earthquake Counties as more fully defined in Endorsement #4.

**N. High Hazard Flood**

- a) Only that portion of property at the time of policy inception which is located in a Special Flood Hazard Zone (SFHA) and situated at or below the 100 year flood elevation level, as shown in the most recent documentation published by the Federal Emergency Management Agency (FEMA), or other qualified and recognized authority for flood information. and/or,

With respect to this definition, the following terms apply:

- a) Federal Emergency Management Agency (FEMA) – The U.S. Federal agency, which is part of the U.S. Department of Homeland Security, under which the National Flood Insurance Program (NFIP) is managed.
- b) Special Flood Hazard Area (SFHA) – The areas of a Flood insurance Rate Map (FIRM) identified as Zone(s): A, AO, AH, A1-A30, AE, A99, AR, AR/A, AR/AE, AR/A1-A30, AR/AH, AR/AO, V, V1-V30, VE or VO.

**O. Insurer**

Insurance Company or security providing insurance under this contract as stated in the Supplemental Declarations section.

**P. Named Windstorm**

**Named Windstorm** shall mean the direct action of the wind when such wind is associated with, or occurs in connection with a storm or weather condition which has been named by the U.S. National Weather Service or its global equivalent.

Such Named Windstorm shall include all loss which is attributable directly or indirectly to the Named Windstorm and shall include all damage by rain, flood, storm surge or any other water damage that results from the Named Storm.

**Q. Property While in the Course of Construction**

When there is a sub-limit provided for **Property While in the Course of Construction**, that sub-limit shall only apply to property in the course of construction which does not pertain to alterations, revamping, refurbishment, maintenance, or incidental extensions to existing property of the Insured. **Property While in the Course of Construction** does not include any existing property which is not part of the course of construction. Any loss or damage to existing property not part of the course of construction which results from a covered occurrence to **Property While in the Course of Construction** is not subject to the sub-limit of liability attributable to **Property While in the Course of Construction**.

**R. Object**

Any boiler, fired or unfired vessel subject to pressure or vacuum, including piping or apparatus attached thereto and forming a part thereof, and any mechanical or electrical machine or apparatus used for the generation, transmission or utilization of mechanical or electrical power.

**S. Occurrence**

Loss, or a series of losses or several losses, which are attributable directly or indirectly to one cause or disaster or to one series of similar causes or disasters arising from a single event. All such losses shall be added together and the total amount of such losses shall be treated as one **occurrence** irrespective of the period of time or area over which such losses occur.

When the term applies to **Named Windstorm**, it shall be defined as the sum total of all the **Insured's** losses arising out of or caused by the same atmospheric disturbance during any period of 72 consecutive hours. The Insured shall have the right to elect the moment from which the 72 hour period shall be deemed to have commenced, provided always that no elected period of 72 hours shall commence within the period of any previous **occurrence**.

When the term applies to **Earthquake**, it shall be defined as the sum total of all the Insured's losses sustained during any period of 168 consecutive hours by reason of one **Earthquake** or a series of **Earthquake** shocks. The Insured may elect the moment from which the 168 hour period shall be deemed to have commenced, provided always that no elected period of 168 hours shall commence within the period of any previous **occurrence**.

When the term applies to **flood**, it shall be defined as the sum total of all the **Insured's** losses sustained by reason of one **flood** or a series of **floods**.

When the term applies to theft, the sum total of all losses insured herein resulting directly from one or more acts committed by a person(s) acting alone or in collusion with others shall constitute one occurrence. All such losses shall be added together and the total

amount of such losses shall be treated as one **occurrence** irrespective of the period of time or area over which such losses occur.

**T. Ordinary Payroll**

The entire payroll expense for all employees of the Insured except officers, executives, department managers, employees under contract, and other critical or important employees as determined by the insured.

**U. Soft Costs**

Expenses related to the delay of completion of a project over and above those costs which would have been incurred, including, but not limited to, interest payments on financing under loan agreements and real estate taxes accruing during the period of delay.

**V. Transit**

Shipments within and between the territorial limits of this policy, 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 during deviation and delay, until safely delivered and accepted at place of final destination.

**W. Underlying Policy**

An insurance policy issued to the Insured which is similar as respects the terms and conditions of this policy and issued for limits below the attachment point or deductible of this policy.

**X. Valuable Papers and Records**

Written, printed or otherwise inscribed documents, and records including but not limited to books, maps, films, drawings, abstracts, deeds, mortgages, mortgage files, manuscripts and micro or electronically/magnetically inscribed documents, but not including the monetary value of monies and/or securities.

**17. WAIVER OF INSURANCE CONDITIONS**

The terms and conditions of this manuscript form are substituted for those of the **Insurer's** policy jacket and other preprinted **Insurer** forms and the **Insurer's** declaration page to which it is attached, any more restrictive terms and conditions of same being waived and superseded by this manuscript form except for any agreed endorsements noted in policy **Section I Supplemental Declarations, Clause 14. Additional Conditions.**

ENDORSEMENT: 1

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

## AMENDATORY ENDORSEMENT

### LOCATION ENDORSEMENT

Coverage under this policy applies to a **Location** or **Locations** as outlined below unless otherwise described or extended in the policy form.

**Location** or **Locations** as used in this policy refer to:

- 1) Listed on a schedule of **Locations** or property values attached to this policy,
- 2) Listed on a schedule of **Locations** or property values reported to or on file with the **insurer**,
- 3) Defined as a **Miscellaneous Unnamed Location** as described in this endorsement,
- 4) Defined under **Automatic Coverage** as described in this endorsement.

The term **location** means a building, yard, dock, wharf, pier or bulkhead or any group of the foregoing. The term **locations** means more than one **location**. In addition, for the purposes of this definition, a schedule of locations and/or schedule of property values represents the **locations** provided to the **Insurer** prior to program inception.

The following definitions are hereby added to the policy:

#### **Miscellaneous Unnamed Location**

A **location** at which the Insured has property of the type insured hereunder which has not been reported to the **Insurer** and not defined under the **Automatic Coverage** or Errors and Omissions definition/clause of this policy. **Miscellaneous Unnamed Location** includes property on exhibition, but does not include any property in **transit** covered herein, or any property excluded under this policy.

#### **Automatic Coverage**

Property of the type insured at any **location** rented, leased or purchased after the inception date of this policy, or which is property in the course construction. **Automatic Coverage** applies from the date of rental, lease, purchase, or commencement of construction, for the Sublimit of Liability and/or Time Limit listed in the Supplemental Declarations.

**Automatic Coverage** will apply until whichever of the following occurs first:

- 1) The **location** is reported to the Insurer; upon which the Policy Limit shall apply;
- 2) Agreement is reached that the **Location** will not be insured under this Policy;
- 3) The applicable Time Limit shown in the Supplement Declarations section of this Policy has been reached. After which, the limit of liability shall be no more than the Sublimit of Liability for a **Miscellaneous Unnamed Location**.

All other terms and conditions of this policy remain unchanged.

ENDORSEMENT: 2

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

**AMENDATORY ENDORSEMENT**

**NEW MADRID EARTHQUAKE COUNTIES**

**Arkansas**

Arkansas, Clay, Craighead, Crittenden, Cross, Fulton, Greene, Independence, Izard, Jackson, Lawrence, Lee, Lonoke, Mississippi, Monroe, Phillips, Poinsett, Prairie, Randolph, Sharp, St. Francis, White, Woodruff

**Illinois**

Alexander, Bond, Clay, Clinton, Crawford, Edwards, Effingham, Fayette, Franklin, Gallatin, Hamilton, Hardin, Jackson, Jasper, Jefferson, Johnson, Lawrence, Madison, Marion, Massac, Monroe, , Perry, Pope, Pulaski, Randolph, Richland, Saline, St. Clair, Union, Wabash, Washington, Wayne, White, Williamson

**Indiana**

Gibson, Knox, Pike, Posey, Vanderburgh, Warrick

**Kentucky**

Ballard, Caldwell, Calloway, Carlisle, Christian, Crittenden, Daviess, Fulton, Graves, Henderson, Hickman, Hopkins, Livingston, Lyon, Marshall, McCracken, McLean, Muhlenberg, Todd, Trigg, Union, Webster

**Mississippi**

Alcorn, Benton, Coahoma, De Soto, Lafayette, Marshall, Panola, Quitman, Tate, Tippah, Tunica

**Missouri**

Bollinger, Butler, Cape Girardeau, Carter, Dunklin, Iron, Jefferson, Madison, Mississippi, New Madrid, Oregon, Pemiscot, Perry, Reynolds, Ripley, Scott, Shannon, St. Charles, St. Francois, St. Louis, St. Louis City, Ste. Genevieve, Stoddard, Warren, Washington, Wayne

**Tennessee**

Benton, Carroll, Chester, Crockett, Decatur, Dyer, Fayette, Gibson, Hardeman, Hardin, Haywood, Henderson, Henry, , Houston, Humphreys, Lake, Lauderdale, Lawrence, Madison, McNairy, Montgomery, Obion, Perry, Shelby, Stewart, Tipton, Weakley

ENDORSEMENT: 3

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

**AMENDATORY ENDORSEMENT**

**PACIFIC NORTHWEST EARTHQUAKE COUNTIES**

**Oregon**

Benton, Clackamas, Clatsop, Columbia, Coos, Curry, Douglas, Jackson, Josephine, Lane, Lincoln, Linn, Marion, Multnomah, Polk, Tillamook, Washington, Yamhill

**Washington**

Clallam, Clark, Cowlitz, Grays Harbor, Island, Jefferson, King, Kitsap, Lewis, Mason, Pacific, Pierce, San Juan, Skagit, Skamania, Snohomish, Thurston, Wahkiakum, Whatcom

**British Columbia (includes Vancouver Island), Canada**

South of 50° N latitude and west of 120° W longitude

ENDORSEMENT: 4

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

**AMENDATORY ENDORSEMENT**

**TIER 1 WIND PARISHES/COUNTIES**

**Alabama**

Baldwin, Mobile

**Florida**

Entire State

**Georgia**

Bryan, Camden, Chatham, Glynn, Liberty, McIntosh

**Louisiana**

Assumption, Cameron, Iberia, Jefferson, Lafourche, Livingston, Orleans, Plaquemines, St. Bernard, St. Charles, St. James, St. John the Baptist, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Vermilion, Washington

**Maryland**

Somerset, Wicomico, Worcester

**Mississippi**

Hancock, Harrison, Jackson

**Puerto Rico**

Entire Commonwealth

**North Carolina**

Beaufort, Bertie, Brunswick, Camden, Carteret, Chowan, Currituck, Dare, Hyde, New Hanover, Onslow, Pamlico, Pasquotank, Pender, Perquimans, Tyrrell, Washington

**South Carolina**

Beaufort, Berkeley, Charleston, Colleton, Georgetown, Horry, Jasper

**Texas**

Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Harris, Jackson, Jefferson, Kenedy, Kleberg, Matagorda, Nueces, Orange, Refugio, San Patricio, Willacy

**Virginia**

Accomack, Harrison, Chesapeake (City), Gloucester, Hampton (City), Isle of Wight, James City, Lancaster, Mathews, Middlesex, Newport News (City), Norfolk (City), Northampton, Northumberland, Poquoson (City), Suffolk (City), Virginia Beach (City), Williamsburg (City), York



ENDORSEMENT: 5

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

**AMENDATORY ENDORSEMENT**

**EXTENDED INCREASED COST OF CONSTRUCTION**

This policy also provides coverage for increased cost of construction due to the enforcement of any law, ordinance and/or governmental directive regulating the construction, repair or use of property that comes into force and effect within 12 months after the date of loss.

All other terms and conditions of this policy remain unchanged.

ENDORSEMENT: 6

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

## **AMENDATORY ENDORSEMENT**

### **SPECIAL PERILS BUSINESS INTERRUPTION EXTENSION – NON PHYSICAL DAMAGE BUSINESS INTERRUPTION INSURANCE**

1. It is hereby understood and agreed that this insurance is extended to include the actual loss sustained as insured under this insurance during the period of time described in 6. below caused by the closure of or restriction of access to INSURED PREMISES by any government or local authority directly as a result of any of the matters described in 1.1, 1.2 or 1.3 below:

1.1. NOTIFIABLE INFECTIOUS OR CONTAGIOUS DISEASE which is manifested by any person during the period of insurance whilst on or within any INSURED PREMISES.

1.2. NOTIFIABLE ILLNESS which is manifested by any person and which can be traced to injurious matter contained in food or drink supplied by the Insured and consumed by that person whilst that person is on the INSURED PREMISES during the period of insurance.

1.3. CRIME occurring during the period of insurance at the INSURED PREMISES.

2. NOTIFIABLE INFECTIOUS OR CONTAGIOUS DISEASE shall mean any disease which can be passed from human to human or from animal to human and which is required by law in the territory where the INSURED PREMISES are located to be notified to a government or local authority.

3. NOTIFIABLE ILLNESS shall mean any illness which is required by law in the territory where the INSURED PREMISES are located to be notified to a government or local authority.

4. INSURED PREMISES shall mean any premises which are insured hereunder and which are under the direct ownership or control of the Insured.

5. CRIME shall mean murder, suicide, attempted murder, attempted suicide or violent crime, including armed robbery.

6. Coverage under this Extension shall be for the period of time commencing with the date of the closure of or restriction of access to INSURED PREMISES by any government or local authority and ending no later than 30 days thereafter. Such period of time shall run concurrently with and not in addition to the period of time specified in any other provision of this insurance providing cover for closure or restriction of access, whether or not such other provision is providing cover for the matters described in 1.1, 1.2 or 1.3 above.

7. No cover shall be provided under this Extension for:

7.1. Loss of licence;

7.2. Fines or penalties of any kind;

7.3. Loss arising out of the enforcement of any law which is not in force at the time and place of the closure of or restriction of access to INSURED PREMISES by any government or local authority;

7.4. Loss arising from any disease, illness which has not been acknowledged by the appropriate government or local authority as being notifiable;

7.5. The cost or expense of inspection, investigation, product recall, decontamination or clean up or any other cost or expense associated with remediation except to the extent that such cost or expense reduces loss otherwise payable hereunder.

8. The maximum amount payable in respect of all losses under this Extension arising out of 1.1, 1.2 and 1.3 above combined shall not exceed USD 500,000 per occurrence and USD1,000,000 in the aggregate.

9. No loss shall be payable unless and until the period of time commencing with the date of the closure of or restriction of access to INSURED PREMISES by any government or local authority and ending no less than 24 hours shall have elapsed.

10. Nothing in this Extension shall operate to override any exclusion in this insurance including but not limited to exclusions for terrorism, sabotage, the actual or threatened malicious use of pathogenic or poisonous biological or chemical materials or nuclear or radioactive contamination.

LMA5221  
29 April 2015

All other terms and conditions of this policy remain unchanged.

ENDORSEMENT: 7

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

## AMENDATORY ENDORSEMENT

### HIGH HAZARD FLOOD LOCATIONS

For property insured under this policy at location addresses that are listed on the Schedule of Locations on file with the Company, the following location addresses have been agreed to be scheduled as being situated in High Hazard Flood Zones:

| Street Address               | City            | County             | State |
|------------------------------|-----------------|--------------------|-------|
| 1100 W. DALLAS               | CONROE          | MONTGOMERY COUNTY  | TX    |
| 2250 MACARTHUR               | ORANGE          | ORANGE COUNTY      | TX    |
| 509 A WEST COMMERCE STREET   | BROWNWOOD       | BROWN COUNTY       | TX    |
| 2711 61ST ST.                | GALVESTON       | GALVESTON COUNTY   | TX    |
| 2310 SW MILITARY DR.         | SAN ANTONIO     | BEXAR COUNTY       | TX    |
| 5300 N. SAN DARIO            | LAREDO          | WEBB COUNTY        | TX    |
| 4438 NORTH FRWY              | HOUSTON         | HARRIS COUNTY      | TX    |
| 726 MEYERLAND PLAZA          | HOUSTON         | HARRIS COUNTY      | TX    |
| 11251 FONDREN                | HOUSTON         | HARRIS COUNTY      | TX    |
| 209 US HWY 70 WEST           | RUIDOSO         | LINCOLN COUNTY     | NM    |
| 407 N ARKANSAS AVE           | RUSSELLVILLE    | POPE COUNTY        | AR    |
| 1814 MAIN ST                 | FRANKLIN        | ST. MARY PARISH    | LA    |
| 1622 NORTH PARKERSON AVENUE  | CROWLEY         | ACADIA PARISH      | LA    |
| 16255 EAST MAIN ST.          | CUT OFF         | LAFOURCHE PARISH   | LA    |
| 8400 W JUDGE PEREZ DR. STE C | CHALMETTE       | ST. BERNARD PARISH | LA    |
| 571 S. MAIN ST.              | SPRINGHILL      | WEBSTER PARISH     | LA    |
| 311 N GRAND COURT            | NOGALES         | SANTA CRUZ COUNTY  | AZ    |
| 2921 BOCA CHICA BLVD.        | BROWNSVILLE     | CAMERON COUNTY     | TX    |
| 118 W. RICE ST.              | FALFURRIAS      | BROOKS COUNTY      | TX    |
| 511 EAST UNIVERSITY          | EDINBURG        | HIDALGO COUNTY     | TX    |
| 4027 EAST HWY 83             | RIO GRANDE CITY | STARR COUNTY       | TX    |

|                              |                |                   |    |
|------------------------------|----------------|-------------------|----|
| 1515 E 8TH ST.               | ODESSA         | ECTOR COUNTY      | TX |
| 2150 HIGHWAY 180 E           | SILVER CITY    | GRANT COUNTY      | NM |
| 106 CALDWELL                 | BELEN          | VALENCIA COUNTY   | NM |
| 601 WEST 18TH ST.            | PORTALES       | ROOSEVELT COUNTY  | NM |
| 2356 SOUTH RANGE AVENUE      | DENHAM SPRINGS | LIVINGSTON PARISH | LA |
| 124-126 BURR AVENUE          | PAULS VALLEY   | GARVIN COUNTY     | OK |
| 1345 S. CARSON ST.           | CARSON CITY    | CARSON CITY       | NV |
| 1115 W MAIN ST               | STERLING       | LOGAN COUNTY      | CO |
| 450 PIKE STREET              | MARIETTA       | WASHINGTON COUNTY | OH |
| 18910 PARK AVENUE PLAZA      | MEADVILLE      | CRAWFORD COUNTY   | PA |
| 4095 NORTH MAYO TRAIL        | PIKEVILLE      | PIKE COUNTY       | KY |
| 110 TWIN CITY PLAZA          | CRYSTAL CITY   | JEFFERSON COUNTY  | MO |
| 657 PARK PLAZA DRIVE         | NEW ALBANY     | UNION COUNTY      | MS |
| 532 EAST MAIN STREET         | JACKSON        | JACKSON COUNTY    | OH |
| 89 BROOKLYN STREET           | CARBONDALE     | LACKAWANNA COUNTY | PA |
| 1142 W. 9TH STREET           | RUSSELLVILLE   | LOGAN COUNTY      | KY |
| 1436 SOUTH MAIN STREET       | MANSFIELD      | TIOGA COUNTY      | PA |
| 857 SOUTH ROCHESTER STREET   | MUKWONAGO      | WAUKESHA COUNTY   | WI |
| 941 N. MAIN ST.              | LANCASTER      | LANCASTER COUNTY  | SC |
| 141 TALMADGE DR.             | MOULTRIE       | COLQUITT COUNTY   | GA |
| 901 GREEN BLVD               | AURORA         | DEARBORN COUNTY   | IN |
| 437 E CHESTNUT               | JUNCTION CITY  | GEARY COUNTY      | KS |
| 301 NORTH 12TH STREET        | MIDDLESBORO    | BELL COUNTY       | KY |
| 1301 SCOTLAND CROSSING DRIVE | LAURINBURG     | SCOTLAND COUNTY   | NC |
| 140 HOCKING MALL             | LOGAN          | HOCKING COUNTY    | OH |
| 650 OLD WILLOW AVE.          | HONESDALE      | WAYNE COUNTY      | PA |
| 726 MEYERLAND PLAZA          | HOUSTON        | HARRIS COUNTY     | TX |
| 601 US HWY 71 N.             | MENA           | POLK COUNTY       | AR |
| 1150 S NEOSHO BLVD           | NEOSHO         | NEWTON COUNTY     | MO |
| 9701 FORD AVE                | RICHMOND HILL  | BRYAN COUNTY      | GA |
| 1121 S MAGNOLIA ST           | WOODVILLE      | TYLER COUNTY      | TX |
| 70 CANAL PLACE               | PHILADELPHIA   | NESHOBA COUNTY    | MS |

|                                 |                |                        |    |
|---------------------------------|----------------|------------------------|----|
| 1502 W EVERLY<br>BROTHERS BLVD  | CENTRAL CITY   | MUHLENBERG<br>COUNTY   | KY |
| 513 FISHER                      | OAKDALE        | ALLEN PARISH           | LA |
| 820 N. SEBASTIAN                | WEST HELENA    | PHILLIPS COUNTY        | AR |
| 700 QUINTARD DR.                | OXFORD         | CALHOUN COUNTY         | AL |
| 460 TRI-COUNTY LANE             | BELLE VERNON   | WESTMORELAND<br>COUNTY | PA |
| 112 S. TALLAHASSEE ST.<br>STE.8 | HAZLEHURST     | JEFF DAVIS<br>COUNTY   | GA |
| 262 OCILLA HWY                  | FITZGERALD     | BEN HILL COUNTY        | GA |
| 445 KY HIGHWAY 44<br>EAST       | SHEPHERDSVILLE | BULLITT COUNTY         | KY |
| 11427A COASTAL<br>HIGHWAY       | BERLIN         | WORCESTER<br>COUNTY    | MD |
| 1527 OHIO AVE S                 | LIVE OAK       | SUWANNEE<br>COUNTY     | FL |
| 1017 W WILL ROGERS<br>BLVD      | CLAREMORE      | ROGERS COUNTY          | OK |
| 2280 HIGHWAY 36 SOUTH           | SEALY          | AUSTIN COUNTY          | TX |
| 2385 YORK CROSSING DR           | HAYES          | GLOUCESTER<br>COUNTY   | VA |
| 23 OHIO RIVER PLAZA             | GALLIPOLIS     | GALLIA COUNTY          | OH |

All other terms and conditions of this policy remain unchanged.

ENDORSEMENT: 8

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

### **AMENDATORY ENDORSEMENT**

The High Hazard Flood definition is hereby deleted and replaced with the following:

**N. High Hazard Flood**

For property insured under this policy at location addresses that are listed on the Schedule of Locations on file with the Company, refer to the list of locations on Endorsement 7.

For all other locations, the following applies:

- (a) Only that portion of property at the time of policy inception which is located in a Special Flood Hazard Zone (SFHA) and situated at or below the 100 year flood elevation level, as shown in the most recent documentation published by the Federal Emergency Management Agency (FEMA), or other qualified and recognized authority for flood information. and/or,

With respect to this definition, the following terms apply:

- a) Federal Emergency Management Agency (FEMA) – The U.S. Federal agency, which is part of the U.S. Department of Homeland Security, under which the National Flood Insurance Program (NFIP) is managed.
- b) Special Flood Hazard Area (SFHA) – The areas of a Flood insurance Rate Map (FIRM) identified as Zone(s): A, AO, AH, A1-A30, AE, A99, AR, AR/A, AR/AE, AR/A1-A30, AR/AH, AR/AO, V, V1-V30, VE or VO.

All other terms and conditions of this policy remain unchanged.

# Exhibit B



QBE Specialty Insurance Company  
Wall Street Plaza  
88 Pine Street  
New York, New York 10005



### PROPERTY COVERAGE DECLARATIONS

| POLICY NUMBER   | POLICY PERIOD |           |    |           | COVERAGE IS PROVIDED IN THE   | AGENCY/BROKER |
|---|---------------|-----------|----|-----------|---|---------------|
| CFE3968001  | From          | 5/01/2017 | To | 5/01/2018 | QBE Specialty Insurance Company   | Aon           |
| NAMED INSURED AND ADDRESS                                       |               |           |    |           | AGENT OR BROKER   |               |
| Stage Stores, Inc.<br>2425 West Loop South<br>Houston, TX 77027 |               |           |    |           | Aon Risk Services Central, Inc.<br>Aon Center, 200 E Randolph Street<br>Chicago, IL 60601 |               |

POLICY PERIOD: THE POLICY PERIOD WILL BEGIN AND END AT 12:01 AM STANDARD TIME AT THE ADDRESS OF THE FIRST NAMED INSURED.

THIS POLICY CONSISTS OF THESE DECLARATIONS, THE PROPERTY COVERAGE FORM, AND ANY ENDORSEMENTS INDICATED AS APPLICABLE IN THESE DECLARATIONS.

PARTICIPATION: Layer 1: 20% or \$3,000,000 per occurrence part of \$15,000,000 per occurrence excess of \$10,000,000 per occurrence excess of deductibles

Layer 2: 40% or \$10,000,000 per occurrence part of \$25,000,000 per occurrence excess of \$25,000,000 per occurrence excess of deductibles

Layer 3: 50% or \$25,000,000 per occurrence part of \$50,000,000 per occurrence excess of \$50,000,000 per occurrence excess of deductibles

COVERED PROPERTY: Building, Business Personal Property, Business Income and Equipment as fully described in the primary policy

COVERED CAUSES OF LOSS: All Risks of Direct Physical Loss or Damage including Flood, Earth Movement, Boiler Explosion and Machinery Breakdown and excluding all acts of Terrorism.

INSURED LOCATION: As described in the underlying insurance

#### PROPERTY PREMIUM

LAYER 1 PREMIUM: \$106,250 Annual

LAYER 2 PREMIUM: \$76,500 Annual

LAYER 3 PREMIUM: \$42,500 Annual

OUR COMPANY SHARE OF TERM PREMIUM: \$73,100 Annual

TAXES: \$0 Total

COMMISSION: Net

SURCHARGES: 0%

MINIMUM EARNED PREMIUM: 25%

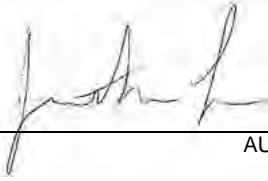
PREMIUM PAYABLE: Within 30 days of the effective date

FORMS AND ENDORSEMENTS APPLICABLE: Please see the Schedule Of Forms And Endorsements.

DEDUCTIBLE: As per underlying insurance

MORTGAGE HOLDERS AND LOSS PAYEES: As their interests may appear, according to the terms of the underlying primary insurance.

NOTICE TO INSURER: QBE Specialty Insurance Company  
Wall Street Plaza  
88 Pine Street  
New York, NY 10005



AUTHORIZED SIGNATURE

4/28/2017  
DATE



AUTHORIZED SIGNATURE

4/28/2017  
DATE

## SCHEDULE OF FORMS AND ENDORSEMENTS

| POLICY NUMBER   | POLICY PERIOD |           |    |           | COVERAGE IS PROVIDED IN THE   | AGENCY/BROKER |
|---|---------------|-----------|----|-----------|---|---------------|
| CFE3968001  | From          | 5/01/2017 | To | 5/01/2018 | QBE Specialty Insurance Company   | Aon           |
| NAMED INSURED AND ADDRESS                                       |               |           |    |           | AGENT OR BROKER   |               |
| Stage Stores, Inc.<br>2425 West Loop South<br>Houston, TX 77027 |               |           |    |           | Aon Risk Services Central, Inc.<br>Aon Center, 200 E Randolph Street<br>Chicago, IL 60601 |               |

FORMS AND ENDORSEMENTS

| QBE Endorsement   | Endorsement Number | Endorsement Name  |
|-------------------|--------------------|---|
|                   |                    | Form Modification   |
| QBE Endorsement 1 | NMA 2914           | Electronic Data Exclusion - Cyber Clause                                |
| QBE Endorsement 2 | NMA 2802           | Electronic Date Recognition Exclusion                                   |
| QBE Endorsement 3 |                    | Asbestos Exclusion  |
| QBE Endorsement 4 | CP81330714         | Nuclear, Biological, Chemical and Radiological Hazards Exclusion Clause |
| QBE Endorsement 5 |                    | Seepage and Pollution Exclusion   |
| QBE Endorsement 6 |                    | Total Terrorism Exclusion   |
| QBE Endorsement 7 |                    | War Exclusion   |
| QBE Endorsement 8 |                    | Trade or Economic Sanctions Endorsement                                 |
| QBE Notice 1      |                    | Offer of Terrorism Insurance Coverage                                   |
| QBE Notice 2      |                    | Claims Notice   |



**Form Modification:**

The Following has been added to 1 Supplemental Declarations Item 5. Limits of Liability under "Program Sublimits of Liability"

- \$10,000,000 Per Occurrence Mold Resulting from a Covered Peril



**Endorsement 1: ELECTRONIC DATA EXCLUSION – CYBER CLAUSE**

1. Electronic Data Exclusion

Notwithstanding any provision to the contrary within the Policy or any endorsement thereto, it is understood and agreed as follows:

- (a) This Policy does not insure loss, damage, destruction, distortion, erasure, corruption or alteration of ELECTRONIC DATA from any cause whatsoever (including but not limited to COMPUTER VIRUS) or loss of use, reduction in functionality, cost, expense of whatsoever nature resulting therefrom, regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

ELECTRONIC DATA means facts, concepts and information converted to a form useable for communications, interpretation or processing by electronic and electromechanical data processing or electronically controlled equipment and includes programmes, software and other coded instructions for the processing and manipulation of data or the direction and manipulation of such equipment.

COMPUTER VIRUS means a set of corrupting, harmful or otherwise unauthorised instructions or code including a set of maliciously introduced unauthorised instructions or code, programmatic or otherwise, that propagate themselves through a computer system or network of whatsoever nature. COMPUTER VIRUS includes but is not limited to 'Trojan Horses', 'worms' and 'time or logic bombs'.

- (b) However, in the event that a peril listed below results from any of the matters described in paragraph (a) above, this Policy, subject to all its terms, conditions and exclusions, will cover physical damage occurring during the Policy period to property insured by this Policy directly caused by such listed peril.

Listed Perils

Fire  
Explosion

2. Electronic Data Processing Media Valuation

Notwithstanding any provision to the contrary within the Policy or any endorsement thereto, it is understood and agreed as follows:

Should electronic data processing media insured by this Policy suffer physical loss or damage insured by this Policy, then the basis of valuation shall be the cost to repair, replace or restore such media to the condition that existed immediately prior to such loss or damage, including the cost of reproducing any ELECTRONIC DATA contained thereon, providing such media is repaired, replaced or restored. Such cost of reproduction shall include all reasonable and necessary amounts, not to exceed (Response) any one loss, incurred by the Insured in recreating, gathering and assembling such ELECTRONIC DATA. If the media is not repaired, replaced or restored the basis of valuation shall be the cost of the blank media. However this Policy does not insure any amount pertaining to the value of such ELECTRONIC DATA to the Insured or any other party, even if such ELECTRONIC DATA cannot be recreated, gathered or assembled.

25/01/01  
NMA2914



**Endorsement 2: ELECTRONIC DATE RECOGNITION EXCLUSION (EDRE)**

This policy does not cover any loss, damage, cost, claim or expense, whether preventative, remedial or otherwise, directly or indirectly arising out of or relating to:

1. the calculation, comparison, differentiation, sequencing or processing of data involving the date change to the year 2000, or any other date change, including leap year 2000, or any other date change, including leap year calculations, by any computer system, hardware, programme or software and/or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment, whether the property of the Insured or not: or
2. any change, alteration, or modification involving the date change to the year 2000, or any other date change, including leap year calculations, to any such computer system, hardware, programme or software and/or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment, whether the property of the Insured or not.

This clause applies regardless of any other cause or event that contributes concurrently or in any sequence to the loss, damage, cost, claim or expense.

NMA 2802



**Endorsement 3: ASBESTOS EXCLUSION**

1. This policy only insures asbestos physically incorporated in an insured building or structure, and then only that part of the asbestos which has been physically damaged during the policy period by one of these Listed Perils:-

Fire; Smoke; Explosion; Lightning; Windstorm; Hail; direct impact of Vehicle, Aircraft or Vessel; Riot or Civil Commotion; Vandalism or Malicious Mischief; or Leakage or Accidental Discharge of fire protective equipment.

This coverage is subject to all limitations in the policy to which this endorsement is attached and, in addition, to each of the following specific limitations:-

- (a) The said building or structure must be insured under this policy for damage by that Listed Peril.
  - (b) The Listed Peril must be the immediate, sole cause of the damage to the asbestos.
  - (c) The Insured must inspect the building or structure and report to Underwriters the existence and cost of the damage within one year after the Listed Peril first damaged the asbestos. Any later-reported damage is not insured, including all damage reported more than one year after the last day of the policy period.
  - (d) Insurance under this policy in respect of asbestos shall not include any sum relating to:-
    - i. faults in the asbestos or its design or workmanship;
    - ii. asbestos not physically damaged by the Listed Peril;
    - iii. actions taken to protect human health or property; or
    - iv. standards or requirements set by any government or regulatory authority.
2. Except as set forth in the foregoing Section 1, this policy does not insure asbestos or any sum relating thereto.



**Endorsement 4: NUCLEAR, BIOLOGICAL, CHEMICAL AND RADIOLOGICAL HAZARDS EXCLUSION**

This endorsement modifies insurance provided under the following:

COMMERCIAL PROPERTY COVERAGE PART  
COMMERCIAL INLAND MARINE COVERAGE PART  
ASSET COVERAGE PART  
PREFERRED ASSET COVERAGE PART  
BUILDERS RISK COVERAGE  
COMMERCIAL OUTPUT PROGRAM  
DIFFERENCE IN CONDITIONS PROGRAM

- I. We will not pay for any loss, damage, cost or expense, whether real or alleged, that is caused, results from, is exacerbated by or otherwise impacted by, either directly or indirectly, any of the following:
  - 1) Nuclear Hazard – including, but not limited to, nuclear reaction, nuclear detonation, nuclear radiation, radioactive contamination and all agents, materials, products or substances, whether engineered or naturally occurring, involved therein or released thereby;
  - 2) Biological Hazard – including, but not limited to, any biological and/or poisonous or pathogenic agent, material, product or substance, whether engineered or naturally occurring, that induces or is capable of inducing physical distress, illness, or disease;
  - 3) Chemical Hazard – including, but not limited to, any chemical agent, material, product or substance;
  - 4) Radioactive Hazard – including, but not limited to, any electromagnetic, optical, or ionizing radiation or energy, including all generators and emitters thereof, whether engineered or naturally occurring.
- II. The provisions of subparagraphs I. 2) and I. 3) will not apply where the agent, material, product or substance at issue is utilized in the course of business by an insured.
- III. Only if and to the extent required by state law, the following exception to the exclusion in paragraph I. applies:

If a hazard excluded under paragraph I. results in fire, we will pay for the loss, damage, cost or expense caused by that fire, subject to all applicable policy provisions including the Limit of Insurance on the affected property. Such coverage for fire applies only to direct loss or damage by fire to Covered Property. This coverage does not apply to insurance provided under Business Income, Rental Value or Extra Expense coverage forms or endorsements that apply to those coverage forms.

All other terms and conditions of this policy remain unchanged.





**Endorsement 5: SEEPAGE AND POLLUTION EXCLUSION**

This policy does not insure the following:

Against loss or damage caused by, resulting from, contributed to or made worse by actual, alleged or threatened release, discharge, escape or dispersal of CONTAMINANTS OR POLLUTANTS, all whether direct or indirect, proximate or remote or in whole or in part caused by, contributed to or aggravated by any physical damage insured by this policy.

Nevertheless, if fire is not excluded from this policy and a fire arises directly or indirectly from seepage or contamination or pollution, any loss or damage insured under this policy arising directly from that fire is insured, subject to the provisions of this policy.

Contaminants or Pollutants means any material which after its release can 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 insured hereunder, including, but not limited to, bacteria, fungi, virus, or hazardous substances.

This exclusion shall not apply when loss or damage is directly caused by fire, lightning or discharge from automatic fire protective systems



**Endorsement 6: TOTAL TERRORISM EXCLUSION**

Notwithstanding any provision to the contrary within this insurance or any endorsement thereto it is agreed that this insurance excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any act of **Terrorism** regardless of any other cause or event contributing concurrently or in any other sequence to the loss;

For the purpose of this endorsement an act of Terrorism means an act, including but not limited to the use of force or violence and/or the threat thereof, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organisation(s) or government(s), committed for political, religious, ideological or similar purposes including the intention to influence any government and/or to put the public, or any section of the public, in fear.

This endorsement also excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any action taken in controlling, preventing, suppressing or in any way relating to the above.

If the Underwriters allege that by reason of this exclusion, any loss, damage, cost or expense is not covered by this insurance the burden of proving the contrary shall be upon the Insured.

In the event any portion of this endorsement is found to be invalid or unenforceable, the remainder shall remain in full force and effect.



**Endorsement 7: WAR EXCLUSION**

Notwithstanding any provision to the contrary within this insurance or any endorsement thereto it is agreed that this insurance excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any the following regardless of any other cause or event contributing concurrently or in any other sequence to the loss;

war, invasion, acts of foreign enemies, hostilities or warlike operations (whether war be declared or not), civil war, rebellion, revolution, insurrection, civil commotion assuming the proportions of or amounting to an uprising, military or usurped power; or

This endorsement also excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any action taken in controlling, preventing, suppressing or in any way relating to the above.

If the Underwriters allege that by reason of this exclusion, any loss, damage, cost or expense is not covered by this insurance the burden of proving the contrary shall be upon the Insured.

In the event any portion of this endorsement is found to be invalid or unenforceable, the remainder shall remain in full force and effect.



**Endorsement 8: TRADE OR ECONOMIC SANCTIONS ENDORSEMENT**

This insurance does not apply to the extent that trade or economic sanctions or other laws or regulations of any country prohibit us from providing insurance, including, but not limited to, the payment of claims.

## Notice – Offer of Terrorism Insurance Coverage

You are hereby notified that under the Terrorism Risk Insurance Act, as amended, that you have a right to purchase insurance coverage for losses resulting from acts of terrorism, *as defined in Section 102(1) of the Act*: The term “act of terrorism” means any act that is certified by the Secretary of the Treasury—in concurrence with the Secretary of State, and the Attorney General of the United States—to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been planned by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

Your quote/policy includes the following premium for terrorism coverage:

### TERRORISM PREMIUM:

### EXCLUDED:

YOU SHOULD KNOW THAT WHERE COVERAGE IS PROVIDED BY THIS POLICY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM, SUCH LOSSES MAY BE PARTIALLY REIMBURSED BY THE UNITED STATES GOVERNMENT UNDER A FORMULA ESTABLISHED BY FEDERAL LAW. HOWEVER, YOUR POLICY MAY HAVE OTHER EXCLUSIONS WHICH MIGHT AFFECT YOUR COVERAGE, SUCH AS AN EXCLUSION FOR NUCLEAR ACTS. UNDER THE FORMULA, THE UNITED STATES GOVERNMENT GENERALLY REIMBURSES 85% OF COVERED TERRORISM LOSSES EXCEEDING THE STATUTORILY ESTABLISHED DEDUCTIBLE PAID BY THE INSURANCE COMPANY PROVIDING THE COVERAGE. THE PREMIUM CHARGED FOR THIS COVERAGE IS PROVIDED ABOVE AND DOES NOT INCLUDE ANY CHARGES FOR THE PORTION OF LOSS THAT MAY BE COVERED BY THE FEDERAL GOVERNMENT UNDER THE FORMULA.

YOU SHOULD ALSO KNOW THAT THE TERRORISM RISK INSURANCE ACT, AS AMENDED, CONTAINS A \$100 BILLION CAP THAT LIMITS U.S. GOVERNMENT REIMBURSEMENT OF INSURERS' LIABILITY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM WHEN THE AMOUNT OF SUCH LOSSES IN ANY ONE CALENDAR YEAR EXCEEDS \$100 BILLION. IF THE AGGREGATE INSURED LOSSES FROM ALL INSURERS EXCEED \$100 BILLION, YOUR COVERAGE MAY BE REDUCED.

### REJECTION OF TERRORISM INSURANCE COVERAGE

You have a right to reject our offer of terrorism coverage. By rejecting our offer, you are authorizing the attachment of a terrorism exclusion to your policy. You may reject this offer of terrorism coverage by

(1) checking the “reject” option below, (2) signing this form and (3) returning this form to your insurance agent.

**If we receive a rejection or if we fail to receive the above Terrorism Premium, coverage will be deleted as of the policy effective date. Coverage for losses provided under the Terrorism Risk Insurance Act will not be added to the policy once coverage has been rejected for this policy term.**

|  |  |
|--|--|
|  | I hereby <b>reject</b> the offer of terrorism coverage. I understand that I will have no coverage for losses resulting from certified acts of terrorism. |
|  | I hereby accept the offer of terrorism coverage.   |

\_\_\_\_\_  
Policyholder / Applicant's Signature

\_\_\_\_\_  
Insurance Company

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Policy / Quote Number



## **CLAIMS NOTICE**

### **WHAT TO DO WHEN A LOSS OCCURS**

Report as soon as practicable, every incident, loss or damage which may become a claim to:

#### ***To report a new loss:***

**Call:** 800.319.0797

**Fax:** 608.318.8211

**Email:** [MBFNOL@US.QBE.COM](mailto:MBFNOL@US.QBE.COM)

#### ***For general claim correspondence:***

**Fax:** 866.251.5389

**Email:** [MBCLAIMMAIL@US.QBE.COM](mailto:MBCLAIMMAIL@US.QBE.COM)

#### ***Mail can be directed to:***

QBE North America  
PO Box 975  
Sun Prairie, WI 53590

**QBE claims CANNOT be processed through any other facility and must be reported as indicated.**

**STAGE STORES, INC.**

**Global Property Insurance Policy**

**Policy # CFE3968001**

**(Including Boiler and Machinery)**

**Insurer/Security:**

**QBE Specialty Insurance Company**

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Note: Any term that appears in bold print, other than titles of clauses, is defined in **Definitions**.

## I. SUPPLEMENTAL DECLARATIONS

### 1. NAMED INSURED AND MAILING ADDRESS

**Stage Stores, Inc.** and any subsidiary, affiliated, associated, or allied company, corporation, firm, organization, and the Insured's interest in partnerships and/or joint ventures, and/or any owned (wholly or partially) or controlled company(ies) where the Insured maintains an interest, as now or hereafter constituted or acquired; and any other party or interest that the Insured is required by contract or agreement to insure;

all hereafter referred to as the "Insured."

Mailing Address:

Stage Stores, Inc.

2425 West Loop South

Houston, TX 77027

### 2. POLICY TERM

This policy attaches and insures;

FROM: May 1, 2017

TO: May 1, 2018

beginning and ending at 12:01AM, standard time, at location of the property involved unless otherwise described herein.

### 3. POLICY TERRITORY

This policy insures the United States of America, its territories and possessions, the District of Columbia, Guam, Puerto Rico, the U.S. Virgin Islands and Canada, including their respective inland and coastal waters. However, coverage applies worldwide, as respects Contingent Time Element and Time Element Extensions.

### 4. LOSS OR DAMAGE INSURED

This policy insures against all risks of direct physical loss or damage to insured property occurring during the policy term, also including **General Average and/or Salvage** and all other charges on shipments insured 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.

### 5. LIMITS OF LIABILITY

In the event of loss or damage insured under this policy, this **Insurer** shall be liable for its proportional share of USD 100,000,000 per **occurrence**, and its proportional share of the following program per **occurrence** and/or policy year annual aggregate sublimits of liability, excess of policy deductibles.

The total amount to be indemnified under this policy and/or any locally admitted version of this policy issued by the **Insurer** or its representatives shall not exceed the overall limit or applicable program sublimits stated in this policy.

Program Sublimits of Liability:

|              |                       |  |
|--------------|-----------------------|--|
| \$1,000,000  | per <b>occurrence</b> | and in the aggregate in any one policy year as respects losses caused by <b>Earthquake</b> for property situated in the State of California.                   |
| \$10,000,000 | per <b>occurrence</b> | and in the aggregate in any one policy year as respects losses caused by <b>Earthquake</b> for property situated in <b>High Hazard Earthquake Zones</b> .      |
| \$50,000,000 | per <b>occurrence</b> | and in the aggregate in any one policy year as respects losses caused by <b>Earthquake</b> for property situated outside <b>High Hazard Earthquake Zones</b> . |

**Earthquake** limits shall not apply to any ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

|              |                       |   |
|--------------|-----------------------|---|
| \$10,000,000 | per <b>occurrence</b> | and in the aggregate in any one policy year as respects losses caused by <b>flood</b> for property situated in <b>High Hazard Flood Zones</b> per Endorsement #7. |
| \$50,000,000 | per <b>occurrence</b> | and in the aggregate in any one policy year as respects losses caused by <b>flood</b> for property situated outside <b>High Hazard Flood Zones</b> .              |

**Flood** limits shall not apply to any ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

**Flood** zone designations at time of inception of this Policy will be the Zones utilized for Limits of Liability and deductible application, regardless of any post-policy inception change in the designation by FEMA or any other organization responsible for determining flood zones.

|              |                       |  |
|--------------|-----------------------|--|
| \$250,000    | per <b>occurrence</b> | and in the aggregate in any one policy year as respects losses insured under the Land and Water Clean Up Expense                   |
| \$1,000,000  | per <b>occurrence</b> | as respects Accounts Receivable  |
| \$100,000    | per <b>occurrence</b> | as respects Asbestos Removal (after a covered loss under this policy)  |
| \$10,000,000 | per <b>occurrence</b> | as respects Gross Earnings or Loss of Profits  |
| \$5,000,000  | per <b>occurrence</b> | as respects Civil or Military Authority  |
| \$10,000,000 | per <b>occurrence</b> | as respects Contingent Time Element, including Attraction Properties for <b>direct customers and suppliers</b> , worldwide.        |
| \$10,000,000 | per <b>occurrence</b> | as respects Debris Removal or 25% of the total insurable values at the location where loss or damage occurs, whichever is greater. |
|              |                       | <b>Demolition and Increased Cost of Construction</b>   |
| Included     | per <b>occurrence</b> | as respects the value of the undamaged property - clause F.1)  |
| Included     | per <b>occurrence</b> | as respects the cost of demolishing the undamaged property - clause F.2)   |

|              |                       |   |
|--------------|-----------------------|---|
| \$10,000,000 | per <b>occurrence</b> | as respects the increased cost of repair or reconstruction - clause F.3)                            |
| \$10,000,000 | per <b>occurrence</b> | as respects the increase in Time Element loss – clause F.4)   |
| \$1,000,000  | per <b>occurrence</b> | as respects Exhibition and Trade Show   |
| \$10,000,000 | per <b>occurrence</b> | as respects Expediting Expense  |
| \$10,000,000 | <b>per occurrence</b> | as respects Mold  |
| \$1,000,000  | per <b>occurrence</b> | as respects Extended Increased Cost of Construction   |
| \$25,000,000 | per <b>occurrence</b> | as respects Extra Expense   |
| \$500,000    | per <b>occurrence</b> | as respects Fine Arts however \$25,000 any one item unless on file with company.                    |
| Included     | per <b>occurrence</b> | as respects Fire Brigade Charges and Extinguishing Expenses   |
| \$2,500,000  | per <b>occurrence</b> | as respects Impounded Water   |
| \$5,000,000  | per <b>occurrence</b> | as respects Ingress/Egress  |
| \$1,000,000  | per <b>occurrence</b> | as respects Land Improvements   |
| \$5,000,000  | per <b>occurrence</b> | as respects Leasehold Interest  |
| Included     | per <b>occurrence</b> | as respects Personal Property of Employees  |
| \$5,000,000  | per <b>occurrence</b> | as respects Professional Fees   |
| \$10,000,000 | per <b>occurrence</b> | as respects <b>Property While in the Course of Construction</b>                                     |
| \$2,500,000  | per <b>occurrence</b> | as respects Protection and Preservation of Property – Time Element                                  |
| \$1,000,000  | per <b>occurrence</b> | as respects Royalties   |
| \$5,000,000  | per <b>occurrence</b> | as respects Service Interruption/Off Premise Power  |
| \$1,000,000  | per <b>occurrence</b> | and \$2,000,000 in the aggregate, as respects Special Perils Business Interruption                  |
| \$5,000,000  | per <b>occurrence</b> | as respects <b>Transit</b>  |
| \$500,000    | per <b>conveyance</b> | as respects <b>Transit</b> (Each railroad car or trailer shall be considered a separate conveyance) |
| \$5,000,000  | per <b>occurrence</b> | as respects Valuable Papers and Records and Electronic Data Processing Media                        |

ACCIDENT TO AN OBJECT (BOILER AND MACHINERY), BUT NOT TO EXCEED:

|              |                       |  |
|--------------|-----------------------|--|
| \$60,000,000 | per <b>occurrence</b> | as respects Property Damage and Time Element |
| \$1,000,000  | per <b>occurrence</b> | as respects Ammonia Contamination            |
| \$2,500,000  | per <b>occurrence</b> | as respects Consequential Damage             |

ADDITIONAL SUBLIMITS:

|              |                       |   |
|--------------|-----------------------|---|
| \$10,000,000 | per <b>occurrence</b> | as respects <b>Automatic Coverage</b> (Newly Acquired Property) |
| \$10,000,000 | per <b>occurrence</b> | as respects Errors and Omissions                                |
| \$10,000,000 | per <b>occurrence</b> | as respects <b>Miscellaneous Unnamed Locations</b>              |

## 6. DISTANCE LIMITATIONS

|        |   |
|--------|---|
| 5 Mile | as respects Civil or Military Authority         |
| 5 Mile | as respects Ingress/Egress                      |
| 5 Mile | as respects Transmission and Distribution Lines |
| 5 Mile | as respects Attraction Properties               |

## 7. TIME LIMITS

In addition to any time limits shown elsewhere in this policy, the following also apply:

|          |  |
|----------|--|
| 90 Days  | as respects Automatic Coverage (Newly Acquired Property) |
| 60 Days  | as respects Civil or Military Authority.                 |
| 60 Days  | as respects Ingress/Egress                               |
| 365 Days | as respects the Extended Period of Liability             |
| Excluded | as respects Ordinary Payroll                             |
| 120 Days | as respects Delay in Completion                          |

## 8. WAITING PERIOD

|          |  |
|----------|--|
| 24 Hours | As respects Service Interruption – Time Element                    |
| 8 Hours  | As respects <b>Electronic Data Processing Media</b> - Time Element |

The stated Waiting Period is a qualifier for coverage. Once the Waiting Period is exceeded, the applicable Time Element Loss is calculated from the date and time of loss, (or earlier if Preservation of Property – Time Element is applicable) and the policy deductible is then applied.

## 9. DEDUCTIBLES

In each case of loss covered by this policy, the **Insurer** will be liable only if the Insured sustains a loss in a single **occurrence** greater than the applicable deductible(s) specified below, and only for its share of that amount.

Unless otherwise stated below, when this policy insures more than one location, the deductible will apply against the total loss covered by this policy in any one **occurrence**.

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 USD 500,000 except:

### Miscellaneous Deductibles

|             |   |
|-------------|---|
|             | All losses, damages or expenses arising out of any one <b>occurrence</b> for the following: |
| USD 100,000 | Property in <b>Transit</b>  |

### Accident to an Object Deductibles

|            |  |
|------------|--|
| USD 50,000 | Per <b>Accident</b> as respects Boiler and Machinery ( <b>Accident</b> to an <b>Object</b> ) |
|------------|--|

Flood Deductibles

USD 1,000,000 for loss or damage caused by **Flood** for insured property at locations situated in **High Hazard Flood Zones** per Endorsement #7. However, this deductible shall not apply to insured property situated outside of the above designated **flood** zone. Furthermore, this deductible shall not apply to any ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

Earthquake Deductibles

5% of the value, per unit of insurance, for loss or damage caused by  
 Minimum **Earthquake** to insured property situated in the State of  
 USD500,000 California, subject to a minimum of USD 250,000 in total for all units of insurance per **occurrence**. However, this deductible will not apply to insured property situated outside of this designated **earthquake** zone. This deductible shall apply only to those units of insurance suffering a loss in the **occurrence**. Furthermore, this deductible shall not apply to ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

2% of the value, per unit of insurance, for loss or damage caused by  
 Minimum **Earthquake** to insured property situated in **High Hazard**  
 USD500,000 **Earthquake Zones**, subject to a minimum of USD 250,000 in total for all units of insurance per **occurrence**. However, this deductible will not apply to insured property situated outside of this designated **earthquake** zone. This deductible shall apply only to those units of insurance suffering a loss in the **occurrence**. Furthermore, this deductible shall not apply to ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

Named Windstorm Deductibles

5% of the value, per unit of insurance, for loss or damage caused by  
 Minimum **Named Windstorm** to insured property situated in **Tier 1**  
 USD500,000 **Counties/Parishes or Zones** for **Named Windstorm**, subject to a minimum of USD 250,000 in total for all units of insurance per **occurrence**. However, this deductible shall not apply to property situated outside of this designated **Named Windstorm** zone. This deductible shall apply only to those units of insurance suffering a loss in the **occurrence**. Furthermore, this deductible shall not apply to ensuing loss or damage caused by or resulting from fire explosion and/or sprinkler leakage.

The amount of the deductibles above shall be determined by applying the above percentages, separately to each of the following units of insurance:

- (1) Each building or structure, not including the value of its foundations, which has sustained loss or damage;
- (2) Personal property within each building or structure if that personal property sustains loss or damage;
- (3) Personal property in the open that sustains loss or damage;
- (4) The Time Element values impacted by insured loss or damage to said property that sustains loss or damage.

Unit(s) of Insurance:

Property Damage Values (1,2 and 3 above) to be used when calculating deductibles shall be either those specified for each unit of insurance shown in the most recent Statement of Values on file with the **Insurer** or, if not so specified (or property under construction), the values will be determined at the time of loss.

Time Element Values to be used when calculating deductibles shall be either those specified for each unit of insurance shown in the most recent Statement of Values on file with the **Insurer** or, if not so specified, based upon the twelve (12) months following the date of loss, with consideration for the most probable experience of the business for the Location, had no loss occurred.

Time Element as used above refers to the following coverages:

- a. Gross Earnings
- b. Loss of Profits
- c. Rental Value and Rental Income

Deductible Clarifications:

(1) In the event that the Insured maintains underlying insurance through the National Flood Insurance Program, it is agreed that this policy shall be excess over the recovery under such National Flood Insurance Policy(s). Should the amount of loss payable under such National Flood Insurance Policy(s) exceed the applicable **flood** deductible under this policy, then no deductible shall apply hereunder. However, if the amount to be paid under such National Flood Insurance Policy(s) is less than the applicable **flood** deductible under this policy, then the amount to be deducted hereunder shall not exceed the difference between the amount to be paid under the Insured's National Flood Insurance Policy(s) and the applicable **flood** deductible under this policy. Insurance maintained through the National Flood Insurance Program shall be considered Underlying Insurance.

(2) If two or more deductible amounts in this policy apply to a single **occurrence**, the total to be deducted shall not exceed the largest individual deductible pertaining to any one cause of loss involved in the occurrence. Where deductibles apply on a per location basis, the single largest deductible at each location shall apply.

(3) In any **occurrence** where loss or damage is caused by more than one cause of loss insured against under this policy, the Insured shall have the right to separate the loss amount by cause of loss for the purposes of application of the deductible(s) specified in this section, notwithstanding the above reference to two or more deductibles and the policy limits.

(4) Whenever mortgage or lease conditions require insurance protection without deductibles, or with deductibles less than are provided herein, **Insurers** agree to make payment without consideration of the applicable deductible. However, the Insured agrees to reimburse the **Insurers** for any payments so made within 30 days of such payment.

(5) If other insurance applies to the same property as insured hereunder, and to the extent recovery is made from such other insurance, the deductible under this policy shall be reduced by such recovery, but in no event shall the deductible under this policy be less than shown in the policy. If recovery from such other insurance is greater than the deductible in this policy, then the deductible under this policy shall not apply.

(6) In the event that all or any portion of the deductible is payable under the Insured's primary insurance or by local, state or governmental funding organizations, such payment shall be considered Underlying Insurance as defined in Section IV, Clause 9.

(7) The deductible amounts specified above shall not apply to general average contributions, salvage charges and sue and labor expenses.

(8) For Contingent Time Element loss, when a deductible is not specifically stated as applying to Contingent Time Element, the deductible for Contingent Time Element loss will be determined as though the contingent time element location was an insured location under this Policy.

#### 10. **LOSS ADJUSTERS**

It is hereby understood and agreed that each and every loss will be adjusted by the Adjuster named below unless otherwise agreed by the Insured and the **Insurer**.

Richard Martin  
 vrs»**vericlaim**  
 A Toplis & Harding Corporation  
 5871 Glenridge Dr NE, Suite 395  
 Atlanta, GA 30328



**11. INSURER, PARTICIPATION AND PREMIUM**

**Insurer/Security:** QBE Specialty Insurance Company hereafter referred to as the **Insurer**.  
**Insurer** Policy Number:CFE3968001

In consideration of the premium charged, the **Insurer** agrees to indemnify the Insured for the amount recoverable under the terms and conditions of this policy, and any endorsements hereto, provided that:

- a. The liability of the **Insurer** shall not exceed its percentage of the limit of liability, any sublimit of liability or any aggregate limit of liability in any one policy year.
- b. The liability of the **Insurer** shall not exceed the participation limit described below.

**LAYERED AND LAYERED/QUOTA-SHARE**

| Layer No. | <b>Insurer's</b> Limit of Liability | Part of (Layer Limit) | Excess of (Underlying Limit) |
|-----------|-------------------------------------|-----------------------|------------------------------|
| 4         | 50%                                 | 50,000,000            | 50,000,000                   |
| 3         | 40%                                 | 25,000,000            | 25,000,000                   |
| 2         | 20%                                 | 15,000,000            | 10,000,000                   |
| 1         | 0%                                  | 10,000,000            | Deductibles                  |

In the event of loss or damage insured by this policy, this **Insurer** shall be liable for their proportional interest (outlined above) of the Limits of Liability set forth in Clause No. 5 of this section, or as described in Appendix I.

Domestic Premium: USD 73,100

Domestic Terrorism Premium: USD 0

Deductions from Insurer Premium: 0% Retail Commission  
 (Broker compensation) 0% Wholesale Commission  
 (applied against annual premium above)

**12. BROKER OF RECORD**

Aon Risk Services Central, Inc. – Illinois Division  
 200 East Randolph Street  
 Chicago, IL 60601

**13. VALUES AT POLICY INCEPTION**

USD 1,326,404,593 Domestic (United States of America)

USD 0 International (all other countries)

USD 1,326,404,593 Total Values at Inception

The values reported are for premium purposes only.

See Appendix I for State allocation.

**14. PREMIUM ADJUSTMENT**

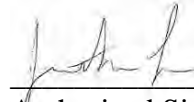
It is understood and agreed that there shall be no premium adjustment during the term of the policy for additions or deletions of locations unless the total insured values of such additions or deletions (for acquisitions and divestitures) exceeds 5% of the total values reported at inception.

**15. ADDITIONAL CONDITIONS**

Unless otherwise specified below, coverage provided by this policy follows all Policy Terms and Conditions as outlined herein unless endorsed or otherwise listed below:

- 1)
- 2)
- 3)
- 4)
- 5)

Attached to and forming part of Policy No. CFE3968001 issued by QBE Specialty Insurance Company.



Authorized Signature/**Insurer**



Authorized Signature/**Insurer**

USD = United States Dollar

## APPENDIX I

In consideration of the premium charged, it is agreed that the following provisions are added to the policy as respects the liability of the **Insurer**:

### **1. LAYERED PROGRAM**

The Insurer's participation under this policy to which it subscribe is several and not joint, and is limited solely to the extent of its individual participation(s). The participating insurers are not responsible for the participation of any co-participating insurer who for any reason does not satisfy all or part of its obligations under this program.

Furthermore, when a sublimit is shown as applying in the aggregate in any one policy year, the limit of liability detailed above shall also be applied in the aggregate during any policy year separately for each applicable sublimit and shall not exceed such sublimit during any policy year.

### **2. EXCESS CLAUSE VOIDED**

**The following Excess Clause located in GENERAL CONDITIONS is voided**

#### **10. EXCESS CLAUSE**

This clause only applies in the event that there exists primary or underlying Policy(ies) providing coverage beneath the attachment point of this Policy. In the event of loss caused by or resulting from loss or damage not otherwise excluded, or to more than one location, for purposes of the attachment point of this policy, this policy shall recognize that the limit of liability of the underlying coverage shall apply first to the perils, coverages and/or locations not insured under this policy and the remainder, if any, to the perils, coverages and/or locations insured hereunder. This policy shall recognize the erosion of the underlying policy limits by all perils, coverages or locations insured by the underlying policy. Upon exhaustion of the limit of liability of the underlying coverage, this **Insurer** shall then be liable for the loss uncollected only for those perils, coverages, and/or locations insured under this Policy, subject to the **Insurer's** limit of liability as specified herein.

In the event the aggregate limits (if any) provided for **Flood** and/or **Earthquake** in any underlying insurance are diminished or exhausted in any one Policy year, the coverage provided under this policy shall respond as excess of the remaining limits.

In such event, the applicable amount of the deductible provision of the underlying insurance shall apply to the combination of all policies.

**And replaced with the following two provisions**

### **3. PRIORITY OF PAYMENTS** (applicable to primary or **underlying policy(ies)** only)

Any recoveries made under this policy shall first apply to loss or damage not insured by the excess policy(ies). Upon exhaustion of this policy's limit, the excess policy(ies) shall step down and be liable for the loss in excess of the amount attributed to this policy as respects loss or damage insured thereunder subject to the excess policy(ies) limits.

**4. STEP DOWN / DROP DOWN** (applicable to excess policies only)

In determining the amount of any loss or damage for which this policy is excess, the total loss caused by any combination of loss or damage, all of which are insured against under the primary policy or **underlying policy**, shall be used even though such loss or damage is not insured against under this excess policy.

- A. Any recoveries made under the primary or **underlying policy** shall first apply to loss or damage not insured against by this policy. Upon exhaustion of the primary or **underlying policy** limits, this policy shall apply in excess of the amount attributed to the primary or **underlying policy** as respects loss or damage insured hereunder subject to the limit of this policy.
- B. If there is any other excess insurance insuring the property insured hereunder for loss or damage insured against in the primary or **underlying policy** but not insured by this policy, this policy shall then allocate any loss recoveries made under the primary or **underlying policy** in the same proportion as the amount of loss or damage insured against by this policy bears to the combined total loss. Upon exhaustion of the primary or **underlying policy** limits, this policy shall apply in excess of the amount attributed to the primary or **underlying policy** as respects loss or damage insured hereunder subject to the limit of this policy.
- C. Sub-Paragraph B. above shall not apply, however, when the amount of loss attributed to loss or damage insured under the primary or **underlying policy**, but not insured under this policy, exceed the total amount of insurance provided by the primary and excess coverages with respect to said loss or damage. In this situation, any recoveries made under the primary or **underlying policy** shall first apply to loss or damage not insured by this policy. Upon exhaustion of the primary or **underlying policy** limits, this policy shall apply in excess of the amount attributed to the primary or **underlying policy** as respects loss or damage insured hereunder subject to the limit of this policy.
- D. It is further agreed, in the event the **Flood** and/or **Earthquake** annual aggregate limits of any primary or **underlying policy** are diminished or exhausted in any one policy year, any loss or damage insured under this policy for **Flood** and/or **Earthquake** shall apply as excess of any undiminished or unexhausted limits subject to the **underlying policy** deductibles.

All other terms and conditions of this policy remain unchanged.

## II. TERMS AND CONDITIONS

### 1. INSURED PROPERTY

All real and Personal property while such property is located anywhere within the territorial limits of this policy, including while in due course of **transit**, which is owned, used, or intended for use by the Insured, or acquired by the Insured, and property of others in the Insured's care, custody or control including the Insured's liability for such property and including the costs to defend any allegations of liability for loss or damage to such property; including but not limited to the following:

- A. Improvements and betterments. The **Insurer** agrees to accept and consider the Insured as sole and unconditional owner of the improvements and betterments, notwithstanding any contract or lease to the contrary.
- B. Personal property of the Insured's officials and employees, while in the Insured's care, custody or control or while on the Insured's premises, (except personal automobiles).
- C. The interest of the Insured's customers in property sold by the Insured under conditional sale, trust agreement, installment plan or other deferred payment plan including property which is leased to customers under a lease/purchase agreement.
- D. Real and/or Personal Property of others that the Insured has agreed to insure prior to loss or damage including property not in the Insured's care, custody or control.
- E. **Property While in the Course of Construction** and/or during erection, assembly and/or installation.
- F. Contractors' and vendors' interest in property covered to the extent of the Insured's liability imposed by law or assumed by contract, whether written or oral.

### 2. PROPERTY NOT INSURED

This policy does not insure loss or damage to:

- A. Motor vehicles licensed for highway use when not on the Insured's premises, except this exclusion shall not apply to contractor's equipment, or to such property which constitutes stock or property on exhibit or being serviced or repaired.
- B. Land, except as insured under Land and Water Clean Up Expense. This exclusion shall not apply to the cost of reclaiming, restoring or repairing land improvements. Land improvements as described hereunder include, but are not limited to, any alteration to the natural condition of the land by grading, excavating, landscaping, earthen dikes or dams, as well as additions to land such as pavements, roadways, ponds, golf courses, or similar works.
- C. Currency, money, gold bullion, evidence of debt, except Accounts Receivable as defined in the policy, notes or securities except as otherwise described in this policy.

- D. Growing crops and standing timber not to be used for industrial processes; live animals not used for research.
- E. Water, except as insured under Impounded Water, Land and Water Clean Up Expense, or when contained in any form of piping system, processing system or holding tank or used in the manufacturing process.
- F. 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.

However, this exclusion will not apply to:

- 1) ferry shipments to, from and between countries in Continental Europe, the United Kingdom and Ireland; and
- 2) air or inland waterway shipments to, from and between countries in Continental Europe.
- G. Waterborne shipments via the Panama Canal, and to and from Puerto Rico, the Virgin Islands, Hawaii, and Alaska;
- H. Aircraft, watercraft, spacecraft, satellites, except this exclusion shall not apply to such property that constitutes stock.
- I. Off-shore property, dams, dikes, bridges and tunnels, unless specifically reported to the **Insurer**. Bridges and tunnels which are part of, located upon and/or attached to real property insured by this Policy are covered by this Policy.

### 3. **LOSS OR DAMAGE EXCLUDED**

This policy does not insure the following:

- A.
  - 1) Loss or damage caused by 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 such government, power, authority, or forces;
  - 2) Loss or damage caused by any weapon employing atomic fission or fusion;
  - 3) Loss or damage caused by rebellion, revolution, civil war, usurped power; or action taken by governmental authority in hindering, combating, or defending against such **occurrence**;
  - 4) Loss or damage caused by seizure or destruction by order of public authority, except destruction by order of public authority to prevent spread of, or to otherwise contain, control or minimize loss, damage, or destruction which occurs due to loss or damage insured under this policy;

- 5) Risks of contraband or illegal trade.
- B. Loss or damage caused by nuclear reaction or 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, attributed to, or aggravated by loss or damage insured herein except:
- 1) The **Insurer** shall be liable for loss or damage caused by sudden or accidental radioactive contamination, including resultant radiation damage for each **occurrence** from material used or stored or from processes conducted on insured 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 insured premises;
  - 2) If fire ensues, liability is specifically assumed by the **Insurer** for such ensuing loss or damage insured hereunder but not including any loss due to nuclear reaction, nuclear radiation or radioactive contamination.
- C. Loss or damage caused by **fraudulent or dishonest acts** committed by the Insured or any of the Insured's employees.
- This exclusion does not apply to loss or damage resulting from the Insured voluntarily parting with title or possession of any property if induced to do so by any fraudulent scheme, trick, device or false pretense, nor shall this exclusion apply to willful acts of destruction committed by the Insured's employees.
- D. Normal or ordinary wear, tear, gradual deterioration, rust, corrosion, settling, cracking, erosion except if physical loss or damage not excluded in this policy ensues, then this policy shall insure only the ensuing loss or damage. However, if an **Accident** to an **Object** ensues, then this exclusion shall not be applicable.
- E. The cost of making good defective design, faulty material, or faulty workmanship, except, if physical loss or damage not excluded in this policy ensues, then this policy shall insure only the ensuing loss or damage. However, if an **Accident** to an **Object** ensues, then this exclusion shall not be applicable.
- F. Errors in processing or manufacture, except, if physical loss or damage not excluded in this policy ensues, then this policy shall insure only the ensuing loss or damage.
- G. Except as provided in Land and Water Clean Up Expense, loss or damage arising out of the dispersal, release or escape of contaminants or pollutants into or upon land, the atmosphere or any water course or body of water.
- H. Inherent vice or latent defect, except if physical loss or damage not excluded in this policy ensues, then this policy shall insure only the ensuing loss or damage.
- I. Mildew, mold, spoilage or decay; unless caused by physical loss or damage not otherwise excluded.

#### 4. **COVERAGE EXTENSIONS**

Except as excluded, this policy covers:

##### A. **Accounts Receivable**

In the event of insured loss or damage to records or accounts receivable from customers caused by loss or damage insured herein, this **Insurer** will indemnify the Insured as follows:

- 1) All sums due the Insured (from customers), provided the Insured is unable to effect collection thereof as a result of loss or damage to records of accounts receivable by loss or damage insured by this policy.
- 2) All sums due the Insured from factoring transactions, when the property of the debtor has been lost or damaged by loss or damage insured by this policy and the Insured has been unable to effect collection thereof.
- 3) Interest charges on any loan to offset impaired collections pending repayment of such sums made uncollectible by such loss or damage.
- 4) Collection expenses in excess of normal collection cost and made necessary because of such loss or damage.
- 5) Other expenses, when reasonably incurred by the Insured in reestablishing records of accounts receivable following such loss or damage.

For purpose of this insurance, charges under a credit card company and maintained on **Electronic Data Processing Media** shall be deemed to represent sums due the Insured from customers.

When there is proof that a loss of records of accounts receivable has occurred by the Insured and the Insured 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 (12) months shall be adjusted in accordance with the percentage increased or decreased in the twelve (12) 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 Insured and an amount to



allow for probable bad debts which would normally have been uncollectible by the Insured.

**B. Brands and Labels**

In case of insured loss or damage 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 Insured, the salvage value of such damaged property shall be determined after removal in the customary manner, at the expense of the **Insurer**, of all such brands or trademarks or other identifying characteristics.

**C. Consequential Damage**

1. This policy also insures against consequential loss caused by or resulting from a change in temperature or humidity or by interruption of power, heat, air conditioning, or refrigeration, telephone or telegraphs, supply water or telecommunications as a result of physical loss or damage of the type insured to property/equipment or plants used to provide refrigeration, cooling humidifying, dehumidifying air conditioning heating, generating, converting power or telephone or telegraphs, or telecommunications, including all connections and supply from transmission lines and pipes, power generating equipment, utility plants or sources, whether or not such equipment is on or off the premises of the Insured.
2. The policy shall further insure the resulting reduction in value of the remaining undamaged components or parts of property customarily sold as units, pairs, sets, lots or ranges of sizes or colors.

**D. Control of Damaged Property**

The Insured shall have full right to the possession of all property manufactured, sold or distributed by the Insured involved in any loss under this policy and shall retain control of all damaged property. The Insured, exercising reasonable discretion, shall be the sole judge as to whether the property involved in any loss under this policy is fit for consumption, sale or use and any property so deemed by the Insured to be unfit for consumption, sale or use shall not be sold or otherwise disposed of except by the Insured or with the Insured's consent, but the Insured shall allow the **Insurer** any salvage proceeds obtained by the Insured on any sale or other disposition of such merchandise.

**E. Debris Removal**

The policy insures the necessary and reasonable expenses incurred by the Insured to remove, clean-up and/or properly dispose of any debris remaining after any loss or damage covered under this policy.

**F. Demolition and Increased Cost of Construction**

In the event of insured loss or damage insured under this policy that causes the enforcement of any law, ordinance and/or governmental directive regulating the construction, repair or use of property, the **Insurer** shall be liable for:

1. The cost of demolishing the undamaged property including the cost of clearing the site;
2. The value of the undamaged property which had to be demolished;
3. The increased cost of repair or reconstruction, whichever is less, of the damaged and undamaged property on the same or another site and limited to the costs that would have been incurred in order to comply with the minimum requirements of such law, ordinance and/or governmental directive regulating the repair or reconstruction or use of the damaged property. However, the **Insurer** shall not be liable for any increased cost of construction loss unless the damaged property is actually rebuilt or replaced;
4. The increase in loss, including, but not limited to, Business Interruption, Extra Expense, Rental Value, Leasehold Interest or Royalties or extensions thereof arising out of the additional time required to comply with said law, ordinance and/or governmental directive.

**G. Expediting Expense**

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

**H. Fines and Penalties**

This policy is extended to insure such Fines or Penalties as may be imposed on the **Insured** for the breach of contract either in respect of goods and services delayed or not delivered, or in respect of the **Insured's** failure or delay to take delivery of goods and services ordered, as a direct result of a cause of physical loss not otherwise excluded herein to Real and Personal property covered under this policy. For the purposes of this clause, liquidated damages shall also be considered fines and penalties.

**I. Fire Brigade Charges and Extinguishing Expenses**

This policy insures the following expenses resulting from:

1. fire brigade charges and other extinguishing expenses for which the Insured may be assessed;
2. loss of fire extinguishing materials expended.

**J. Land and Water Clean Up Expense**

This policy insures the reasonable and necessary cost or expense of decontamination or removal or disposal of land and water on or under the premises of the Insured

It is a condition precedent to recovery under this clause that the **Insurer** shall have paid, or agreed to pay for, loss or damage to the property insured hereunder unless such payment is precluded solely by the operation of any deductible.

It is also a condition precedent to recovery under this clause that the Insured shall give written notice to the **Insurer** of intent to claim for decontamination and clean up expense not later than one hundred-eighty (180) days after the date of such loss or damage

**K. Professional Fees**

This policy insures the reasonable fees and expenses incurred by the Insured, or by the Insured's representatives for assessing, preparing and/or certifying details of a claim resulting from a loss which would be payable under this policy. The reasonable fees and expenses of Aon Property Risk Consulting, Inc. qualify for this coverage extension. However, this policy does not insure the expenses of Public Adjustors or attorneys. However, the reasonable fees and expenses of Aon Property Risk Consulting, Inc. qualify for this coverage extension.

**L. Protection and Preservation of Property – Property Damage**

In case of actual or imminent loss or damage of the type insured against by this policy, the expenses incurred by the Insured in taking reasonable and necessary actions for the temporary protection and preservation of insured property, shall be recoverable under the policy and be subject to the applicable deductible, and without increase in the limit provisions contained in this policy.

**M. Tax Treatment of Profits**

This policy insures the additional loss sustained by the Insured resulting from loss or damage insured by this policy in the event the tax treatment of:

- A. the profit portion of a loss recovery involving finished stock manufactured or purchased by the Insured; and/or
- B. the profit portion of business interruption loss proceeds;

differs from the tax treatment of profits that would have been incurred had no loss occurred.

**N. Temporary Removal of Property**

This policy insures property temporarily removed from a location for the purposes of being repaired or serviced, or in order to avoid loss or damage insured by this policy. However, this coverage does not apply to property removed for normal storage.

**O. Transit**

This policy insures loss or damage not otherwise excluded, to insured property in **transit** including resulting loss as afforded under Time Element Coverages provided under this policy.

- 1) This insurance is extended to insure loss or damage to property:
  - (a) sold and shipped by the Insured 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) at the Insured's option, which is incoming to the Insured.

2) This policy also insures loss or damage:

- (a) 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;
- (b) occasioned by the acceptance by the Insured, by its agents, or by its customers of fraudulent bills of lading, shipping and delivery orders, or similar documents.

## 5. TIME ELEMENT COVERAGE

This policy is extended to cover Time Element loss as described below resulting from insured loss or damage not otherwise excluded. The Insured has the option at any time during the loss adjustment to choose whether to calculate its claim in accordance with the Gross Earnings provision (5.A) and applicable extensions or the Loss of Profits provision (5.B) and applicable extensions. This election may be made at any time before final payment of claim.

### A. Gross Earnings

- 1) Loss due to the necessary interruption of business conducted by the Insured, whether total or partial, including all interdependencies between or among companies owned or operated by the Insured, resulting from physical loss or damage insured herein and occurring during the term of this policy to property insured herein.
- 2) Such loss shall be adjusted on the basis of the actual loss sustained by the Insured, consisting of the net profit which is prevented from being earned including **ordinary payroll** and payroll;

**and**

all charges and other expenses (including **soft costs**) to the extent that these must necessarily continue during the interruption of business, but only to the extent to which such charges and expenses would have been incurred had no loss occurred.

- 3) In determining the amount of net profit, charges, and expenses insured hereunder for the purposes of ascertaining the amount of the actual loss sustained, due consideration shall be given to the experience of the business before the date of the loss or damage and to the probable experience thereafter had no loss occurred.
- 4) As respects Time Element Coverage - Gross Earnings, the **Insurer** shall not be liable under this section for any loss resulting from loss or damage to **finished stock** nor for the time required to reproduce said **finished stock** or stock in process.

**B. Loss of Profits**

Coverage under this clause applies where the Insured elects Loss of Profits coverage under this policy. Such election may be exercised at any time prior to loss settlement as outlined elsewhere in this policy. If such claim involves more than one location, including interdependency, the entire claim will be adjusted using a single coverage (Gross Earnings or Loss of Profits).

1. Loss of gross profit as hereinafter defined, resulting from interruption of or interference with the business and caused by physical loss or damage to real or personal property as insured herein.
2. Indemnity: The amount of loss of gross profit shall be based on REDUCTION IN TURNOVER and on INCREASE IN COST OF WORKING, and the amount payable as indemnity thereunder shall be:

- (a) In respect to REDUCTION IN TURNOVER: The sum produced by applying the rate of gross profit to the amount by which the turnover during the indemnity period shall, in consequence of the damage, fall short of the standard turnover;
- (b) In respect to INCREASE IN COST OF WORKING: The additional expenditure necessarily and reasonably incurred for the sole purpose of avoiding or diminishing the reduction in turnover which but for that expenditure would have taken place during the indemnity period in consequence of the damage, but not exceeding the sum produced by applying the rate of gross profit to the amount of the reduction thereby avoided;
- (c) In respect to auditors fees, the reasonable charges payable by the Insured to their auditors for producing and certifying any particulars or details in the Insured's books of account or other books or documents or such other profits, information or evidence as may be required by the **Insurer**;

less any sum saved during the indemnity period in respect of such of the standing charges of the business payable out of gross profit as may cease or be reduced in consequence of the damage.

3. Definitions applicable to Loss of Profits:
  - (a) Gross Profit: The sum produced by adding to the net profit the amount of all the standing charges of the business, including **soft costs** or if there be no net profit the amount of said standing charges less the amount of any net trading loss. Standing charges shall include, but not be limited to, wages and depreciation on property.
  - (b) Net Profit: The net trading profit (exclusive of all capital receipts and accretions and all outlay properly chargeable to capital) resulting from the business of the Insured after due provision has been made for all standing and other charges including depreciation but before the deduction of any taxation chargeable on profits.

- (c) **Wages:** The remuneration (including where applicable: bonuses, overtime, living allowance (if any), national insurance contribution, holiday pay or other payments pertaining to wages) of all employees other than those whose remuneration is treated as salaries in the Insured's books of account.
- (d) **Turnover:** The money (less discounts allowed) paid or payable to the Insured for goods sold and delivered and for services rendered in course of the business.
- (e) **Indemnity Period:** The period beginning with the **occurrence** of the damage and ending not later than the period of indemnity stipulated under the primary insurance, twenty-four (24) months or as described in the Supplemental Declarations of this policy, whichever is greater, during which period of time the results of the business shall be affected in consequence of the damage.
- (f) **Rate of Gross Profit:** The rate of gross profit earned on the turnover during the financial year immediately before the date of the damage.
- (g) **Annual Turnover:** The turnover during that period in the 12 months immediately before the date of the damage.
- (h) **Standard Turnover:** The turnover during that period in the 12 months immediately before the date of the damage which corresponds with the indemnity period.

With respect to subparagraphs f-Rate of Gross Profit, g- Annual Turnover and h- Standard Turnover as described above, such adjustments shall be made as may be necessary to provide for the trend of the business and for variations in or special circumstances affecting the business either before or after the damage or which would have affected the business had the damage not occurred, so that the figures thus adjusted shall represent as nearly as reasonably practicable the results which but for the damage would have been obtained during the relative period after the damage.

4. **Memoranda:**

**MEMO 1:** If during the indemnity period goods shall be sold or services shall be rendered elsewhere other than at the damaged premises for the benefit of the business either by the Insured or by others on its behalf, the money paid or payable in respect of such sales or services shall be brought into account in arriving at the turnover during the indemnity period.

**MEMO 2:** In adjusting any loss, account shall be taken and an equitable allowance made if any shortage in turnover due to the damage is postponed by reason of the turnover being temporarily maintained from accumulated stocks of finished goods in warehouses and/or depots.

MEMO 3: In the event of a loss or damage to property insured herein, which results in an interruption of research and development activities which in themselves would not have produced gross profit during the indemnity period, this policy shall insure the actual loss sustained of the continuing standing charges, including wages directly attributable to such research and development activities.

**C. Extra Expense**

This policy provides coverage for the reasonable and necessary Extra Expense (including **soft costs**) incurred by the Insured in order to continue as nearly as practicable the normal operation of the Insured's business following physical loss or damage insured to property insured herein occurring during the policy term.

**D. Leasehold Interest**

This policy provides coverage for the leasehold interest of the Insured as outlined below:

Pro rata proportion from the date of loss to expiration date of the lease (to be paid without discount) on the Insured's interest in:

- 1) The amount of bonus paid by the Insured for the acquisition of the lease not recoverable under the terms of the lease;
- 2) Improvements and betterments to real property which are not covered under any other section of this policy;
- 3) The amount of advance rental paid by the Insured and not recoverable under the terms of the lease;

when property is rendered wholly or partially untenable by any covered loss during the term of this policy and the lease is canceled by the party not the Insured under this policy in accordance with the conditions of the lease or by statutory requirements of the appropriate jurisdiction in which the damaged or destroyed property is located; and

"The Interest of the Insured as Lessee or Lessor" when property is rendered wholly or partially untenable by any covered loss during the term of this policy and the lease is canceled by the party not the Insured by this policy in accordance with the conditions of the lease or by statutory requirements of the appropriate jurisdiction in which the damaged or destroyed property is located.

"The Interest of the Insured as Lessee or Lessor" 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.

Definitions applicable to Leasehold Interest:

- 1) "The Interest of the Insured as Lessee" is 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; and

- 2) the rental income earned by the Insured from sublease agreements, to the extent not covered under any other section of this policy, over and above the rental expenses specified in the lease between the Insured and the lessor.
- 3) "The Interest of the Insured as Lessor" is the difference between the rents payable to the lessor under the terms of the lease in effect at the time of loss and the actual rent collectible by the lessor during the unexpired term of the lease provided the lease is canceled by the lessee, to the extent not covered under any other section of this policy.
- 4) "Net Lease Interest" is that sum, which placed at 6% interest compounded annually will be equivalent to the "The Interest of the Insured as Lessee or Lessor."

It is understood and agreed that in the event loss or damage insured results in both loss of Rental Income and/or Rental Value and loss of the Interest of the Insured as Lessor, the provisions and limit of liability of the Rental Income and Rental Value coverage will be applied first in accordance with the applicable period of recovery. The coverage provided by the Leasehold Interest provisions and limit of liability shall be applied and commence at the cessation of the Rental Income and Rental Value coverage and continue until the expiration of the lease.

**E. Rental Value and Rental Income**

- 1) This policy provides coverage for Loss of Rental Income and/or Loss of Rental Value of the Insured caused by physical loss or damage insured herein occurring during the term of this policy to property and/or premises rented, leased or occupied by the Insured and/or rented or leased by the Insured to others.
- 2) Rental Income shall include the following:
  - a) The total anticipated gross rental income from tenant(s) of the Insured's building(s) and structure(s), and
  - b) The amount of all charges assumed by tenant(s) except those charges which do not continue, which would otherwise be obligations of the Insured, and
  - c) The fair rental reasonably expected from unrented portions of such property and the fair rental for that portion occupied by the Insured.
- 3) Rental Value shall include the following:
  - a) Rental Income Insurance in those situations where the Insured is required under a lease or rental agreement to maintain such insurance on behalf of any landlord.
  - b) Rental expenses incurred by the Insured in excess of the expenses which would have been incurred had a leased or rented premises not been damaged or destroyed by loss or damage insured herein. Such coverage



will apply for all additional expenses incurred during the period of untenability or if the lease cannot be terminated until its expiration.

**F. Royalties**

- 1) Loss of Royalties, Fees and Commissions which would have been earned under Royalties, Fees or Commission Agreements between the Insured and any concern(s), as a result of loss or damage to the property of such concern(s) caused by physical loss or damage to property of the type insured herein occurring during the term of this policy.
- 2) Such loss shall be adjusted on the basis of actual loss sustained of such income which would have been earned had no loss occurred.

**6. TIME ELEMENT EXTENSIONS**

The Time Element Extensions extend the coverages provided in Clauses 5.A, B, C, D, E, and F, above.

- A. This policy insures the actual loss sustained caused by or resulting from loss or damage of the type insured to:

1) **Attraction Property**

Property not owned or operated by the Insured, which attracts business or trade to the vicinity of the Insured's operations.

There is no liability for any loss or damage otherwise insured under the Contingent Business Interruption/Contingent Extra Expense clause below.

2) **Contingent Time Element**

Property, that impairs or prevents;

- a) Any **direct supplier(s)** of goods and/or services to the Insured, from rendering and/or delivering their goods and/or services, or
- b) Any **direct customer(s)** of goods and/or services from the Insured, from accepting the Insured's goods and/or services.

For the purposes of this coverage extension, such supplier or customer can be located anywhere in the world.

There is no liability for any loss or damage otherwise insured under the Service Interruption/Off Premises Power clause below.

3) **Service Interruption/Off Premises Power**

Property of service providers, including, but not limited to, electricity, water, gas, sewerage, steam, telephone, telecommunications, including voice/data, or their

respective transmission and distribution lines or utility plants which directly or indirectly provide incoming or outgoing services to the Insured situated on or outside of the Insured's premises.

Coverage provided in this section is extended to include any **accidental event** at the above provider of services.

There is no liability for any loss or damage otherwise insured under the Contingent Business Interruption/Contingent Extra Expense or Attraction Property clauses above.

4) **Impounded Water**

Dams, reservoirs, or equipment connected therewith when water, used as a raw material, for power or other manufacturing purpose, is stored behind or in such dams or reservoirs, is released from storage and impairs or prevents operations of the insured due to adequate water supply from such sources. This coverage is afforded for thirty (30) days from the date of initial loss or damage. The Insured shall use due diligence and dispatch to repair or replace the damaged dam, reservoir or connected equipment.

**B. Civil or Military Authority**

This policy is extended to cover the actual loss sustained by the insured during the period of time when access to covered property is impaired by order or action of civil or military authority issued as a result of loss or damage of the type insured against to property, other than property as described under Property Insured. The loss or damage that causes the action or order of civil or military authority must occur within the number of miles from the Insured Property as stated in the Supplemental Declarations section of this Policy.

This coverage is afforded for the number of days as stated in the Supplemental Declarations section of this Policy.

**C. Ingress/Egress**

This policy is extended to cover the actual loss sustained by the insured during the period of time when ingress to or egress from covered property is impaired as a result of loss or damage of the type insured against to property, other than property described under Property Insured. The damage that causes the ingress to or egress from to be impaired, must occur within the number of miles from the Insured Property as stated in the Supplemental Declarations section of this Policy.

This coverage is afforded for the number of days as stated in the Supplemental Declarations section of this Policy.

**D. Protection and Preservation of Property-Time Element**

The policy is extended to cover the actual loss sustained during the period of time, when the Insured takes reasonable and necessary actions for the temporary protection and preservation of property insured, to prevent impending loss or damage insured. Such coverage applies regardless of whether actual insured loss or damage occurs.

**E. Research and Development**

In the event of insured loss or damage to property insured herein which results in an interruption of research and development activities, which in themselves would not have produced income during the recovery period, this policy shall insure the actual loss sustained of the continuing charges and expenses, including **ordinary payroll**, and payroll, directly attributable to such research and development activities.

**F. Time to Replace Stock or Raw Material**

Notwithstanding the paragraph in the Business Interruption – Gross Earnings provision to the contrary, this policy is extended to cover the additional expenses incurred over and above normal, during the time required to replace raw materials, stock in process or finished goods to the inventory level which existed prior to the loss.

**G. Waterway Access**

This policy is extended to cover the actual loss sustained during the period of time, when the insured's business or operations are impaired fully or partially as a result of the inability to utilize waterways, when the inability is the result of physical loss or damage not otherwise excluded. Coverage is afforded for thirty (30) days from the date of initial actual loss sustained.

Contingent Time Element and Attraction Properties referenced in 6.A.1 and 6.A.2 will be considered as insured property for application of the following Time Element Extensions.

Service Interruption/Off Premises Power  
 Impounded Water  
 Civil or Military Authority  
 Ingress/Egress  
 Protection and Preservation of Property-Property Damage  
 Waterway Access

**7. TIME ELEMENT PROVISIONS**

The following apply to all Time Element Coverage and Time Element Extensions except Loss of Profits, unless otherwise stated therein:

**A. Period of Recovery**

The length of time for which loss may be claimed is referred to as the period of recovery and:

- 1) shall commence with the date of such loss or damage and shall not be limited by the date of expiration of this policy;
- 2) shall not exceed such length of time as would be required with the exercise of due diligence and dispatch to rebuild, repair, or replace the property that has been destroyed or damaged;

**and,**

- 3) such additional length of time to restore the Insured's business to the condition that would have existed had no loss occurred, commencing with the later of the following dates:
  - (a) the date on which the liability of the **Insurer** for loss or damage would otherwise terminate; or
  - (b) the date on which repair, replacement or rebuilding of the property that has been damaged is actually completed and the Insured has resumed normal operations.

but in no event for more than the number of days for Extended Period of Liability as stated in the Supplemental Declarations section of this policy;

- 4) With respect to loss or damage occurring to **property in the course of** construction, due consideration shall be given to the level of production or level of business operations that would reasonably have been achieved after completion of construction had no loss or damage occurred.
- 5) With respect to damage occurring to research and development activities, if there is a delay in planned product completion, release or offering, due consideration shall be given to the level of production or business operations that would reasonably have been achieved had no loss occurred. .
- 6) The Period of Recovery shall not include:
  - a) Any days which would coincide with a shutdown planned prior to loss,
  - b) Any increase of loss which may be occasioned by the suspension, lapse or cancellation of any lease or by the Insured exercising any option to cancel a lease unless the suspension, lapse or cancellation is due to the loss or damage covered by this policy.
  - c) Any additional loss due to fines, penalties or damages for breach of contract or non-delivery of goods.

**B.** If the Insured can reduce the loss resulting from the interruption of business:

- 1) by a complete or partial resumption of operations of the property insured, whether damaged or not; or
- 2) by making use of stock, merchandise, or other property insured herein;

Such reduction shall be taken into account in arriving at the amount of loss hereunder. However, when making use of stock, merchandise or other insured property the insured shall be reimbursed to replenish the stock or merchandise used to reduce the loss.

**C.** Expense to Reduce Loss: (not applicable to Extra Expense)

This policy also insures such expenses as are necessarily incurred for the purpose of reducing any loss under this policy, but in no event shall the aggregate of such expenses exceed the amount by which the loss under this coverage part is thereby reduced.

D. Experience of the Business:

In determining the amount of loss insured hereunder due consideration shall be given to the experience of the business before the date of loss or damage and to the probable experience thereafter had no loss or damage occurred.

### III. POLICY LOSS ADJUSTMENT AND SETTLEMENT

#### 1. NOTICE OF LOSS

The Insured shall report to the **Insurer** any loss or damage which may become a claim under this insurance policy as soon as may be practicable after it becomes known to the Director of the Risk Management Department (or the individual acting in a similar capacity) of the Insured.

#### 2. KNOWLEDGE OF OCCURRENCE

It is agreed that knowledge of an **occurrence** by an agent, servant or employee of the Insured shall not in itself constitute knowledge by the Insured. Knowledge is understood to occur only when the Director of the Risk Management Department (or the individual acting in a similar capacity) of the Insured shall have received notice from its agent, servant or employee.

#### 3. PROOF AND PAYMENT OF LOSS

A detailed Proof of Loss shall be filed with the **Insurer** as soon as practicable. Loss shall be adjusted with the Risk Management Department of the Insured or assigned representatives, and all adjusted claims shall be paid to the Insured or its order within thirty (30) days after filing and acceptance of a Proof of Loss.

#### 4. PARTIAL PAYMENT OF LOSS

It is understood and agreed that this **Insurer** will make partial payments of claims subject to the policy provisions and the normal policy adjustment provisions.

To obtain said partial claim payment, the Insured shall submit a partial Proof of Loss with supporting documentation. Upon receipt and approval of a partial Proof of Loss, the **Insurer** will make partial payments to the Insured within no more than fourteen (14) days to the Insured.

#### 5. LOSS PAYABLE

Loss, if any, shall be adjusted with and payable to the Insured or its order.

#### 6. SUBROGATION AND SUBROGATION WAIVER

A. It is agreed that upon payment of any loss, this **Insurer** is subrogated to all the rights of the Insured to the extent of such payment.

Any release or waiver of liability entered into by the Insured in the course of their business prior to loss (including but not limited to bills of lading and/or receipts from carriers, bailees, warehousemen, lightermen, processors, limiting or releasing their liability) hereunder shall not prejudice the Insured's rights of recovery under this policy.

B. The right of subrogation against the Insured's subsidiary, affiliated, or associated corporations or companies, joint ventures, partnerships or individuals, or any other party required to be insured, or any other corporations or companies associated with the Insured through ownership or management is waived.

C. In the event of any payment under this policy, except where subrogation rights have been

waived, the **Insurer** shall be subrogated to the extent of such payment to all the Insured's rights of recovery therefore. The Insured shall execute all papers required and shall take reasonable and necessary action to secure such subrogation rights. The **Insurer** will act in concert with all other interests concerned, such as the Insured and any other company(ies) 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, after deducting the costs of recovery, such amount shall be divided between the interests concerned in the proportion of their respective interests. If there should be no recovery, all costs and expenses shall be borne by the party instituting the proceedings.

## 7. **SALVAGE AND RECOVERIES**

Except as described elsewhere herein, after expenses incurred in salvage or recovery are deducted, any salvage or other recovery, except recovery through subrogation proceedings and/or from underlying and/or excess insurance as described herein, shall accrue entirely to the benefit of this **Insurer** until the sum paid by the **Insurer** has been recovered.

## 8. **VALUATION**

At time of loss, the basis of adjustment shall be as follows:

- A. On buildings and structures, at the replacement cost new; if not replaced, then at the actual cash value.
- B. On machinery, equipment, furniture, fixtures and improvements and betterments at the replacement cost new or the cost of repair, whichever is less. If not replaced, then at the actual cash value.
- C. The cost of architects', surveyors', inspectors' and/or engineers' plans, drawings, specifications, fees and charges including the cost for supervision of construction and repair of damages.
- D. **Valuable Papers and Records and Electronic Data Processing Media** at the value blank plus the cost of labor, service and/or supplies for actually reconstructing, researching, gathering information, reproducing, recreating, transcribing or copying such papers, records and **Electronic Data Processing Media**.
- E. **Fine Arts** owned by the Insured at the cost of reasonably restoring the property to its condition immediately prior to the loss, or in the event that the property cannot be restored at the appraised value prior to the loss. In absence of such appraisal, at the market value at the time of loss.  
  
**Fine Arts** which is the property of others, either at the Insured's contractual or legal liability.
- F. **Finished Stock** and other merchandise not manufactured by the Insured but held for sale, at the Insured's selling price less discounts to which the goods would have been subject had no loss occurred, and labor (internal or 3<sup>rd</sup> party) at the cost to restock. Any obsolete inventory is a deduction to the inventory at the time of loss only, and not a percentage applied to the total inventory loss.

- G. Property of others and property leased by the Insured, or for which the Insured has agreed to insure, at the Insured's contractual or legal liability for said damage.
- H. Stock in process (raw stock which has undergone any aging, seasoning, or other processing by the Insured, but which has not become finished stock) shall be valued at the Insured's selling price of finished stock at the time of the loss, less any manufacturing expense not incurred by the Insured and less any discounts, rebates and unincurred expense to which the sales price would have been subject.
- I. Contractor's equipment shall be valued at actual cash value, unless an agreed value applies or at the **Insured's** contractual or legal liability for said loss or damage.
- J. All other property, not otherwise mentioned above, at the replacement cost new; if not replaced, then at the actual cash value.

It is understood and agreed that as respects replacement cost new, the Insured shall have the option of replacing equipment having technological advantages and/or representing an improvement in function and/or forming part of a program of system enhancement provided that such replacement can be accomplished without increasing the **Insurer's** liability.

The Insured, using reasonable discretion, shall be the sole judge as to whether electrical and mechanical equipment are damaged and unusable. This **Insurer** shall be allowed to dispose of, as salvage, any non-proprietary property deemed unusable by the Insured.

As respects A., B. and J. above, the Insured may elect not to replace the property lost, damaged, or destroyed and obtain loss settlement on a replacement cost basis if the proceeds of such loss settlement are expended in any other capital expenditures related to the Insured's operations within the territorial limits of the policy.

## 9. CURRENCY

It is hereby understood and agreed that all amounts used herein are in United States currency and that premiums shall be paid and all losses shall be adjusted and paid in United States currency. In the event of a loss adjustment involving foreign currency, conversion into the currency of the United States of America shall be calculated as follows:

- A. As respects real and personal property, the cost of repair, replacement or reconditioning shall be converted, as of the date of repair, replacement or reconditioning based on the rate of exchange quoted in the Wall Street Journal.

If the property is not replaced or repaired, the conversion into the currency of the United States of America shall be at the rate of exchange quoted in the Wall Street Journal as of the date of loss.

- B. As respects all other coverages, currency shall be converted at the rate of exchange quoted in the Wall Street Journal and such rate of exchange shall be based on the average of the daily rate of exchange quoted in the Wall Street Journal for the period of loss.

## 10. COINSURANCE WAIVER

This policy is not subject to Coinsurance or Average Clause.



**11. SEVERABILITY OF INTEREST**

Each of the Insureds insured by this policy will have the same protection and obligations as if the policy has been issued individually to each of them, except as respects the obligations associated with the **Cancellation** clause. However, the inclusion of more than one Insured will not operate to increase the limit of liability of the **Insurer** beyond the limit of liability as stated in the Supplemental Declarations section.

**12. APPRAISAL**

In case the Insured and this **Insurer** shall fail to agree as to the amount of loss, then, on the written demand of either, each shall select a competent and disinterested appraiser and notify the other of the appraiser selected within Twenty (20) days of such demand. The appraisers shall select a competent and disinterested umpire; and, failing for Fifteen (15) days to agree upon such umpire, then on request of the Insured or the **Insurer**, such umpire shall be selected by a judge of a district court of a judicial district in accordance with the Jurisdiction and Suit clause of this policy. The appraisers shall then appraise the loss, separating the loss to each item; and, failing to agree, shall submit their differences only to the umpire. An award in writing, so itemized of any two when filed with the **Insurer**, shall determine the amount of loss. Each appraiser shall be paid by the party selecting each respective appraiser and the expenses of appraisal and umpire shall be paid by the parties equally.

**13. JURISDICTION AND SUIT**

It is hereby understood and agreed that in the event of the failure of the **Insurer** to pay an amount claimed to be due hereunder, at the direction of the Insured, the **Insurer** will submit to the jurisdiction of any court of competent jurisdiction within the United States and will comply with all requirements necessary to give such jurisdiction.

## IV GENERAL CONDITIONS

### 1. CERTIFICATES OF INSURANCE

All parties to whom a Certificate of Insurance has been issued are automatically added to this policy upon issuance of said certificates, either as Additional Insureds, Mortgagees or as Loss Payees, or both, in accordance with the terms and conditions of this policy unless otherwise agreed to by the **Insurer**. Permission is granted for Aon Risk Services to issue Certificates on the **Insurer's** behalf.

### 2. CANCELLATION

A. This policy may be canceled at any time at the request of the Insured, or it may be canceled by the **Insurer** by mailing via registered or certified mail to the **Insured** and with copies provided to Aon Risk Services, during the term of this policy, written notice stating when no less than Ninety (90) days thereafter, except Ten (10) days for nonpayment of premium, such cancellation shall be effective.

This insurance may be canceled at any time by the Insured by surrender of this policy to the **Insurer** or by mailing or delivery to the **Insurer** written notice stating when thereafter such cancellation shall take effect. Return premium shall be allowed the Insured on a pro rata basis if the **Insurer** cancels and also on a pro rata basis if the Insured cancels.

Payments or tender of any unearned premium by the **Insurer** shall not be a condition precedent to the effectiveness of cancellation, but such payment shall be made as soon as practicable.

B. The mailing of notice as described in A. above shall be sufficient proof of notice and the effective date and hour of cancellation stated in the notice shall become the end of the policy period. Delivery of such written notice either by the Insured or by this **Insurer** 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 safely delivered and accepted at place of final destination.

### 3. INSPECTION AND AUDIT

This **Insurer** shall be permitted, but not obligated, to inspect the Insured's property at any reasonable time. Neither the **Insurer's** right to make inspections, nor the making thereof, nor any report thereon, shall constitute an undertaking, on behalf of or for the benefit of the Insured or others, to determine or warrant that such property is safe.

### 4. LIBERALIZATION

If during the period that insurance is in force under this policy, any authorized endorsement or filed rules or regulations affecting the same are revised by statute or otherwise so as to broaden the insurance without additional premium charge, such extended or broadened insurance shall inure to the benefit of the Insured hereunder.

**5. MORTGAGE CLAUSE**

Loss or damage, if any, under this policy shall be payable to the mortgagee(s) (or trustee(s)) as interest(s) may appear, and this insurance, as to the interest(s) of the mortgagee(s) (or trustee(s)) only therein, shall not be invalidated by any act or neglect of the mortgagor or owner of the described property, nor by any foreclosure or other proceedings or notice of sale relating to the property, nor by any change in the title or ownership of the property, nor by the occupation of the premises for purposes more hazardous than are permitted by this policy provided that in case the mortgagor or owner shall neglect to pay any premium due under this policy, the mortgagee (or trustee) shall, on demand, pay the same.

This **Insurer** reserves the right to cancel this policy at any time as provided by its terms, but in such case this policy shall continue in force for the benefit only of the mortgagee (or trustee) for Ten (10) days after notice to the mortgagee (or trustee) of such cancellation and shall then cease and this **Insurer** shall have the right, on like notice, to cancel this agreement.

**6. OTHER INSURANCE**

Except as referred to in Contributing Insurance, Excess Insurance and Underlying Insurance clauses, this policy shall not insure to the extent of any other insurance, whether prior or subsequent hereto in date and whether directly or indirectly insuring the same property against the same loss or damage. This insurance shall be excess of and/or supplementary to the amount recoverable from such other collectible insurance. Notwithstanding this Other Insurance provision, this Policy will guarantee prompt payment in full of the amount of loss which would have been otherwise recoverable hereunder as if this clause did not exist and the Insured shall cooperate with the **Insurer** to pursue recovery of any Other Insurance.

**7. CONTRIBUTING INSURANCE**

Permission is granted for other policies written upon the same terms, conditions, and provisions irrespective of limit or attachment point as those contained in this policy. This policy shall contribute to the total of each loss otherwise payable herein to the extent of the participation of this policy in the total limit of liability stated herein.

**8. EXCESS INSURANCE**

Permission is granted for the Insured to have excess insurance over the limit of liability in this policy without prejudice to this policy and the existence of such insurance, if any, shall not reduce any liability under this policy.

**9. UNDERLYING INSURANCE**

Permission is granted for the Insured to purchase insurance on all or any part of the deductible and against all or any of the coverage provided by this policy. The existence of such underlying insurance shall not prejudice or affect any recovery otherwise payable under this policy.

**10. EXCESS CLAUSE**

This clause only applies in the event that there exists primary or underlying Policy(ies) providing coverage beneath the attachment point of this Policy. In the event of loss caused by or resulting from loss or damage not otherwise excluded, or to more than one location, for purposes of the

attachment point of this policy, this policy shall recognize that the limit of liability of the underlying coverage shall apply first to the perils, coverages and/or locations not insured under this policy and the remainder, if any, to the perils, coverages and/or locations insured hereunder. This policy shall recognize the erosion of the underlying policy limits by all perils, coverages or locations insured by the underlying policy. Upon exhaustion of the limit of liability of the underlying coverage, this **Insurer** shall then be liable for the loss uncollected only for those perils, coverages, and/or locations insured under this Policy, subject to the **Insurer's** limit of liability as specified herein.

In the event the aggregate limits (if any) provided for **Flood** and/or **Earthquake** in any underlying insurance are diminished or exhausted in any one Policy year, the coverage provided under this policy shall respond as excess of the remaining limits.

In such event, the applicable amount of the deductible provision of the underlying insurance shall apply to the combination of all policies.

#### **11. NON-REDUCTION OF LIMITS OF LIABILITY**

Any loss hereunder shall not reduce the limit(s) of liability under this policy except for aggregate limits as stated in the Supplemental Declarations section.

#### **12. ERRORS AND OMISSIONS**

No inadvertent error, inadvertent omission or inadvertent failure in making reports or other data hereunder shall prejudice the Insured's right of recovery, but shall be corrected when discovered. It is further understood and agreed that any error in description of locations, or values of projects insured or to be insured by this policy shall not invalidate or reduce the policy limit of liability, or otherwise prejudice any recovery under this policy.

#### **13. PERMITS**

Permission is hereby granted for any building(s) to be and remain vacant and unoccupied without limit of time and without prejudice to the Insured's right of recovery for claim under this policy.

Any change in occupancy or use of the premises or any increase in hazard shall not prejudice the Insured's right of recovery for claim under this policy.

#### **15. TITLES OF PARAGRAPHS**

The several titles of the various paragraphs of this policy (and of Endorsements and Supplemental Policies, if any, which are attached to this policy) are inserted solely for convenience or reference and shall not be deemed in any way to limit or affect the provisions to which they relate.

#### **16. DEFINITIONS**

##### **A. Accident**

1) **Accident** shall mean:

- a) Any condition or occurrence within boilers or fired or unfired vessels owned by, operated by, or under the control of the Insured and subject to pressure or vacuum

including piping or apparatus attached to and forming a part thereof, except that the words "any condition or occurrence" shall not include explosion, other than explosion of the parts of a steam boiler containing steam or water, steam piping, steam turbines, or steam engines;

- b) Mechanical breakdown of any machine or apparatus arising out of any condition or occurrence within such machine or apparatus;
- c) Electrical injury or disturbance to electrical appliances, devices, fixtures, wiring, or other electrical or electronic equipment caused by electrical currents artificially generated.

However, the term **Accident** does not include:

- a) Loss or damage from fire or from the use of water or other means to extinguish fire; and
- b) The normal operation of any safety or protective device;

**Accident** shall not mean:

- a) Depletion, deterioration, corrosion or erosion;
  - b) Wear and tear;
  - c) Leakage at any valve, fitting, shaft seal, gland packing, joint or connection.
- 2) The term **Accident** shall not apply to the following property:
- a) Property in **transit**;
  - b) Property while in the course of construction, erection, installation, or assembly;
  - c) Electronic data processing systems used for administrative, statistical, or accounting purposes;
  - d) Any sewer piping, any piping forming a part of a fire protective system, or any water piping other than:
  - e) Boiler feed water piping;
  - f) Boiler condensate return piping;
  - g) Water piping used in a heat transfer system for cooling, humidifying, or space heating purposes;
  - h) Any vehicle, aircraft, or self-propelled equipment or floating vessel;
  - i) Any elevator, crane, ladle or bucket, hoist, power shovel, drag line, excavator, scale, or conveyor, but not excluding any pressure vessel, gears, engines or electrical equipment used with a machine.

## **B. Accidental Event**

An unintended occurrence which results in an interruption of operations.

## **C. Architect Fees and Engineering Fees**

Any cost associated with the preparation of plans for the repair or reconstruction of the damaged property.

**D. Direct Customers and Direct Suppliers**

Customers and suppliers of the Insured that do business directly with the Insured. Direct Customers and Suppliers would include intermediaries or wholesale operations that do not materially modify or change property, as well as the original manufacturer or ultimate customer.

**E. Earthquake**

Quaking, vibratory or undulating movement of a portion of the earth's crust, produced by underground volcanic forces or by breaking and shifting of rock beneath the earth's crust. Whenever used in this Policy, the term "earthquake" shall be restricted exclusively to the actual, specific cracking, rupturing, shifting or toppling of property and shall not include ensuing loss or damage resulting from fire, explosion or sprinkler leakage.

**F. Electronic Data Processing Media**

All forms of data, converted data, electronically converted data and/or programs and/or applications and/or instructions and/or media vehicles employed.

**G. Fine Arts**

Fine Arts shall include, but not be limited to, bona fide works of art, works of rarity, works of historical value, works of artistic merit, photographs, (positives and negatives) lithographs, illustrations, galley proofs, and/or original records.

**H. Finished Stock**

Stock manufactured by the Insured which, in the ordinary course of the Insured's business, is ready for packing, shipment or sale.

**I. Fire Brigade Charges/Fire Extinguishing Materials and Expenses**

Fire fighting and/or containment charges and/or fire department service charges and other extinguishing expenses.

**J. Flood**

Waves, tide or tidal water, tsunamis, rapid accumulation of surface waters, or the rising (including overflowing or breaking of boundaries) of lakes, reservoirs, rivers, streams or other bodies of water. It is understood and agreed that, whenever used in this policy, **flood** shall not include ensuing loss or damage resulting from fire, explosion or sprinkler leakage.

**K. Fraudulent or Dishonest Acts**

Fraudulent or dishonest acts committed by the Insured or the Insured's employees with the manifest intent to:

1. cause the Insured to sustain loss; and

2. obtain financial benefit for the Insured, Insured's employee, or for any other person or organization intended by the Insured or the employee to receive such benefit for such fraudulent or dishonest act or acts.

**L. General Average and/or Salvage:**

1. General Average, Salvage and Special Charges, as per foreign custom, payable according to foreign statement, and/or per York-Antwerp Rules and/or in accordance with the contract of affreightment, if and as required; or, failing any provision in or there be no contract of affreightment, payable in accordance with the Laws and Usages of the Port of New York.
2. General Average Contributions, Salvage and Special Charges and Sue and Labor Charges will be payable in full, irrespective of insured and contributory values.

**M. High Hazard Earthquake**

All insured property situated in New Madrid Earthquake Counties as more fully defined in Endorsement #3 or Pacific Northwest Earthquake Counties as more fully defined in Endorsement #4.

**N. High Hazard Flood**

- a) Only that portion of property at the time of policy inception which is located in a Special Flood Hazard Zone (SFHA) and situated at or below the 100 year flood elevation level, as shown in the most recent documentation published by the Federal Emergency Management Agency (FEMA), or other qualified and recognized authority for flood information. and/or,

With respect to this definition, the following terms apply:

- a) Federal Emergency Management Agency (FEMA) – The U.S. Federal agency, which is part of the U.S. Department of Homeland Security, under which the National Flood Insurance Program (NFIP) is managed.
- b) Special Flood Hazard Area (SFHA) – The areas of a Flood insurance Rate Map (FIRM) identified as Zone(s): A, AO, AH, A1-A30, AE, A99, AR, AR/A, AR/AE, AR/A1-A30, AR/AH, AR/AO, V, V1-V30, VE or VO.

**O. Insurer**

Insurance Company or security providing insurance under this contract as stated in the Supplemental Declarations section.

**P. Named Windstorm**

**Named Windstorm** shall mean the direct action of the wind when such wind is associated with, or occurs in connection with a storm or weather condition which has been named by the U.S. National Weather Service or its global equivalent.

Such Named Windstorm shall include all loss which is attributable directly or indirectly to the Named Windstorm and shall include all damage by rain, flood, storm surge or any other water damage that results from the Named Storm.

**Q. Property While in the Course of Construction**

When there is a sub-limit provided for **Property While in the Course of Construction**, that sub-limit shall only apply to property in the course of construction which does not pertain to alterations, revamping, refurbishment, maintenance, or incidental extensions to existing property of the Insured. **Property While in the Course of Construction** does not include any existing property which is not part of the course of construction. Any loss or damage to existing property not part of the course of construction which results from a covered occurrence to **Property While in the Course of Construction** is not subject to the sub-limit of liability attributable to **Property While in the Course of Construction**.

**R. Object**

Any boiler, fired or unfired vessel subject to pressure or vacuum, including piping or apparatus attached thereto and forming a part thereof, and any mechanical or electrical machine or apparatus used for the generation, transmission or utilization of mechanical or electrical power.

**S. Occurrence**

Loss, or a series of losses or several losses, which are attributable directly or indirectly to one cause or disaster or to one series of similar causes or disasters arising from a single event. All such losses shall be added together and the total amount of such losses shall be treated as one **occurrence** irrespective of the period of time or area over which such losses occur.

When the term applies to **Named Windstorm**, it shall be defined as the sum total of all the **Insured's** losses arising out of or caused by the same atmospheric disturbance during any period of 72 consecutive hours. The Insured shall have the right to elect the moment from which the 72 hour period shall be deemed to have commenced, provided always that no elected period of 72 hours shall commence within the period of any previous **occurrence**.

When the term applies to **Earthquake**, it shall be defined as the sum total of all the Insured's losses sustained during any period of 168 consecutive hours by reason of one **Earthquake** or a series of **Earthquake** shocks. The Insured may elect the moment from which the 168 hour period shall be deemed to have commenced, provided always that no elected period of 168 hours shall commence within the period of any previous **occurrence**.

When the term applies to **flood**, it shall be defined as the sum total of all the **Insured's** losses sustained by reason of one **flood** or a series of **floods**.

When the term applies to theft, the sum total of all losses insured herein resulting directly from one or more acts committed by a person(s) acting alone or in collusion with others shall constitute one occurrence. All such losses shall be added together and the total



amount of such losses shall be treated as one **occurrence** irrespective of the period of time or area over which such losses occur.

**T. Ordinary Payroll**

The entire payroll expense for all employees of the Insured except officers, executives, department managers, employees under contract, and other critical or important employees as determined by the insured.

**U. Soft Costs**

Expenses related to the delay of completion of a project over and above those costs which would have been incurred, including, but not limited to, interest payments on financing under loan agreements and real estate taxes accruing during the period of delay.

**V. Transit**

Shipments within and between the territorial limits of this policy, 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 during deviation and delay, until safely delivered and accepted at place of final destination.

**W. Underlying Policy**

An insurance policy issued to the Insured which is similar as respects the terms and conditions of this policy and issued for limits below the attachment point or deductible of this policy.

**X. Valuable Papers and Records**

Written, printed or otherwise inscribed documents, and records including but not limited to books, maps, films, drawings, abstracts, deeds, mortgages, mortgage files, manuscripts and micro or electronically/magnetically inscribed documents, but not including the monetary value of monies and/or securities.

**17. WAIVER OF INSURANCE CONDITIONS**

The terms and conditions of this manuscript form are substituted for those of the **Insurer's** policy jacket and other preprinted **Insurer** forms and the **Insurer's** declaration page to which it is attached, any more restrictive terms and conditions of same being waived and superseded by this manuscript form except for any agreed endorsements noted in policy **Section I Supplemental Declarations, Clause 14. Additional Conditions.**

ENDORSEMENT: 1

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

## AMENDATORY ENDORSEMENT

### LOCATION ENDORSEMENT

Coverage under this policy applies to a **Location** or **Locations** as outlined below unless otherwise described or extended in the policy form.

**Location** or **Locations** as used in this policy refer to:

- 1) Listed on a schedule of **Locations** or property values attached to this policy,
- 2) Listed on a schedule of **Locations** or property values reported to or on file with the **insurer**,
- 3) Defined as a **Miscellaneous Unnamed Location** as described in this endorsement,
- 4) Defined under **Automatic Coverage** as described in this endorsement.

The term **location** means a building, yard, dock, wharf, pier or bulkhead or any group of the foregoing. The term **locations** means more than one **location**. In addition, for the purposes of this definition, a schedule of locations and/or schedule of property values represents the **locations** provided to the **Insurer** prior to program inception.

The following definitions are hereby added to the policy:

#### **Miscellaneous Unnamed Location**

A **location** at which the Insured has property of the type insured hereunder which has not been reported to the **Insurer** and not defined under the **Automatic Coverage** or Errors and Omissions definition/clause of this policy. **Miscellaneous Unnamed Location** includes property on exhibition, but does not include any property in **transit** covered herein, or any property excluded under this policy.

#### **Automatic Coverage**

Property of the type insured at any **location** rented, leased or purchased after the inception date of this policy, or which is property in the course construction. **Automatic Coverage** applies from the date of rental, lease, purchase, or commencement of construction, for the Sublimit of Liability and/or Time Limit listed in the Supplemental Declarations.

**Automatic Coverage** will apply until whichever of the following occurs first:

- 1) The **location** is reported to the Insurer; upon which the Policy Limit shall apply;
- 2) Agreement is reached that the **Location** will not be insured under this Policy;
- 3) The applicable Time Limit shown in the Supplement Declarations section of this Policy has been reached. After which, the limit of liability shall be no more than the Sublimit of Liability for a **Miscellaneous Unnamed Location**.

All other terms and conditions of this policy remain unchanged.

ENDORSEMENT: 2

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

## **AMENDATORY ENDORSEMENT**

### **NEW MADRID EARTHQUAKE COUNTIES**

#### **Arkansas**

Arkansas, Clay, Craighead, Crittenden, Cross, Fulton, Greene, Independence, Izard, Jackson, Lawrence, Lee, Lonoke, Mississippi, Monroe, Phillips, Poinsett, Prairie, Randolph, Sharp, St. Francis, White, Woodruff

#### **Illinois**

Alexander, Bond, Clay, Clinton, Crawford, Edwards, Effingham, Fayette, Franklin, Gallatin, Hamilton, Hardin, Jackson, Jasper, Jefferson, Johnson, Lawrence, Madison, Marion, Massac, Monroe, , Perry, Pope, Pulaski, Randolph, Richland, Saline, St. Clair, Union, Wabash, Washington, Wayne, White, Williamson

#### **Indiana**

Gibson, Knox, Pike, Posey, Vanderburgh, Warrick

#### **Kentucky**

Ballard, Caldwell, Calloway, Carlisle, Christian, Crittenden, Daviess, Fulton, Graves, Henderson, Hickman, Hopkins, Livingston, Lyon, Marshall, McCracken, McLean, Muhlenberg, Todd, Trigg, Union, Webster

#### **Mississippi**

Alcorn, Benton, Coahoma, De Soto, Lafayette, Marshall, Panola, Quitman, Tate, Tippah, Tunica

#### **Missouri**

Bollinger, Butler, Cape Girardeau, Carter, Dunklin, Iron, Jefferson, Madison, Mississippi, New Madrid, Oregon, Pemiscot, Perry, Reynolds, Ripley, Scott, Shannon, St. Charles, St. Francois, St. Louis, St. Louis City, Ste. Genevieve, Stoddard, Warren, Washington, Wayne

#### **Tennessee**

Benton, Carroll, Chester, Crockett, Decatur, Dyer, Fayette, Gibson, Hardeman, Hardin, Haywood, Henderson, Henry, , Houston, Humphreys, Lake, Lauderdale, Lawrence, Madison, McNairy, Montgomery, Obion, Perry, Shelby, Stewart, Tipton, Weakley

ENDORSEMENT: 3

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

**AMENDATORY ENDORSEMENT**

**PACIFIC NORTHWEST EARTHQUAKE COUNTIES**

**Oregon**

Benton, Clackamas, Clatsop, Columbia, Coos, Curry, Douglas, Jackson, Josephine, Lane, Lincoln, Linn, Marion, Multnomah, Polk, Tillamook, Washington, Yamhill

**Washington**

Clallam, Clark, Cowlitz, Grays Harbor, Island, Jefferson, King, Kitsap, Lewis, Mason, Pacific, Pierce, San Juan, Skagit, Skamania, Snohomish, Thurston, Wahkiakum, Whatcom

**British Columbia (includes Vancouver Island), Canada**

South of 50° N latitude and west of 120° W longitude

ENDORSEMENT: 4

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

**AMENDATORY ENDORSEMENT**

**TIER 1 WIND PARISHES/COUNTIES**

**Alabama**

Baldwin, Mobile

**Florida**

Entire State

**Georgia**

Bryan, Camden, Chatham, Glynn, Liberty, McIntosh

**Louisiana**

Assumption, Cameron, Iberia, Jefferson, Lafourche, Livingston, Orleans, Plaquemines, St. Bernard, St. Charles, St. James, St. John the Baptist, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Vermilion, Washington

**Maryland**

Somerset, Wicomico, Worcester

**Mississippi**

Hancock, Harrison, Jackson

**Puerto Rico**

Entire Commonwealth

**North Carolina**

Beaufort, Bertie, Brunswick, Camden, Carteret, Chowan, Currituck, Dare, Hyde, New Hanover, Onslow, Pamlico, Pasquotank, Pender, Perquimans, Tyrrell, Washington

**South Carolina**

Beaufort, Berkeley, Charleston, Colleton, Georgetown, Horry, Jasper

**Texas**

Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Harris, Jackson, Jefferson, Kenedy, Kleberg, Matagorda, Nueces, Orange, Refugio, San Patricio, Willacy

**Virginia**

Accomack, Harrison, Chesapeake (City,) Gloucester, Hampton (City,) Isle of Wight, James City, Lancaster, Mathews, Middlesex, Newport News (City,) Norfolk (City,) Northampton, Northumberland, Poquoson (City,) Suffolk (City,) Virginia Beach (City,) Williamsburg (City), York

ENDORSEMENT: 5

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

**AMENDATORY ENDORSEMENT**

**EXTENDED INCREASED COST OF CONSTRUCTION**

This policy also provides coverage for increased cost of construction due to the enforcement of any law, ordinance and/or governmental directive regulating the construction, repair or use of property that comes into force and effect within 12 months after the date of loss.

All other terms and conditions of this policy remain unchanged.

ENDORSEMENT: 6

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

## **AMENDATORY ENDORSEMENT**

### **SPECIAL PERILS BUSINESS INTERRUPTION EXTENSION – NON PHYSICAL DAMAGE BUSINESS INTERRUPTION INSURANCE**

1. It is hereby understood and agreed that this insurance is extended to include the actual loss sustained as insured under this insurance during the period of time described in 6. below caused by the closure of or restriction of access to INSURED PREMISES by any government or local authority directly as a result of any of the matters described in 1.1, 1.2 or 1.3 below:

1.1. NOTIFIABLE INFECTIOUS OR CONTAGIOUS DISEASE which is manifested by any person during the period of insurance whilst on or within any INSURED PREMISES.

1.2. NOTIFIABLE ILLNESS which is manifested by any person and which can be traced to injurious matter contained in food or drink supplied by the Insured and consumed by that person whilst that person is on the INSURED PREMISES during the period of insurance.

1.3. CRIME occurring during the period of insurance at the INSURED PREMISES.

2. NOTIFIABLE INFECTIOUS OR CONTAGIOUS DISEASE shall mean any disease which can be passed from human to human or from animal to human and which is required by law in the territory where the INSURED PREMISES are located to be notified to a government or local authority.

3. NOTIFIABLE ILLNESS shall mean any illness which is required by law in the territory where the INSURED PREMISES are located to be notified to a government or local authority.

4. INSURED PREMISES shall mean any premises which are insured hereunder and which are under the direct ownership or control of the Insured.

5. CRIME shall mean murder, suicide, attempted murder, attempted suicide or violent crime, including armed robbery.

6. Coverage under this Extension shall be for the period of time commencing with the date of the closure of or restriction of access to INSURED PREMISES by any government or local authority and ending no later than 30 days thereafter. Such period of time shall run concurrently with and not in addition to the period of time specified in any other provision of this insurance providing cover for closure or restriction of access, whether or not such other provision is providing cover for the matters described in 1.1, 1.2 or 1.3 above.

7. No cover shall be provided under this Extension for:

7.1. Loss of licence;

7.2. Fines or penalties of any kind;

7.3. Loss arising out of the enforcement of any law which is not in force at the time and place of the closure of or restriction of access to INSURED PREMISES by any government or local authority;

7.4. Loss arising from any disease, illness which has not been acknowledged by the appropriate government or local authority as being notifiable;

7.5. The cost or expense of inspection, investigation, product recall, decontamination or clean up or any other cost or expense associated with remediation except to the extent that such cost or expense reduces loss otherwise payable hereunder.

8. The maximum amount payable in respect of all losses under this Extension arising out of 1.1, 1.2 and 1.3 above combined shall not exceed USD 500,000 per occurrence and USD1,000,000 in the aggregate.

9. No loss shall be payable unless and until the period of time commencing with the date of the closure of or restriction of access to INSURED PREMISES by any government or local authority and ending no less than 24 hours shall have elapsed.

10. Nothing in this Extension shall operate to override any exclusion in this insurance including but not limited to exclusions for terrorism, sabotage, the actual or threatened malicious use of pathogenic or poisonous biological or chemical materials or nuclear or radioactive contamination.

LMA5221  
29 April 2015

All other terms and conditions of this policy remain unchanged.



ENDORSEMENT: 7

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

## **AMENDATORY ENDORSEMENT**

### **HIGH HAZARD FLOOD LOCATIONS**

For property insured under this policy at location addresses that are listed on the Schedule of Locations on file with the Company, the following location addresses have been agreed to be scheduled as being situated in High Hazard Flood Zones:

| <b>Street Address</b>        | <b>City</b>     | <b>County</b>      | <b>State</b> |
|------------------------------|-----------------|--------------------|--------------|
| 1100 W. DALLAS               | CONROE          | MONTGOMERY COUNTY  | TX           |
| 2250 MACARTHUR               | ORANGE          | ORANGE COUNTY      | TX           |
| 509 A WEST COMMERCE STREET   | BROWNWOOD       | BROWN COUNTY       | TX           |
| 2711 61ST ST.                | GALVESTON       | GALVESTON COUNTY   | TX           |
| 2310 SW MILITARY DR.         | SAN ANTONIO     | BEXAR COUNTY       | TX           |
| 5300 N. SAN DARIO            | LAREDO          | WEBB COUNTY        | TX           |
| 4438 NORTH FRWY              | HOUSTON         | HARRIS COUNTY      | TX           |
| 726 MEYERLAND PLAZA          | HOUSTON         | HARRIS COUNTY      | TX           |
| 11251 FONDREN                | HOUSTON         | HARRIS COUNTY      | TX           |
| 209 US HWY 70 WEST           | RUIDOSO         | LINCOLN COUNTY     | NM           |
| 407 N ARKANSAS AVE           | RUSSELLVILLE    | POPE COUNTY        | AR           |
| 1814 MAIN ST                 | FRANKLIN        | ST. MARY PARISH    | LA           |
| 1622 NORTH PARKERSON AVENUE  | CROWLEY         | ACADIA PARISH      | LA           |
| 16255 EAST MAIN ST.          | CUT OFF         | LAFOURCHE PARISH   | LA           |
| 8400 W JUDGE PEREZ DR. STE C | CHALMETTE       | ST. BERNARD PARISH | LA           |
| 571 S. MAIN ST.              | SPRINGHILL      | WEBSTER PARISH     | LA           |
| 311 N GRAND COURT            | NOGALES         | SANTA CRUZ COUNTY  | AZ           |
| 2921 BOCA CHICA BLVD.        | BROWNSVILLE     | CAMERON COUNTY     | TX           |
| 118 W. RICE ST.              | FALFURRIAS      | BROOKS COUNTY      | TX           |
| 511 EAST UNIVERSITY          | EDINBURG        | HIDALGO COUNTY     | TX           |
| 4027 EAST HWY 83             | RIO GRANDE CITY | STARR COUNTY       | TX           |

|                              |                |                   |    |
|------------------------------|----------------|-------------------|----|
| 1515 E 8TH ST.               | ODESSA         | ECTOR COUNTY      | TX |
| 2150 HIGHWAY 180 E           | SILVER CITY    | GRANT COUNTY      | NM |
| 106 CALDWELL                 | BELEN          | VALENCIA COUNTY   | NM |
| 601 WEST 18TH ST.            | PORTALES       | ROOSEVELT COUNTY  | NM |
| 2356 SOUTH RANGE AVENUE      | DENHAM SPRINGS | LIVINGSTON PARISH | LA |
| 124-126 BURR AVENUE          | PAULS VALLEY   | GARVIN COUNTY     | OK |
| 1345 S. CARSON ST.           | CARSON CITY    | CARSON CITY       | NV |
| 1115 W MAIN ST               | STERLING       | LOGAN COUNTY      | CO |
| 450 PIKE STREET              | MARIETTA       | WASHINGTON COUNTY | OH |
| 18910 PARK AVENUE PLAZA      | MEADVILLE      | CRAWFORD COUNTY   | PA |
| 4095 NORTH MAYO TRAIL        | PIKEVILLE      | PIKE COUNTY       | KY |
| 110 TWIN CITY PLAZA          | CRYSTAL CITY   | JEFFERSON COUNTY  | MO |
| 657 PARK PLAZA DRIVE         | NEW ALBANY     | UNION COUNTY      | MS |
| 532 EAST MAIN STREET         | JACKSON        | JACKSON COUNTY    | OH |
| 89 BROOKLYN STREET           | CARBONDALE     | LACKAWANNA COUNTY | PA |
| 1142 W. 9TH STREET           | RUSSELLVILLE   | LOGAN COUNTY      | KY |
| 1436 SOUTH MAIN STREET       | MANSFIELD      | TIOGA COUNTY      | PA |
| 857 SOUTH ROCHESTER STREET   | MUKWONAGO      | WAUKESHA COUNTY   | WI |
| 941 N. MAIN ST.              | LANCASTER      | LANCASTER COUNTY  | SC |
| 141 TALMADGE DR.             | MOULTRIE       | COLQUITT COUNTY   | GA |
| 901 GREEN BLVD               | AURORA         | DEARBORN COUNTY   | IN |
| 437 E CHESTNUT               | JUNCTION CITY  | GEARY COUNTY      | KS |
| 301 NORTH 12TH STREET        | MIDDLESBORO    | BELL COUNTY       | KY |
| 1301 SCOTLAND CROSSING DRIVE | LAURINBURG     | SCOTLAND COUNTY   | NC |
| 140 HOCKING MALL             | LOGAN          | HOCKING COUNTY    | OH |
| 650 OLD WILLOW AVE.          | HONESDALE      | WAYNE COUNTY      | PA |
| 726 MEYERLAND PLAZA          | HOUSTON        | HARRIS COUNTY     | TX |
| 601 US HWY 71 N.             | MENA           | POLK COUNTY       | AR |
| 1150 S NEOSHO BLVD           | NEOSHO         | NEWTON COUNTY     | MO |
| 9701 FORD AVE                | RICHMOND HILL  | BRYAN COUNTY      | GA |
| 1121 S MAGNOLIA ST           | WOODVILLE      | TYLER COUNTY      | TX |
| 70 CANAL PLACE               | PHILADELPHIA   | NESHOBA COUNTY    | MS |

|                                 |                |                        |    |
|---------------------------------|----------------|------------------------|----|
| 1502 W EVERLY<br>BROTHERS BLVD  | CENTRAL CITY   | MUHLENBERG<br>COUNTY   | KY |
| 513 FISHER                      | OAKDALE        | ALLEN PARISH           | LA |
| 820 N. SEBASTIAN                | WEST HELENA    | PHILLIPS COUNTY        | AR |
| 700 QUINTARD DR.                | OXFORD         | CALHOUN COUNTY         | AL |
| 460 TRI-COUNTY LANE             | BELLE VERNON   | WESTMORELAND<br>COUNTY | PA |
| 112 S. TALLAHASSEE ST.<br>STE.8 | HAZLEHURST     | JEFF DAVIS<br>COUNTY   | GA |
| 262 OCILLA HWY                  | FITZGERALD     | BEN HILL COUNTY        | GA |
| 445 KY HIGHWAY 44<br>EAST       | SHEPHERDSVILLE | BULLITT COUNTY         | KY |
| 11427A COASTAL<br>HIGHWAY       | BERLIN         | WORCESTER<br>COUNTY    | MD |
| 1527 OHIO AVE S                 | LIVE OAK       | SUWANNEE<br>COUNTY     | FL |
| 1017 W WILL ROGERS<br>BLVD      | CLAREMORE      | ROGERS COUNTY          | OK |
| 2280 HIGHWAY 36 SOUTH           | SEALY          | AUSTIN COUNTY          | TX |
| 2385 YORK CROSSING DR           | HAYES          | GLOUCESTER<br>COUNTY   | VA |
| 23 OHIO RIVER PLAZA             | GALLIPOLIS     | GALLIA COUNTY          | OH |

All other terms and conditions of this policy remain unchanged.

ENDORSEMENT: 8

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

## **AMENDATORY ENDORSEMENT**

The High Hazard Flood definition is hereby deleted and replaced with the following:

### **N. High Hazard Flood**

For property insured under this policy at location addresses that are listed on the Schedule of Locations on file with the Company, refer to the list of locations on Endorsement 7.

For all other locations, the following applies:

- (a) Only that portion of property at the time of policy inception which is located in a Special Flood Hazard Zone (SFHA) and situated at or below the 100 year flood elevation level, as shown in the most recent documentation published by the Federal Emergency Management Agency (FEMA), or other qualified and recognized authority for flood information. and/or,

With respect to this definition, the following terms apply:

- a) Federal Emergency Management Agency (FEMA) – The U.S. Federal agency, which is part of the U.S. Department of Homeland Security, under which the National Flood Insurance Program (NFIP) is managed.
- b) Special Flood Hazard Area (SFHA) – The areas of a Flood insurance Rate Map (FIRM) identified as Zone(s): A, AO, AH, A1-A30, AE, A99, AR, AR/A, AR/AE, AR/A1-A30, AR/AH, AR/AO, V, V1-V30, VE or VO.

All other terms and conditions of this policy remain unchanged.

# Exhibit C



## **How to Report a Claim**

### **Inland Marine, Property, Auto Physical Damage**

The Everest Property Claims team is dedicated to providing a best in class claim experience through clear communication and a customer first approach. Our team of Property and Inland Marine Claims Specialists work with you for the life of the claim and are available 24/7 to respond to all questions and concerns. Timely submission of Loss Notices complies with the terms and conditions of your policy and assists us in providing quality service to our policyholders. Any claim or circumstance which may reasonably be expected to give rise to a claim needs to be reported to Everest as soon as possible. In the event you have any questions and/or concerns regarding the claim process, contact Paul Keane:

Bus.: 908 604-7404

Cell: 908 334-8086

[Paul.keane@everestre.com](mailto:Paul.keane@everestre.com)

The following guide has been created to assist you when a covered loss has occurred.

### **PLEASE FOLLOW THE FOLLOWING STEPS IMMEDIATELY AFTER A LOSS:**

#### **All Losses:**

##### **Retention of any and all evidence**

Whenever possible, do not make nor have any repairs made until an inspection can be made. Many times immediate repairs are required. If so, it is crucial that **any and all parts** repaired or replaced **be retained and safeguarded until further notice**. In addition, please retain a copy of the repair invoice.

#### **First Party Property Losses:**

##### **Preserve and Safeguard the loss scene**

Until such time you receive formal notice from Everest/Engle Martin to release the scene, preservation of a loss site encompasses the following:

- No unauthorized parties should be allowed access to the loss site. If emergency efforts are required, it is imperative that the loss scene be minimally impacted during those efforts
- Emergency temporary board up
- Emergency temporary perimeter fencing
- Retention of a security company when necessary

**Option # 1: Email Claim Reporting:**

**[PropertyMarineClaims@everestre.com](mailto:PropertyMarineClaims@everestre.com)**

**cc- [Paul.Keane@everestre.com](mailto:Paul.Keane@everestre.com)**

**Option # 1: Toll-Free Phone: 1-866-287-1736**

For more information on Everest Insurance: [www.EverestGroup.com](http://www.EverestGroup.com)

IM,WP,RP,SIG-Prop & IM

Ed. 07/17

12

Everest Indemnity Insurance Company  
 477 Martinsville Road  
 P.O. Box 830 Liberty Corner, NJ 07938-0830  
 1-800-438-4375



**EVEREST**

## MANUSCRIPT DOMESTIC PROPERTY POLICY DECLARATIONS

**Policy Number:** CA3X001135171

**Renewal of:** NA

**Named Insured and Address:**

Stage Stores Inc  
 2425 West Loop South  
 Houston, TX 77027

**Policy Period:**

**From:** 05/01/2017

**To:** 05/01/2018

(At 12:01 A.M. Standard Time at the location of the property insured)

**Limit of Liability:** \$4,050,000 Part of \$15,000,000 Excess \$10,000,000 Policy Deductibles  
 (Maximum Limit of Liability in any one Occurrence)

**Perils:**

All Risks of Direct Physical Loss or Damage including Flood, Earth Movement, Named Windstorm and Boiler and Machinery, and as further described in the approved policy form.

**Description of Property Covered:**

Real and Personal property; Furniture & Fixtures; Improvements and Betterment's; Inventory; Stock; EDP hardware media and data; Business Income; Extra Expense and as further defined in the policy form.

**Premium:** \$32,400

In return for the payment of the premium, and subject to all the terms of this policy, we agree with you to provide the insurance as stated in this policy.

**Forms Attached:** See attached forms schedule

\_\_\_\_\_  
 Authorized Representative

|                    |             |
|--------------------|-------------|
| Texas Premium:     | \$32,400.00 |
| Fees:              | N/A         |
| Surplus Lines Tax: | \$ 1,571.40 |
| Stamping Fee:      | \$ 48.60    |
| Total:             | \$34,020.00 |

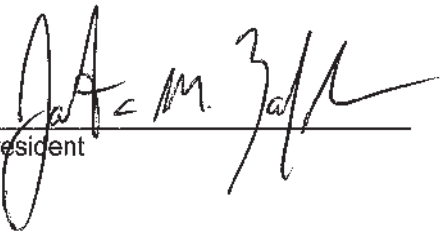


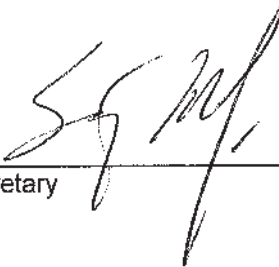
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This policy is signed by officers of the Company shown on the Declarations page of this policy.

For: Everest Indemnity Insurance Company

  
\_\_\_\_\_  
President

  
\_\_\_\_\_  
Secretary

EDEC 820 05 17

Everest Indemnity Insurance Company  
 477 Martinsville Road  
 P.O. Box 830 Liberty Corner, NJ 07938-0830  
 1-800-438-4375



## SCHEDULE OF FORMS AND ENDORSEMENTS

**Named Insured: Stage Stores Inc**

**Policy Number: CA3X001135171**

**Effective Date: 05/01/2017**

| <b>Form Number</b> | <b>Edition Date</b> | <b>Endorsement Number</b> | <b>Title - Description</b>              |
|--------------------|---------------------|---------------------------|---|
| EDEC 819           | 05 17               |                           | Manuscript Property Policy Declarations |
| Stage Stores Inc   | 05/17               |                           | Manuscript Property Policy              |
| ECP 10 601         | 03/17               | 1                         | Authorities Exclusion                   |
| ECP 10 603         | 03/17               | 2                         | Asbestos Exclusion                      |
| ECP 10 606         | 03/17               | 3                         | Electronic Data Corruption              |
| ECP 10 607         | 03/17               | 4                         | Electronic Date Recognition Endorsement |
| ECP 10 608         | 03/17               | 5                         | Occurrence Limit of Liability           |
| ECP 10 610         | 03/17               | 6                         | Mold Exclusion – Covered Peril          |
| ECP 10 611         | 03/17               | 7                         | Pollution Contamination Endorsement     |
| ECP 10 613         | 03/17               | 8                         | Terrorism Exclusion                     |
| ECP 10 614         | 03/17               | 9                         | Service of Suit Form                    |
| EIL 00 524         | 09/11               | 10                        | Minimum Earned Premium                  |

---

Authorized Representative

# **STAGE STORES, INC.**

## **Global Property Insurance Policy**

**Policy # CA3X001135171**

**(Including Boiler and Machinery)**

**Insurer/Security:**

**Everest Indemnity Insurance Company**

# Policy Index

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Note: Any term that appears in bold print, other than titles of clauses, is defined in **Definitions**.

## I. SUPPLEMENTAL DECLARATIONS

### 1. NAMED INSURED AND MAILING ADDRESS

**Stage Stores, Inc.** and any subsidiary, affiliated, associated, or allied company, corporation, firm, organization, and the Insured's interest in partnerships and/or joint ventures, and/or any owned (wholly or partially) or controlled company(ies) where the Insured maintains an interest, as now or hereafter constituted or acquired; and any other party or interest that the Insured is required by contract or agreement to insure;

all hereafter referred to as the "Insured."

Mailing Address:

Stage Stores, Inc.

2425 West Loop South

Houston, TX 77027

### 2. POLICY TERM

This policy attaches and insures;

FROM: May 1, 2017

TO: May 1, 2018

beginning and ending at 12:01AM, standard time, at location of the property involved unless otherwise described herein.

### 3. POLICY TERRITORY

This policy insures the United States of America, its territories and possessions, the District of Columbia, Guam, Puerto Rico, the U.S. Virgin Islands and Canada, including their respective inland and coastal waters. However, coverage applies worldwide, as respects Contingent Time Element and Time Element Extensions.

### 4. LOSS OR DAMAGE INSURED

This policy insures against all risks of direct physical loss or damage to insured property occurring during the policy term, also including **General Average and/or Salvage** and all other charges on shipments insured 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.

### 5. LIMITS OF LIABILITY

In the event of loss or damage insured under this policy, this **Insurer** shall be liable for its proportional share of USD 100,000,000 per **occurrence**, and its proportional share of the following program per **occurrence** and/or policy year annual aggregate sublimits of liability, excess of policy deductibles.

The total amount to be indemnified under this policy and/or any locally admitted version of this policy issued by the **Insurer** or its representatives shall not exceed the overall limit or applicable program sublimits stated in this policy.

Program Sublimits of Liability:

|                             |  |
|-----------------------------|--|
| \$1,000,000 per occurrence  | and in the aggregate in any one policy year as respects losses caused by <b>Earthquake</b> for property situated in the State of California.                   |
| \$10,000,000 per occurrence | and in the aggregate in any one policy year as respects losses caused by <b>Earthquake</b> for property situated in <b>High Hazard Earthquake Zones</b> .      |
| \$50,000,000 per occurrence | and in the aggregate in any one policy year as respects losses caused by <b>Earthquake</b> for property situated outside <b>High Hazard Earthquake Zones</b> . |

**Earthquake** limits shall not apply to any ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

|                             |   |
|-----------------------------|---|
| \$10,000,000 per occurrence | and in the aggregate in any one policy year as respects losses caused by <b>flood</b> for property situated in <b>High Hazard Flood Zones</b> per Endorsement #7. |
| \$50,000,000 per occurrence | and in the aggregate in any one policy year as respects losses caused by <b>flood</b> for property situated outside <b>High Hazard Flood Zones</b> .              |

**Flood** limits shall not apply to any ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

**Flood** zone designations at time of inception of this Policy will be the Zones utilized for Limits of Liability and deductible application, regardless of any post-policy inception change in the designation by FEMA or any other organization responsible for determining flood zones.

|                             |  |
|-----------------------------|--|
| \$250,000 per occurrence    | and in the aggregate in any one policy year as respects losses insured under the Land and Water Clean Up Expense                   |
| \$1,000,000 per occurrence  | as respects Accounts Receivable  |
| \$100,000 per occurrence    | as respects Asbestos Removal (after a covered loss under this policy)  |
| \$10,000,000 per occurrence | as respects Gross Earnings or Loss of Profits  |
| \$5,000,000 per occurrence  | as respects Civil or Military Authority  |
| \$10,000,000 per occurrence | as respects Contingent Time Element, including Attraction Properties for <b>direct customers and suppliers</b> , worldwide.        |
| \$10,000,000 per occurrence | as respects Debris Removal or 25% of the total insurable values at the location where loss or damage occurs, whichever is greater. |
|                             | <b>Demolition and Increased Cost of Construction</b>   |
| Included per occurrence     | as respects the value of the undamaged property - clause F.1)  |
| Included per occurrence     | as respects the cost of demolishing the undamaged property - clause F.2)   |

|              |                       |   |
|--------------|-----------------------|---|
| \$10,000,000 | per <b>occurrence</b> | as respects the increased cost of repair or reconstruction - clause F.3)                            |
| \$10,000,000 | per <b>occurrence</b> | as respects the increase in Time Element loss – clause F.4)   |
| \$1,000,000  | per <b>occurrence</b> | as respects Exhibition and Trade Show   |
| \$10,000,000 | per <b>occurrence</b> | as respects Expediting Expense  |
| \$1,000,000  | per <b>occurrence</b> | as respects Extended Increased Cost of Construction   |
| \$25,000,000 | per <b>occurrence</b> | as respects Extra Expense   |
| \$500,000    | per <b>occurrence</b> | as respects Fine Arts however \$25,000 any one item unless on file with company.                    |
| Included     | per <b>occurrence</b> | as respects Fire Brigade Charges and Extinguishing Expenses   |
| \$2,500,000  | per <b>occurrence</b> | as respects Impounded Water   |
| \$5,000,000  | per <b>occurrence</b> | as respects Ingress/Egress  |
| \$1,000,000  | per <b>occurrence</b> | as respects Land Improvements   |
| \$5,000,000  | per <b>occurrence</b> | as respects Leasehold Interest  |
| Included     | per <b>occurrence</b> | as respects Personal Property of Employees  |
| \$5,000,000  | per <b>occurrence</b> | as respects Professional Fees   |
| \$10,000,000 | per <b>occurrence</b> | as respects <b>Property While in the Course of Construction</b>                                     |
| \$2,500,000  | per <b>occurrence</b> | as respects Protection and Preservation of Property – Time Element                                  |
| \$1,000,000  | per <b>occurrence</b> | as respects Royalties   |
| \$5,000,000  | per <b>occurrence</b> | as respects Service Interruption/Off Premise Power  |
| \$1,000,000  | per <b>occurrence</b> | and \$2,000,000 in the aggregate, as respects Special Perils Business Interruption                  |
| \$5,000,000  | per <b>occurrence</b> | as respects <b>Transit</b>  |
| \$500,000    | per <b>conveyance</b> | as respects <b>Transit</b> (Each railroad car or trailer shall be considered a separate conveyance) |
| \$5,000,000  | per <b>occurrence</b> | as respects Valuable Papers and Records and Electronic Data Processing Media                        |

ACCIDENT TO AN OBJECT (BOILER AND MACHINERY), BUT NOT TO EXCEED:

|              |                       |  |
|--------------|-----------------------|--|
| \$60,000,000 | per <b>occurrence</b> | as respects Property Damage and Time Element |
| \$1,000,000  | per <b>occurrence</b> | as respects Ammonia Contamination            |
| \$2,500,000  | per <b>occurrence</b> | as respects Consequential Damage             |

ADDITIONAL SUBLIMITS:

|              |                       |   |
|--------------|-----------------------|---|
| \$10,000,000 | per <b>occurrence</b> | as respects <b>Automatic Coverage</b> (Newly Acquired Property) |
| \$10,000,000 | per <b>occurrence</b> | as respects Errors and Omissions                                |
| \$10,000,000 | per <b>occurrence</b> | as respects <b>Miscellaneous Unnamed Locations</b>              |



## 6. DISTANCE LIMITATIONS

|        |   |
|--------|---|
| 5 Mile | as respects Civil or Military Authority         |
| 5 Mile | as respects Ingress/Egress                      |
| 5 Mile | as respects Transmission and Distribution Lines |
| 5 Mile | as respects Attraction Properties               |

## 7. TIME LIMITS

In addition to any time limits shown elsewhere in this policy, the following also apply:

|          |  |
|----------|--|
| 90 Days  | as respects Automatic Coverage (Newly Acquired Property) |
| 60 Days  | as respects Civil or Military Authority.                 |
| 60 Days  | as respects Ingress/Egress                               |
| 365 Days | as respects the Extended Period of Liability             |
| Excluded | as respects Ordinary Payroll                             |
| 120 Days | as respects Delay in Completion                          |

## 8. WAITING PERIOD

|          |  |
|----------|--|
| 24 Hours | As respects Service Interruption – Time Element                    |
| 8 Hours  | As respects <b>Electronic Data Processing Media</b> - Time Element |

The stated Waiting Period is a qualifier for coverage. Once the Waiting Period is exceeded, the applicable Time Element Loss is calculated from the date and time of loss, (or earlier if Preservation of Property – Time Element is applicable) and the policy deductible is then applied.

## 9. DEDUCTIBLES

In each case of loss covered by this policy, the **Insurer** will be liable only if the Insured sustains a loss in a single **occurrence** greater than the applicable deductible(s) specified below, and only for its share of that amount.

Unless otherwise stated below, when this policy insures more than one location, the deductible will apply against the total loss covered by this policy in any one **occurrence**.

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 USD 500,000 except:

### Miscellaneous Deductibles

|             |   |
|-------------|---|
|             | All losses, damages or expenses arising out of any one <b>occurrence</b> for the following: |
| USD 100,000 | Property in <b>Transit</b>  |

### Accident to an Object Deductibles

|            |  |
|------------|--|
| USD 50,000 | Per <b>Accident</b> as respects Boiler and Machinery ( <b>Accident</b> to an <b>Object</b> ) |
|------------|--|

Flood Deductibles

USD 1,000,000 for loss or damage caused by **Flood** for insured property at locations situated in **High Hazard Flood Zones** per Endorsement #7. However, this deductible shall not apply to insured property situated outside of the above designated **flood** zone. Furthermore, this deductible shall not apply to any ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

Earthquake Deductibles

5% of the value, per unit of insurance, for loss or damage caused by **Earthquake** to insured property situated in the State of California, subject to a minimum of USD 250,000 in total for all units of insurance per **occurrence**. However, this deductible will not apply to insured property situated outside of this designated **earthquake** zone. This deductible shall apply only to those units of insurance suffering a loss in the **occurrence**. Furthermore, this deductible shall not apply to ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

2% of the value, per unit of insurance, for loss or damage caused by **Earthquake** to insured property situated in **High Hazard Earthquake Zones**, subject to a minimum of USD 250,000 in total for all units of insurance per **occurrence**. However, this deductible will not apply to insured property situated outside of this designated **earthquake** zone. This deductible shall apply only to those units of insurance suffering a loss in the **occurrence**. Furthermore, this deductible shall not apply to ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

Named Windstorm Deductibles

5% of the value, per unit of insurance, for loss or damage caused by **Named Windstorm** to insured property situated in **Tier 1 Counties/Parishes or Zones** for **Named Windstorm**, subject to a minimum of USD 250,000 in total for all units of insurance per **occurrence**. However, this deductible shall not apply to property situated outside of this designated **Named Windstorm** zone. This deductible shall apply only to those units of insurance suffering a loss in the **occurrence**. Furthermore, this deductible shall not apply to ensuing loss or damage caused by or resulting from fire explosion and/or sprinkler leakage.

The amount of the deductibles above shall be determined by applying the above percentages, separately to each of the following units of insurance:

- (1) Each building or structure, not including the value of its foundations, which has sustained loss or damage;
- (2) Personal property within each building or structure if that personal property sustains loss or damage;
- (3) Personal property in the open that sustains loss or damage;
- (4) The Time Element values impacted by insured loss or damage to said property that sustains loss or damage.

Unit(s) of Insurance:

Property Damage Values (1,2 and 3 above) to be used when calculating deductibles shall be either those specified for each unit of insurance shown in the most recent Statement of Values on file with the **Insurer** or, if not so specified (or property under construction), the values will be determined at the time of loss.

Time Element Values to be used when calculating deductibles shall be either those specified for each unit of insurance shown in the most recent Statement of Values on file with the **Insurer** or, if not so specified, based upon the twelve (12) months following the date of loss, with consideration for the most probable experience of the business for the Location, had no loss occurred.

Time Element as used above refers to the following coverages:

- a. Gross Earnings
- b. Loss of Profits
- c. Rental Value and Rental Income

Deductible Clarifications:

(1) In the event that the Insured maintains underlying insurance through the National Flood Insurance Program, it is agreed that this policy shall be excess over the recovery under such National Flood Insurance Policy(s). Should the amount of loss payable under such National Flood Insurance Policy(s) exceed the applicable **flood** deductible under this policy, then no deductible shall apply hereunder. However, if the amount to be paid under such National Flood Insurance Policy(s) is less than the applicable **flood** deductible under this policy, then the amount to be deducted hereunder shall not exceed the difference between the amount to be paid under the Insured's National Flood Insurance Policy(s) and the applicable **flood** deductible under this policy. Insurance maintained through the National Flood Insurance Program shall be considered Underlying Insurance.

(2) If two or more deductible amounts in this policy apply to a single **occurrence**, the total to be deducted shall not exceed the largest individual deductible pertaining to any one cause of loss involved in the occurrence. Where deductibles apply on a per location basis, the single largest deductible at each location shall apply.

(3) In any **occurrence** where loss or damage is caused by more than one cause of loss insured against under this policy, the Insured shall have the right to separate the loss amount by cause of loss for the purposes of application of the deductible(s) specified in this section, notwithstanding the above reference to two or more deductibles and the policy limits.

(4) Whenever mortgage or lease conditions require insurance protection without deductibles, or with deductibles less than are provided herein, **Insurers** agree to make payment without consideration of the applicable deductible. However, the Insured agrees to reimburse the **Insurers** for any payments so made within 30 days of such payment.

(5) If other insurance applies to the same property as insured hereunder, and to the extent recovery is made from such other insurance, the deductible under this policy shall be reduced by such recovery, but in no event shall the deductible under this policy be less than shown in the policy. If recovery from such other insurance is greater than the deductible in this policy, then the deductible under this policy shall not apply.

(6) In the event that all or any portion of the deductible is payable under the Insured's primary insurance or by local, state or governmental funding organizations, such payment shall be considered Underlying Insurance as defined in Section IV, Clause 9.

(7) The deductible amounts specified above shall not apply to general average contributions, salvage charges and sue and labor expenses.

(8) For Contingent Time Element loss, when a deductible is not specifically stated as applying to Contingent Time Element, the deductible for Contingent Time Element loss will be determined as though the contingent time element location was an insured location under this Policy.

#### 10. **LOSS ADJUSTERS**

It is hereby understood and agreed that each and every loss will be adjusted by the Adjuster named below unless otherwise agreed by the Insured and the **Insurer**.

Richard Martin  
 vrs»**vericlaim**  
 A Toplis & Harding Corporation  
 5871 Glenridge Dr NE, Suite 395  
 Atlanta, GA 30328

**11. INSURER, PARTICIPATION AND PREMIUM**

**Insurer/Security:** Everest Indemnity Insurance Company hereafter referred to as the **Insurer**.  
**Insurer Policy Number:** CA3X001135171

In consideration of the premium charged, the **Insurer** agrees to indemnify the Insured for the amount recoverable under the terms and conditions of this policy, and any endorsements hereto, provided that:

- a. The liability of the **Insurer** shall not exceed its percentage of the limit of liability, any sublimit of liability or any aggregate limit of liability in any one policy year.
- b. The liability of the **Insurer** shall not exceed the participation limit described below.

**LAYERED AND LAYERED/QUOTA-SHARE**

| Layer No. | Insurer's Limit of Liability | Part of (Layer Limit) | Excess of (Underlying Limit) |
|-----------|------------------------------|-----------------------|------------------------------|
| 4         | 0%                           | 50,000,000            | 50,000,000                   |
| 3         | 0%                           | 25,000,000            | 25,000,000                   |
| 2         | 27%                          | 15,000,000            | 10,000,000                   |
| 1         | 0%                           | 10,000,000            | Deductibles                  |

In the event of loss or damage insured by this policy, this **Insurer** shall be liable for their proportional interest (outlined above) of the Limits of Liability set forth in Clause No. 5 of this section, or as described in Appendix I.

Domestic Premium: USD 32,400

Domestic Terrorism Premium: USD 0

Deductions from Insurer Premium: 0% Retail Commission  
 (Broker compensation) 17.5% Wholesale Commission  
 (applied against annual premium above)

**12. BROKER OF RECORD**

Aon Risk Services Central, Inc. – Illinois Division  
 200 East Randolph Street  
 Chicago, IL 60601

**13. VALUES AT POLICY INCEPTION**

USD 1,326,404,593 Domestic (United States of America)

USD 0 International (all other countries)

USD 1,326,404,593 Total Values at Inception

The values reported are for premium purposes only.

See Appendix I for State allocation.

**14. PREMIUM ADJUSTMENT**

It is understood and agreed that there shall be no premium adjustment during the term of the policy for additions or deletions of locations unless the total insured values of such additions or deletions (for acquisitions and divestitures) exceeds 5% of the total values reported at inception.

**15. ADDITIONAL CONDITIONS**

Unless otherwise specified below, coverage provided by this policy follows all Policy Terms and Conditions as outlined herein unless endorsed or otherwise listed below:

- 1) Minimum Earned Premium form EIL 00 524 09 11
- 2) Authorities Exclusion – ECP 10 601 0317
- 3) Asbestos Exclusion – ECP 10 603 0317
- 4) Electronic Data Corruption Exclusion – ECP 10 606 0317
- 5) Electronic Date Recognition Endorsement – ECP 10 607 0317
- 6) Occurrence Limit of Liability – ECP 10 608 0317 (amended)
- 7) Mold Exclusion – Covered Peril- ECP 10 610 0317
- 8) Pollution Contamination Endorsement – ECP 10 611 0317
- 9) Terrorism Exclusion – ECP 10 613 0317 (if TRIA is rejected)
- 10) Service of Suit Form – ECP 10 614 0317

Attached to and forming part of **Policy No. \_ CA3X001135171** issued by Everest Indemnity Insurance Company.

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Authorized Signature/**Insurer**

USD = United States Dollar

## APPENDIX I

In consideration of the premium charged, it is agreed that the following provisions are added to the policy as respects the liability of the **Insurer**:

### 1. LAYERED PROGRAM

The Insurer's participation under this policy to which it subscribe is several and not joint, and is limited solely to the extent of its individual participation(s). The participating insurers are not responsible for the participation of any co-participating insurer who for any reason does not satisfy all or part of its obligations under this program.

Furthermore, when a sublimit is shown as applying in the aggregate in any one policy year, the limit of liability detailed above shall also be applied in the aggregate during any policy year separately for each applicable sublimit and shall not exceed such sublimit during any policy year.

### 2. EXCESS CLAUSE VOIDED

**The following Excess Clause located in GENERAL CONDITIONS is voided**

#### 10. EXCESS CLAUSE

This clause only applies in the event that there exists primary or underlying Policy(ies) providing coverage beneath the attachment point of this Policy. In the event of loss caused by or resulting from loss or damage not otherwise excluded, or to more than one location, for purposes of the attachment point of this policy, this policy shall recognize that the limit of liability of the underlying coverage shall apply first to the perils, coverages and/or locations not insured under this policy and the remainder, if any, to the perils, coverages and/or locations insured hereunder. This policy shall recognize the erosion of the underlying policy limits by all perils, coverages or locations insured by the underlying policy. Upon exhaustion of the limit of liability of the underlying coverage, this **Insurer** shall then be liable for the loss uncollected only for those perils, coverages, and/or locations insured under this Policy, subject to the **Insurer's** limit of liability as specified herein.

In the event the aggregate limits (if any) provided for **Flood** and/or **Earthquake** in any underlying insurance are diminished or exhausted in any one Policy year, the coverage provided under this policy shall respond as excess of the remaining limits.

In such event, the applicable amount of the deductible provision of the underlying insurance shall apply to the combination of all policies.

**And replaced with the following two provisions**

### 3. PRIORITY OF PAYMENTS (applicable to primary or **underlying policy(ies)** only)

Any recoveries made under this policy shall first apply to loss or damage not insured by the excess policy(ies). Upon exhaustion of this policy's limit, the excess policy(ies) shall step down and be liable for the loss in excess of the amount attributed to this policy as respects loss or damage insured thereunder subject to the excess policy(ies) limits.

**4. STEP DOWN / DROP DOWN** (applicable to excess policies only)

In determining the amount of any loss or damage for which this policy is excess, the total loss caused by any combination of loss or damage, all of which are insured against under the primary policy or **underlying policy**, shall be used even though such loss or damage is not insured against under this excess policy.

- A. Any recoveries made under the primary or **underlying policy** shall first apply to loss or damage not insured against by this policy. Upon exhaustion of the primary or **underlying policy** limits, this policy shall apply in excess of the amount attributed to the primary or **underlying policy** as respects loss or damage insured hereunder subject to the limit of this policy.
- B. If there is any other excess insurance insuring the property insured hereunder for loss or damage insured against in the primary or **underlying policy** but not insured by this policy, this policy shall then allocate any loss recoveries made under the primary or **underlying policy** in the same proportion as the amount of loss or damage insured against by this policy bears to the combined total loss. Upon exhaustion of the primary or **underlying policy** limits, this policy shall apply in excess of the amount attributed to the primary or **underlying policy** as respects loss or damage insured hereunder subject to the limit of this policy.
- C. Sub-Paragraph B. above shall not apply, however, when the amount of loss attributed to loss or damage insured under the primary or **underlying policy**, but not insured under this policy, exceed the total amount of insurance provided by the primary and excess coverages with respect to said loss or damage. In this situation, any recoveries made under the primary or **underlying policy** shall first apply to loss or damage not insured by this policy. Upon exhaustion of the primary or **underlying policy** limits, this policy shall apply in excess of the amount attributed to the primary or **underlying policy** as respects loss or damage insured hereunder subject to the limit of this policy.
- D. It is further agreed, in the event the **Flood** and/or **Earthquake** annual aggregate limits of any primary or **underlying policy** are diminished or exhausted in any one policy year, any loss or damage insured under this policy for **Flood** and/or **Earthquake** shall apply as excess of any undiminished or unexhausted limits subject to the **underlying policy** deductibles.

All other terms and conditions of this policy remain unchanged.



## II. TERMS AND CONDITIONS

### 1. INSURED PROPERTY

All real and Personal property while such property is located anywhere within the territorial limits of this policy, including while in due course of **transit**, which is owned, used, or intended for use by the Insured, or acquired by the Insured, and property of others in the Insured's care, custody or control including the Insured's liability for such property and including the costs to defend any allegations of liability for loss or damage to such property; including but not limited to the following:

- A. Improvements and betterments. The **Insurer** agrees to accept and consider the Insured as sole and unconditional owner of the improvements and betterments, notwithstanding any contract or lease to the contrary.
- B. Personal property of the Insured's officials and employees, while in the Insured's care, custody or control or while on the Insured's premises, (except personal automobiles).
- C. The interest of the Insured's customers in property sold by the Insured under conditional sale, trust agreement, installment plan or other deferred payment plan including property which is leased to customers under a lease/purchase agreement.
- D. Real and/or Personal Property of others that the Insured has agreed to insure prior to loss or damage including property not in the Insured's care, custody or control.
- E. **Property While in the Course of Construction** and/or during erection, assembly and/or installation.
- F. Contractors' and vendors' interest in property covered to the extent of the Insured's liability imposed by law or assumed by contract, whether written or oral.

### 2. PROPERTY NOT INSURED

This policy does not insure loss or damage to:

- A. Motor vehicles licensed for highway use when not on the Insured's premises, except this exclusion shall not apply to contractor's equipment, or to such property which constitutes stock or property on exhibit or being serviced or repaired.
- B. Land, except as insured under Land and Water Clean Up Expense. This exclusion shall not apply to the cost of reclaiming, restoring or repairing land improvements. Land improvements as described hereunder include, but are not limited to, any alteration to the natural condition of the land by grading, excavating, landscaping, earthen dikes or dams, as well as additions to land such as pavements, roadways, ponds, golf courses, or similar works.
- C. Currency, money, gold bullion, evidence of debt, except Accounts Receivable as defined in the policy, notes or securities except as otherwise described in this policy.

- D. Growing crops and standing timber not to be used for industrial processes; live animals not used for research.
- E. Water, except as insured under Impounded Water, Land and Water Clean Up Expense, or when contained in any form of piping system, processing system or holding tank or used in the manufacturing process.
- F. 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.

However, this exclusion will not apply to:

- 1) ferry shipments to, from and between countries in Continental Europe, the United Kingdom and Ireland; and
- 2) air or inland waterway shipments to, from and between countries in Continental Europe.
- G. Waterborne shipments via the Panama Canal, and to and from Puerto Rico, the Virgin Islands, Hawaii, and Alaska;
- H. Aircraft, watercraft, spacecraft, satellites, except this exclusion shall not apply to such property that constitutes stock.
- I. Off-shore property, dams, dikes, bridges and tunnels, unless specifically reported to the **Insurer**. Bridges and tunnels which are part of, located upon and/or attached to real property insured by this Policy are covered by this Policy.

### 3. **LOSS OR DAMAGE EXCLUDED**

This policy does not insure the following:

- A.
  - 1) Loss or damage caused by 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 such government, power, authority, or forces;
  - 2) Loss or damage caused by any weapon employing atomic fission or fusion;
  - 3) Loss or damage caused by rebellion, revolution, civil war, usurped power; or action taken by governmental authority in hindering, combating, or defending against such **occurrence**;
  - 4) Loss or damage caused by seizure or destruction by order of public authority, except destruction by order of public authority to prevent spread of, or to otherwise contain, control or minimize loss, damage, or destruction which occurs due to loss or damage insured under this policy;

- 5) Risks of contraband or illegal trade.
- B. Loss or damage caused by nuclear reaction or 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, attributed to, or aggravated by loss or damage insured herein except:
- 1) The **Insurer** shall be liable for loss or damage caused by sudden or accidental radioactive contamination, including resultant radiation damage for each **occurrence** from material used or stored or from processes conducted on insured 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 insured premises;
  - 2) If fire ensues, liability is specifically assumed by the **Insurer** for such ensuing loss or damage insured hereunder but not including any loss due to nuclear reaction, nuclear radiation or radioactive contamination.
- C. Loss or damage caused by **fraudulent or dishonest acts** committed by the Insured or any of the Insured's employees.
- This exclusion does not apply to loss or damage resulting from the Insured voluntarily parting with title or possession of any property if induced to do so by any fraudulent scheme, trick, device or false pretense, nor shall this exclusion apply to willful acts of destruction committed by the Insured's employees.
- D. Normal or ordinary wear, tear, gradual deterioration, rust, corrosion, settling, cracking, erosion except if physical loss or damage not excluded in this policy ensues, then this policy shall insure only the ensuing loss or damage. However, if an **Accident** to an **Object** ensues, then this exclusion shall not be applicable.
- E. The cost of making good defective design, faulty material, or faulty workmanship, except, if physical loss or damage not excluded in this policy ensues, then this policy shall insure only the ensuing loss or damage. However, if an **Accident** to an **Object** ensues, then this exclusion shall not be applicable.
- F. Errors in processing or manufacture, except, if physical loss or damage not excluded in this policy ensues, then this policy shall insure only the ensuing loss or damage.
- G. Except as provided in Land and Water Clean Up Expense, loss or damage arising out of the dispersal, release or escape of contaminants or pollutants into or upon land, the atmosphere or any water course or body of water.
- H. Inherent vice or latent defect, except if physical loss or damage not excluded in this policy ensues, then this policy shall insure only the ensuing loss or damage.
- I. Mildew, mold, spoilage or decay; unless caused by physical loss or damage not otherwise excluded.

#### 4. **COVERAGE EXTENSIONS**

Except as excluded, this policy covers:

##### A. **Accounts Receivable**

In the event of insured loss or damage to records or accounts receivable from customers caused by loss or damage insured herein, this **Insurer** will indemnify the Insured as follows:

- 1) All sums due the Insured (from customers), provided the Insured is unable to effect collection thereof as a result of loss or damage to records of accounts receivable by loss or damage insured by this policy.
- 2) All sums due the Insured from factoring transactions, when the property of the debtor has been lost or damaged by loss or damage insured by this policy and the Insured has been unable to effect collection thereof.
- 3) Interest charges on any loan to offset impaired collections pending repayment of such sums made uncollectible by such loss or damage.
- 4) Collection expenses in excess of normal collection cost and made necessary because of such loss or damage.
- 5) Other expenses, when reasonably incurred by the Insured in reestablishing records of accounts receivable following such loss or damage.

For purpose of this insurance, charges under a credit card company and maintained on **Electronic Data Processing Media** shall be deemed to represent sums due the Insured from customers.

When there is proof that a loss of records of accounts receivable has occurred by the Insured and the Insured 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 (12) months shall be adjusted in accordance with the percentage increased or decreased in the twelve (12) 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 Insured and an amount to

allow for probable bad debts which would normally have been uncollectible by the Insured.

**B. Brands and Labels**

In case of insured loss or damage 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 Insured, the salvage value of such damaged property shall be determined after removal in the customary manner, at the expense of the **Insurer**, of all such brands or trademarks or other identifying characteristics.

**C. Consequential Damage**

1. This policy also insures against consequential loss caused by or resulting from a change in temperature or humidity or by interruption of power, heat, air conditioning, or refrigeration, telephone or telegraphs, supply water or telecommunications as a result of physical loss or damage of the type insured to property/equipment or plants used to provide refrigeration, cooling humidifying, dehumidifying air conditioning heating, generating, converting power or telephone or telegraphs, or telecommunications, including all connections and supply from transmission lines and pipes, power generating equipment, utility plants or sources, whether or not such equipment is on or off the premises of the Insured.
2. The policy shall further insure the resulting reduction in value of the remaining undamaged components or parts of property customarily sold as units, pairs, sets, lots or ranges of sizes or colors.

**D. Control of Damaged Property**

The Insured shall have full right to the possession of all property manufactured, sold or distributed by the Insured involved in any loss under this policy and shall retain control of all damaged property. The Insured, exercising reasonable discretion, shall be the sole judge as to whether the property involved in any loss under this policy is fit for consumption, sale or use and any property so deemed by the Insured to be unfit for consumption, sale or use shall not be sold or otherwise disposed of except by the Insured or with the Insured's consent, but the Insured shall allow the **Insurer** any salvage proceeds obtained by the Insured on any sale or other disposition of such merchandise.

**E. Debris Removal**

The policy insures the necessary and reasonable expenses incurred by the Insured to remove, clean-up and/or properly dispose of any debris remaining after any loss or damage covered under this policy.

**F. Demolition and Increased Cost of Construction**

In the event of insured loss or damage insured under this policy that causes the enforcement of any law, ordinance and/or governmental directive regulating the construction, repair or use of property, the **Insurer** shall be liable for:

1. The cost of demolishing the undamaged property including the cost of clearing the site;
2. The value of the undamaged property which had to be demolished;
3. The increased cost of repair or reconstruction, whichever is less, of the damaged and undamaged property on the same or another site and limited to the costs that would have been incurred in order to comply with the minimum requirements of such law, ordinance and/or governmental directive regulating the repair or reconstruction or use of the damaged property. However, the **Insurer** shall not be liable for any increased cost of construction loss unless the damaged property is actually rebuilt or replaced;
4. The increase in loss, including, but not limited to, Business Interruption, Extra Expense, Rental Value, Leasehold Interest or Royalties or extensions thereof arising out of the additional time required to comply with said law, ordinance and/or governmental directive.

**G. Expediting Expense**

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

**H. Fines and Penalties**

This policy is extended to insure such Fines or Penalties as may be imposed on the **Insured** for the breach of contract either in respect of goods and services delayed or not delivered, or in respect of the **Insured's** failure or delay to take delivery of goods and services ordered, as a direct result of a cause of physical loss not otherwise excluded herein to Real and Personal property covered under this policy. For the purposes of this clause, liquidated damages shall also be considered fines and penalties.

**I. Fire Brigade Charges and Extinguishing Expenses**

This policy insures the following expenses resulting from:

1. fire brigade charges and other extinguishing expenses for which the Insured may be assessed;
2. loss of fire extinguishing materials expended.

**J. Land and Water Clean Up Expense**

This policy insures the reasonable and necessary cost or expense of decontamination or removal or disposal of land and water on or under the premises of the Insured

It is a condition precedent to recovery under this clause that the **Insurer** shall have paid, or agreed to pay for, loss or damage to the property insured hereunder unless such payment is precluded solely by the operation of any deductible.

It is also a condition precedent to recovery under this clause that the Insured shall give written notice to the **Insurer** of intent to claim for decontamination and clean up expense not later than one hundred-eighty (180) days after the date of such loss or damage

**K. Professional Fees**

This policy insures the reasonable fees and expenses incurred by the Insured, or by the Insured's representatives for assessing, preparing and/or certifying details of a claim resulting from a loss which would be payable under this policy. The reasonable fees and expenses of Aon Property Risk Consulting, Inc. qualify for this coverage extension. However, this policy does not insure the expenses of Public Adjustors or attorneys. However, the reasonable fees and expenses of Aon Property Risk Consulting, Inc. qualify for this coverage extension.

**L. Protection and Preservation of Property – Property Damage**

In case of actual or imminent loss or damage of the type insured against by this policy, the expenses incurred by the Insured in taking reasonable and necessary actions for the temporary protection and preservation of insured property, shall be recoverable under the policy and be subject to the applicable deductible, and without increase in the limit provisions contained in this policy.

**M. Tax Treatment of Profits**

This policy insures the additional loss sustained by the Insured resulting from loss or damage insured by this policy in the event the tax treatment of:

- A. the profit portion of a loss recovery involving finished stock manufactured or purchased by the Insured; and/or
- B. the profit portion of business interruption loss proceeds;

differs from the tax treatment of profits that would have been incurred had no loss occurred.

**N. Temporary Removal of Property**

This policy insures property temporarily removed from a location for the purposes of being repaired or serviced, or in order to avoid loss or damage insured by this policy. However, this coverage does not apply to property removed for normal storage.

**O. Transit**

This policy insures loss or damage not otherwise excluded, to insured property in **transit** including resulting loss as afforded under Time Element Coverages provided under this policy.

- 1) This insurance is extended to insure loss or damage to property:
  - (a) sold and shipped by the Insured 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) at the Insured's option, which is incoming to the Insured.

2) This policy also insures loss or damage:

- (a) 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;
- (b) occasioned by the acceptance by the Insured, by its agents, or by its customers of fraudulent bills of lading, shipping and delivery orders, or similar documents.

## 5. TIME ELEMENT COVERAGE

This policy is extended to cover Time Element loss as described below resulting from insured loss or damage not otherwise excluded. The Insured has the option at any time during the loss adjustment to choose whether to calculate its claim in accordance with the Gross Earnings provision (5.A) and applicable extensions or the Loss of Profits provision (5.B) and applicable extensions. This election may be made at any time before final payment of claim.

### A. Gross Earnings

- 1) Loss due to the necessary interruption of business conducted by the Insured, whether total or partial, including all interdependencies between or among companies owned or operated by the Insured, resulting from physical loss or damage insured herein and occurring during the term of this policy to property insured herein.
- 2) Such loss shall be adjusted on the basis of the actual loss sustained by the Insured, consisting of the net profit which is prevented from being earned including **ordinary payroll** and payroll;

**and**

all charges and other expenses (including **soft costs**) to the extent that these must necessarily continue during the interruption of business, but only to the extent to which such charges and expenses would have been incurred had no loss occurred.

- 3) In determining the amount of net profit, charges, and expenses insured hereunder for the purposes of ascertaining the amount of the actual loss sustained, due consideration shall be given to the experience of the business before the date of the loss or damage and to the probable experience thereafter had no loss occurred.
- 4) As respects Time Element Coverage - Gross Earnings, the **Insurer** shall not be liable under this section for any loss resulting from loss or damage to **finished stock** nor for the time required to reproduce said **finished stock** or stock in process.



**B. Loss of Profits**

Coverage under this clause applies where the Insured elects Loss of Profits coverage under this policy. Such election may be exercised at any time prior to loss settlement as outlined elsewhere in this policy. If such claim involves more than one location, including interdependency, the entire claim will be adjusted using a single coverage (Gross Earnings or Loss of Profits).

1. Loss of gross profit as hereinafter defined, resulting from interruption of or interference with the business and caused by physical loss or damage to real or personal property as insured herein.
2. Indemnity: The amount of loss of gross profit shall be based on REDUCTION IN TURNOVER and on INCREASE IN COST OF WORKING, and the amount payable as indemnity thereunder shall be:

- (a) In respect to REDUCTION IN TURNOVER: The sum produced by applying the rate of gross profit to the amount by which the turnover during the indemnity period shall, in consequence of the damage, fall short of the standard turnover;
- (b) In respect to INCREASE IN COST OF WORKING: The additional expenditure necessarily and reasonably incurred for the sole purpose of avoiding or diminishing the reduction in turnover which but for that expenditure would have taken place during the indemnity period in consequence of the damage, but not exceeding the sum produced by applying the rate of gross profit to the amount of the reduction thereby avoided;
- (c) In respect to auditors fees, the reasonable charges payable by the Insured to their auditors for producing and certifying any particulars or details in the Insured's books of account or other books or documents or such other profits, information or evidence as may be required by the **Insurer**;

less any sum saved during the indemnity period in respect of such of the standing charges of the business payable out of gross profit as may cease or be reduced in consequence of the damage.

3. Definitions applicable to Loss of Profits:
  - (a) Gross Profit: The sum produced by adding to the net profit the amount of all the standing charges of the business, including **soft costs** or if there be no net profit the amount of said standing charges less the amount of any net trading loss. Standing charges shall include, but not be limited to, wages and depreciation on property.
  - (b) Net Profit: The net trading profit (exclusive of all capital receipts and accretions and all outlay properly chargeable to capital) resulting from the business of the Insured after due provision has been made for all standing and other charges including depreciation but before the deduction of any taxation chargeable on profits.

- (c) **Wages:** The remuneration (including where applicable: bonuses, overtime, living allowance (if any), national insurance contribution, holiday pay or other payments pertaining to wages) of all employees other than those whose remuneration is treated as salaries in the Insured's books of account.
- (d) **Turnover:** The money (less discounts allowed) paid or payable to the Insured for goods sold and delivered and for services rendered in course of the business.
- (e) **Indemnity Period:** The period beginning with the **occurrence** of the damage and ending not later than the period of indemnity stipulated under the primary insurance, twenty-four (24) months or as described in the Supplemental Declarations of this policy, whichever is greater, during which period of time the results of the business shall be affected in consequence of the damage.
- (f) **Rate of Gross Profit:** The rate of gross profit earned on the turnover during the financial year immediately before the date of the damage.
- (g) **Annual Turnover:** The turnover during that period in the 12 months immediately before the date of the damage.
- (h) **Standard Turnover:** The turnover during that period in the 12 months immediately before the date of the damage which corresponds with the indemnity period.

With respect to subparagraphs f-Rate of Gross Profit, g- Annual Turnover and h- Standard Turnover as described above, such adjustments shall be made as may be necessary to provide for the trend of the business and for variations in or special circumstances affecting the business either before or after the damage or which would have affected the business had the damage not occurred, so that the figures thus adjusted shall represent as nearly as reasonably practicable the results which but for the damage would have been obtained during the relative period after the damage.

4. **Memoranda:**

**MEMO 1:** If during the indemnity period goods shall be sold or services shall be rendered elsewhere other than at the damaged premises for the benefit of the business either by the Insured or by others on its behalf, the money paid or payable in respect of such sales or services shall be brought into account in arriving at the turnover during the indemnity period.

**MEMO 2:** In adjusting any loss, account shall be taken and an equitable allowance made if any shortage in turnover due to the damage is postponed by reason of the turnover being temporarily maintained from accumulated stocks of finished goods in warehouses and/or depots.

MEMO 3: In the event of a loss or damage to property insured herein, which results in an interruption of research and development activities which in themselves would not have produced gross profit during the indemnity period, this policy shall insure the actual loss sustained of the continuing standing charges, including wages directly attributable to such research and development activities.

**C. Extra Expense**

This policy provides coverage for the reasonable and necessary Extra Expense (including **soft costs**) incurred by the Insured in order to continue as nearly as practicable the normal operation of the Insured's business following physical loss or damage insured to property insured herein occurring during the policy term.

**D. Leasehold Interest**

This policy provides coverage for the leasehold interest of the Insured as outlined below:

Pro rata proportion from the date of loss to expiration date of the lease (to be paid without discount) on the Insured's interest in:

- 1) The amount of bonus paid by the Insured for the acquisition of the lease not recoverable under the terms of the lease;
- 2) Improvements and betterments to real property which are not covered under any other section of this policy;
- 3) The amount of advance rental paid by the Insured and not recoverable under the terms of the lease;

when property is rendered wholly or partially untenable by any covered loss during the term of this policy and the lease is canceled by the party not the Insured under this policy in accordance with the conditions of the lease or by statutory requirements of the appropriate jurisdiction in which the damaged or destroyed property is located; and

"The Interest of the Insured as Lessee or Lessor" when property is rendered wholly or partially untenable by any covered loss during the term of this policy and the lease is canceled by the party not the Insured by this policy in accordance with the conditions of the lease or by statutory requirements of the appropriate jurisdiction in which the damaged or destroyed property is located.

"The Interest of the Insured as Lessee or Lessor" 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.

Definitions applicable to Leasehold Interest:

- 1) "The Interest of the Insured as Lessee" is 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; and

- 2) the rental income earned by the Insured from sublease agreements, to the extent not covered under any other section of this policy, over and above the rental expenses specified in the lease between the Insured and the lessor.
- 3) "The Interest of the Insured as Lessor" is the difference between the rents payable to the lessor under the terms of the lease in effect at the time of loss and the actual rent collectible by the lessor during the unexpired term of the lease provided the lease is canceled by the lessee, to the extent not covered under any other section of this policy.
- 4) "Net Lease Interest" is that sum, which placed at 6% interest compounded annually will be equivalent to the "The Interest of the Insured as Lessee or Lessor."

It is understood and agreed that in the event loss or damage insured results in both loss of Rental Income and/or Rental Value and loss of the Interest of the Insured as Lessor, the provisions and limit of liability of the Rental Income and Rental Value coverage will be applied first in accordance with the applicable period of recovery. The coverage provided by the Leasehold Interest provisions and limit of liability shall be applied and commence at the cessation of the Rental Income and Rental Value coverage and continue until the expiration of the lease.

**E. Rental Value and Rental Income**

- 1) This policy provides coverage for Loss of Rental Income and/or Loss of Rental Value of the Insured caused by physical loss or damage insured herein occurring during the term of this policy to property and/or premises rented, leased or occupied by the Insured and/or rented or leased by the Insured to others.
- 2) Rental Income shall include the following:
  - a) The total anticipated gross rental income from tenant(s) of the Insured's building(s) and structure(s), and
  - b) The amount of all charges assumed by tenant(s) except those charges which do not continue, which would otherwise be obligations of the Insured, and
  - c) The fair rental reasonably expected from unrented portions of such property and the fair rental for that portion occupied by the Insured.
- 3) Rental Value shall include the following:
  - a) Rental Income Insurance in those situations where the Insured is required under a lease or rental agreement to maintain such insurance on behalf of any landlord.
  - b) Rental expenses incurred by the Insured in excess of the expenses which would have been incurred had a leased or rented premises not been damaged or destroyed by loss or damage insured herein. Such coverage

will apply for all additional expenses incurred during the period of untenability or if the lease cannot be terminated until its expiration.

**F. Royalties**

- 1) Loss of Royalties, Fees and Commissions which would have been earned under Royalties, Fees or Commission Agreements between the Insured and any concern(s), as a result of loss or damage to the property of such concern(s) caused by physical loss or damage to property of the type insured herein occurring during the term of this policy.
- 2) Such loss shall be adjusted on the basis of actual loss sustained of such income which would have been earned had no loss occurred.

**6. TIME ELEMENT EXTENSIONS**

The Time Element Extensions extend the coverages provided in Clauses 5.A, B, C, D, E, and F, above.

- A. This policy insures the actual loss sustained caused by or resulting from loss or damage of the type insured to:

1) **Attraction Property**

Property not owned or operated by the Insured, which attracts business or trade to the vicinity of the Insured's operations.

There is no liability for any loss or damage otherwise insured under the Contingent Business Interruption/Contingent Extra Expense clause below.

2) **Contingent Time Element**

Property, that impairs or prevents;

- a) Any **direct supplier(s)** of goods and/or services to the Insured, from rendering and/or delivering their goods and/or services, or
- b) Any **direct customer(s)** of goods and/or services from the Insured, from accepting the Insured's goods and/or services.

For the purposes of this coverage extension, such supplier or customer can be located anywhere in the world.

There is no liability for any loss or damage otherwise insured under the Service Interruption/Off Premises Power clause below.

3) **Service Interruption/Off Premises Power**

Property of service providers, including, but not limited to, electricity, water, gas, sewerage, steam, telephone, telecommunications, including voice/data, or their

respective transmission and distribution lines or utility plants which directly or indirectly provide incoming or outgoing services to the Insured situated on or outside of the Insured's premises.

Coverage provided in this section is extended to include any **accidental event** at the above provider of services.

There is no liability for any loss or damage otherwise insured under the Contingent Business Interruption/Contingent Extra Expense or Attraction Property clauses above.

4) **Impounded Water**

Dams, reservoirs, or equipment connected therewith when water, used as a raw material, for power or other manufacturing purpose, is stored behind or in such dams or reservoirs, is released from storage and impairs or prevents operations of the insured due to adequate water supply from such sources. This coverage is afforded for thirty (30) days from the date of initial loss or damage. The Insured shall use due diligence and dispatch to repair or replace the damaged dam, reservoir or connected equipment.

**B. Civil or Military Authority**

This policy is extended to cover the actual loss sustained by the insured during the period of time when access to covered property is impaired by order or action of civil or military authority issued as a result of loss or damage of the type insured against to property, other than property as described under Property Insured. The loss or damage that causes the action or order of civil or military authority must occur within the number of miles from the Insured Property as stated in the Supplemental Declarations section of this Policy.

This coverage is afforded for the number of days as stated in the Supplemental Declarations section of this Policy.

**C. Ingress/Egress**

This policy is extended to cover the actual loss sustained by the insured during the period of time when ingress to or egress from covered property is impaired as a result of loss or damage of the type insured against to property, other than property described under Property Insured. The damage that causes the ingress to or egress from to be impaired, must occur within the number of miles from the Insured Property as stated in the Supplemental Declarations section of this Policy.

This coverage is afforded for the number of days as stated in the Supplemental Declarations section of this Policy.

**D. Protection and Preservation of Property-Time Element**

The policy is extended to cover the actual loss sustained during the period of time, when the Insured takes reasonable and necessary actions for the temporary protection and preservation of property insured, to prevent impending loss or damage insured. Such coverage applies regardless of whether actual insured loss or damage occurs.

**E. Research and Development**

In the event of insured loss or damage to property insured herein which results in an interruption of research and development activities, which in themselves would not have produced income during the recovery period, this policy shall insure the actual loss sustained of the continuing charges and expenses, including **ordinary payroll**, and payroll, directly attributable to such research and development activities.

**F. Time to Replace Stock or Raw Material**

Notwithstanding the paragraph in the Business Interruption – Gross Earnings provision to the contrary, this policy is extended to cover the additional expenses incurred over and above normal, during the time required to replace raw materials, stock in process or finished goods to the inventory level which existed prior to the loss.

**G. Waterway Access**

This policy is extended to cover the actual loss sustained during the period of time, when the insured's business or operations are impaired fully or partially as a result of the inability to utilize waterways, when the inability is the result of physical loss or damage not otherwise excluded. Coverage is afforded for thirty (30) days from the date of initial actual loss sustained.

Contingent Time Element and Attraction Properties referenced in 6.A.1 and 6.A.2 will be considered as insured property for application of the following Time Element Extensions.

Service Interruption/Off Premises Power  
 Impounded Water  
 Civil or Military Authority  
 Ingress/Egress  
 Protection and Preservation of Property-Property Damage  
 Waterway Access

**7. TIME ELEMENT PROVISIONS**

The following apply to all Time Element Coverage and Time Element Extensions except Loss of Profits, unless otherwise stated therein:

**A. Period of Recovery**

The length of time for which loss may be claimed is referred to as the period of recovery and:

- 1) shall commence with the date of such loss or damage and shall not be limited by the date of expiration of this policy;
- 2) shall not exceed such length of time as would be required with the exercise of due diligence and dispatch to rebuild, repair, or replace the property that has been destroyed or damaged;

**and,**

- 3) such additional length of time to restore the Insured's business to the condition that would have existed had no loss occurred, commencing with the later of the following dates:
  - (a) the date on which the liability of the **Insurer** for loss or damage would otherwise terminate; or
  - (b) the date on which repair, replacement or rebuilding of the property that has been damaged is actually completed and the Insured has resumed normal operations.

but in no event for more than the number of days for Extended Period of Liability as stated in the Supplemental Declarations section of this policy;

- 4) With respect to loss or damage occurring to **property in the course of** construction, due consideration shall be given to the level of production or level of business operations that would reasonably have been achieved after completion of construction had no loss or damage occurred.
- 5) With respect to damage occurring to research and development activities, if there is a delay in planned product completion, release or offering, due consideration shall be given to the level of production or business operations that would reasonably have been achieved had no loss occurred. .
- 6) The Period of Recovery shall not include:
  - a) Any days which would coincide with a shutdown planned prior to loss,
  - b) Any increase of loss which may be occasioned by the suspension, lapse or cancellation of any lease or by the Insured exercising any option to cancel a lease unless the suspension, lapse or cancellation is due to the loss or damage covered by this policy.
  - c) Any additional loss due to fines, penalties or damages for breach of contract or non-delivery of goods.

**B.** If the Insured can reduce the loss resulting from the interruption of business:

- 1) by a complete or partial resumption of operations of the property insured, whether damaged or not; or
- 2) by making use of stock, merchandise, or other property insured herein;

Such reduction shall be taken into account in arriving at the amount of loss hereunder. However, when making use of stock, merchandise or other insured property the insured shall be reimbursed to replenish the stock or merchandise used to reduce the loss.

**C.** Expense to Reduce Loss: (not applicable to Extra Expense)



This policy also insures such expenses as are necessarily incurred for the purpose of reducing any loss under this policy, but in no event shall the aggregate of such expenses exceed the amount by which the loss under this coverage part is thereby reduced.

D. Experience of the Business:

In determining the amount of loss insured hereunder due consideration shall be given to the experience of the business before the date of loss or damage and to the probable experience thereafter had no loss or damage occurred.

### III. POLICY LOSS ADJUSTMENT AND SETTLEMENT

#### 1. NOTICE OF LOSS

The Insured shall report to the **Insurer** any loss or damage which may become a claim under this insurance policy as soon as may be practicable after it becomes known to the Director of the Risk Management Department (or the individual acting in a similar capacity) of the Insured.

#### 2. KNOWLEDGE OF OCCURRENCE

It is agreed that knowledge of an **occurrence** by an agent, servant or employee of the Insured shall not in itself constitute knowledge by the Insured. Knowledge is understood to occur only when the Director of the Risk Management Department (or the individual acting in a similar capacity) of the Insured shall have received notice from its agent, servant or employee.

#### 3. PROOF AND PAYMENT OF LOSS

A detailed Proof of Loss shall be filed with the **Insurer** as soon as practicable. Loss shall be adjusted with the Risk Management Department of the Insured or assigned representatives, and all adjusted claims shall be paid to the Insured or its order within thirty (30) days after filing and acceptance of a Proof of Loss.

#### 4. PARTIAL PAYMENT OF LOSS

It is understood and agreed that this **Insurer** will make partial payments of claims subject to the policy provisions and the normal policy adjustment provisions.

To obtain said partial claim payment, the Insured shall submit a partial Proof of Loss with supporting documentation. Upon receipt and approval of a partial Proof of Loss, the **Insurer** will make partial payments to the Insured within no more than fourteen (14) days to the Insured.

#### 5. LOSS PAYABLE

Loss, if any, shall be adjusted with and payable to the Insured or its order.

#### 6. SUBROGATION AND SUBROGATION WAIVER

A. It is agreed that upon payment of any loss, this **Insurer** is subrogated to all the rights of the Insured to the extent of such payment.

Any release or waiver of liability entered into by the Insured in the course of their business prior to loss (including but not limited to bills of lading and/or receipts from carriers, bailees, warehousemen, lightermen, processors, limiting or releasing their liability) hereunder shall not prejudice the Insured's rights of recovery under this policy.

B. The right of subrogation against the Insured's subsidiary, affiliated, or associated corporations or companies, joint ventures, partnerships or individuals, or any other party required to be insured, or any other corporations or companies associated with the Insured through ownership or management is waived.

C. In the event of any payment under this policy, except where subrogation rights have been

waived, the **Insurer** shall be subrogated to the extent of such payment to all the Insured's rights of recovery therefore. The Insured shall execute all papers required and shall take reasonable and necessary action to secure such subrogation rights. The **Insurer** will act in concert with all other interests concerned, such as the Insured and any other company(ies) 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, after deducting the costs of recovery, such amount shall be divided between the interests concerned in the proportion of their respective interests. If there should be no recovery, all costs and expenses shall be borne by the party instituting the proceedings.

## 7. **SALVAGE AND RECOVERIES**

Except as described elsewhere herein, after expenses incurred in salvage or recovery are deducted, any salvage or other recovery, except recovery through subrogation proceedings and/or from underlying and/or excess insurance as described herein, shall accrue entirely to the benefit of this **Insurer** until the sum paid by the **Insurer** has been recovered.

## 8. **VALUATION**

At time of loss, the basis of adjustment shall be as follows:

- A. On buildings and structures, at the replacement cost new; if not replaced, then at the actual cash value.
- B. On machinery, equipment, furniture, fixtures and improvements and betterments at the replacement cost new or the cost of repair, whichever is less. If not replaced, then at the actual cash value.
- C. The cost of architects', surveyors', inspectors' and/or engineers' plans, drawings, specifications, fees and charges including the cost for supervision of construction and repair of damages.
- D. **Valuable Papers and Records and Electronic Data Processing Media** at the value blank plus the cost of labor, service and/or supplies for actually reconstructing, researching, gathering information, reproducing, recreating, transcribing or copying such papers, records and **Electronic Data Processing Media**.
- E. **Fine Arts** owned by the Insured at the cost of reasonably restoring the property to its condition immediately prior to the loss, or in the event that the property cannot be restored at the appraised value prior to the loss. In absence of such appraisal, at the market value at the time of loss.  
  
**Fine Arts** which is the property of others, either at the Insured's contractual or legal liability.
- F. **Finished Stock** and other merchandise not manufactured by the Insured but held for sale, at the Insured's selling price less discounts to which the goods would have been subject had no loss occurred, and labor (internal or 3<sup>rd</sup> party) at the cost to restock. Any obsolete inventory is a deduction to the inventory at the time of loss only, and not a percentage applied to the total inventory loss.

- G. Property of others and property leased by the Insured, or for which the Insured has agreed to insure, at the Insured's contractual or legal liability for said damage.
- H. Stock in process (raw stock which has undergone any aging, seasoning, or other processing by the Insured, but which has not become finished stock) shall be valued at the Insured's selling price of finished stock at the time of the loss, less any manufacturing expense not incurred by the Insured and less any discounts, rebates and unincurred expense to which the sales price would have been subject.
- I. Contractor's equipment shall be valued at actual cash value, unless an agreed value applies or at the **Insured's** contractual or legal liability for said loss or damage.
- J. All other property, not otherwise mentioned above, at the replacement cost new; if not replaced, then at the actual cash value.

It is understood and agreed that as respects replacement cost new, the Insured shall have the option of replacing equipment having technological advantages and/or representing an improvement in function and/or forming part of a program of system enhancement provided that such replacement can be accomplished without increasing the **Insurer's** liability.

The Insured, using reasonable discretion, shall be the sole judge as to whether electrical and mechanical equipment are damaged and unusable. This **Insurer** shall be allowed to dispose of, as salvage, any non-proprietary property deemed unusable by the Insured.

As respects A., B. and J. above, the Insured may elect not to replace the property lost, damaged, or destroyed and obtain loss settlement on a replacement cost basis if the proceeds of such loss settlement are expended in any other capital expenditures related to the Insured's operations within the territorial limits of the policy.

## 9. CURRENCY

It is hereby understood and agreed that all amounts used herein are in United States currency and that premiums shall be paid and all losses shall be adjusted and paid in United States currency. In the event of a loss adjustment involving foreign currency, conversion into the currency of the United States of America shall be calculated as follows:

- A. As respects real and personal property, the cost of repair, replacement or reconditioning shall be converted, as of the date of repair, replacement or reconditioning based on the rate of exchange quoted in the Wall Street Journal.

If the property is not replaced or repaired, the conversion into the currency of the United States of America shall be at the rate of exchange quoted in the Wall Street Journal as of the date of loss.

- B. As respects all other coverages, currency shall be converted at the rate of exchange quoted in the Wall Street Journal and such rate of exchange shall be based on the average of the daily rate of exchange quoted in the Wall Street Journal for the period of loss.

## 10. COINSURANCE WAIVER

This policy is not subject to Coinsurance or Average Clause.

11. **SEVERABILITY OF INTEREST**

Each of the Insureds insured by this policy will have the same protection and obligations as if the policy has been issued individually to each of them, except as respects the obligations associated with the **Cancellation** clause. However, the inclusion of more than one Insured will not operate to increase the limit of liability of the **Insurer** beyond the limit of liability as stated in the Supplemental Declarations section.

12. **APPRAISAL**

In case the Insured and this **Insurer** shall fail to agree as to the amount of loss, then, on the written demand of either, each shall select a competent and disinterested appraiser and notify the other of the appraiser selected within Twenty (20) days of such demand. The appraisers shall select a competent and disinterested umpire; and, failing for Fifteen (15) days to agree upon such umpire, then on request of the Insured or the **Insurer**, such umpire shall be selected by a judge of a district court of a judicial district in accordance with the Jurisdiction and Suit clause of this policy. The appraisers shall then appraise the loss, separating the loss to each item; and, failing to agree, shall submit their differences only to the umpire. An award in writing, so itemized of any two when filed with the **Insurer**, shall determine the amount of loss. Each appraiser shall be paid by the party selecting each respective appraiser and the expenses of appraisal and umpire shall be paid by the parties equally.

13. **JURISDICTION AND SUIT**

It is hereby understood and agreed that in the event of the failure of the **Insurer** to pay an amount claimed to be due hereunder, at the direction of the Insured, the **Insurer** will submit to the jurisdiction of any court of competent jurisdiction within the United States and will comply with all requirements necessary to give such jurisdiction.

## IV GENERAL CONDITIONS

### 1. CERTIFICATES OF INSURANCE

All parties to whom a Certificate of Insurance has been issued are automatically added to this policy upon issuance of said certificates, either as Additional Insureds, Mortgagees or as Loss Payees, or both, in accordance with the terms and conditions of this policy unless otherwise agreed to by the **Insurer**. Permission is granted for Aon Risk Services to issue Certificates on the **Insurer's** behalf.

### 2. CANCELLATION

A. This policy may be canceled at any time at the request of the Insured, or it may be canceled by the **Insurer** by mailing via registered or certified mail to the **Insured** and with copies provided to Aon Risk Services, during the term of this policy, written notice stating when no less than Ninety (90) days thereafter, except Ten (10) days for nonpayment of premium, such cancellation shall be effective.

This insurance may be canceled at any time by the Insured by surrender of this policy to the **Insurer** or by mailing or delivery to the **Insurer** written notice stating when thereafter such cancellation shall take effect. Return premium shall be allowed the Insured on a pro rata basis if the **Insurer** cancels and also on a pro rata basis if the Insured cancels.

Payments or tender of any unearned premium by the **Insurer** shall not be a condition precedent to the effectiveness of cancellation, but such payment shall be made as soon as practicable.

B. The mailing of notice as described in A. above shall be sufficient proof of notice and the effective date and hour of cancellation stated in the notice shall become the end of the policy period. Delivery of such written notice either by the Insured or by this **Insurer** 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 safely delivered and accepted at place of final destination.

### 3. INSPECTION AND AUDIT

This **Insurer** shall be permitted, but not obligated, to inspect the Insured's property at any reasonable time. Neither the **Insurer's** right to make inspections, nor the making thereof, nor any report thereon, shall constitute an undertaking, on behalf of or for the benefit of the Insured or others, to determine or warrant that such property is safe.

### 4. LIBERALIZATION

If during the period that insurance is in force under this policy, any authorized endorsement or filed rules or regulations affecting the same are revised by statute or otherwise so as to broaden the insurance without additional premium charge, such extended or broadened insurance shall inure to the benefit of the Insured hereunder.

**5. MORTGAGE CLAUSE**

Loss or damage, if any, under this policy shall be payable to the mortgagee(s) (or trustee(s)) as interest(s) may appear, and this insurance, as to the interest(s) of the mortgagee(s) (or trustee(s)) only therein, shall not be invalidated by any act or neglect of the mortgagor or owner of the described property, nor by any foreclosure or other proceedings or notice of sale relating to the property, nor by any change in the title or ownership of the property, nor by the occupation of the premises for purposes more hazardous than are permitted by this policy provided that in case the mortgagor or owner shall neglect to pay any premium due under this policy, the mortgagee (or trustee) shall, on demand, pay the same.

This **Insurer** reserves the right to cancel this policy at any time as provided by its terms, but in such case this policy shall continue in force for the benefit only of the mortgagee (or trustee) for Ten (10) days after notice to the mortgagee (or trustee) of such cancellation and shall then cease and this **Insurer** shall have the right, on like notice, to cancel this agreement.

**6. OTHER INSURANCE**

Except as referred to in Contributing Insurance, Excess Insurance and Underlying Insurance clauses, this policy shall not insure to the extent of any other insurance, whether prior or subsequent hereto in date and whether directly or indirectly insuring the same property against the same loss or damage. This insurance shall be excess of and/or supplementary to the amount recoverable from such other collectible insurance. Notwithstanding this Other Insurance provision, this Policy will guarantee prompt payment in full of the amount of loss which would have been otherwise recoverable hereunder as if this clause did not exist and the Insured shall cooperate with the **Insurer** to pursue recovery of any Other Insurance.

**7. CONTRIBUTING INSURANCE**

Permission is granted for other policies written upon the same terms, conditions, and provisions irrespective of limit or attachment point as those contained in this policy. This policy shall contribute to the total of each loss otherwise payable herein to the extent of the participation of this policy in the total limit of liability stated herein.

**8. EXCESS INSURANCE**

Permission is granted for the Insured to have excess insurance over the limit of liability in this policy without prejudice to this policy and the existence of such insurance, if any, shall not reduce any liability under this policy.

**9. UNDERLYING INSURANCE**

Permission is granted for the Insured to purchase insurance on all or any part of the deductible and against all or any of the coverage provided by this policy. The existence of such underlying insurance shall not prejudice or affect any recovery otherwise payable under this policy.

**10. EXCESS CLAUSE**

This clause only applies in the event that there exists primary or underlying Policy(ies) providing coverage beneath the attachment point of this Policy. In the event of loss caused by or resulting from loss or damage not otherwise excluded, or to more than one location, for purposes of the

attachment point of this policy, this policy shall recognize that the limit of liability of the underlying coverage shall apply first to the perils, coverages and/or locations not insured under this policy and the remainder, if any, to the perils, coverages and/or locations insured hereunder. This policy shall recognize the erosion of the underlying policy limits by all perils, coverages or locations insured by the underlying policy. Upon exhaustion of the limit of liability of the underlying coverage, this **Insurer** shall then be liable for the loss uncollected only for those perils, coverages, and/or locations insured under this Policy, subject to the **Insurer's** limit of liability as specified herein.

In the event the aggregate limits (if any) provided for **Flood** and/or **Earthquake** in any underlying insurance are diminished or exhausted in any one Policy year, the coverage provided under this policy shall respond as excess of the remaining limits.

In such event, the applicable amount of the deductible provision of the underlying insurance shall apply to the combination of all policies.

#### **11. NON-REDUCTION OF LIMITS OF LIABILITY**

Any loss hereunder shall not reduce the limit(s) of liability under this policy except for aggregate limits as stated in the Supplemental Declarations section.

#### **12. ERRORS AND OMISSIONS**

No inadvertent error, inadvertent omission or inadvertent failure in making reports or other data hereunder shall prejudice the Insured's right of recovery, but shall be corrected when discovered. It is further understood and agreed that any error in description of locations, or values of projects insured or to be insured by this policy shall not invalidate or reduce the policy limit of liability, or otherwise prejudice any recovery under this policy.

#### **13. PERMITS**

Permission is hereby granted for any building(s) to be and remain vacant and unoccupied without limit of time and without prejudice to the Insured's right of recovery for claim under this policy.

Any change in occupancy or use of the premises or any increase in hazard shall not prejudice the Insured's right of recovery for claim under this policy.

#### **15. TITLES OF PARAGRAPHS**

The several titles of the various paragraphs of this policy (and of Endorsements and Supplemental Policies, if any, which are attached to this policy) are inserted solely for convenience or reference and shall not be deemed in any way to limit or affect the provisions to which they relate.

#### **16. DEFINITIONS**

##### **A. Accident**

1) **Accident** shall mean:

- a) Any condition or occurrence within boilers or fired or unfired vessels owned by, operated by, or under the control of the Insured and subject to pressure or vacuum



including piping or apparatus attached to and forming a part thereof, except that the words "any condition or occurrence" shall not include explosion, other than explosion of the parts of a steam boiler containing steam or water, steam piping, steam turbines, or steam engines;

- b) Mechanical breakdown of any machine or apparatus arising out of any condition or occurrence within such machine or apparatus;
- c) Electrical injury or disturbance to electrical appliances, devices, fixtures, wiring, or other electrical or electronic equipment caused by electrical currents artificially generated.

However, the term **Accident** does not include:

- a) Loss or damage from fire or from the use of water or other means to extinguish fire; and
- b) The normal operation of any safety or protective device;

**Accident** shall not mean:

- a) Depletion, deterioration, corrosion or erosion;
  - b) Wear and tear;
  - c) Leakage at any valve, fitting, shaft seal, gland packing, joint or connection.
- 2) The term **Accident** shall not apply to the following property:
- a) Property in **transit**;
  - b) Property while in the course of construction, erection, installation, or assembly;
  - c) Electronic data processing systems used for administrative, statistical, or accounting purposes;
  - d) Any sewer piping, any piping forming a part of a fire protective system, or any water piping other than:
  - e) Boiler feed water piping;
  - f) Boiler condensate return piping;
  - g) Water piping used in a heat transfer system for cooling, humidifying, or space heating purposes;
  - h) Any vehicle, aircraft, or self-propelled equipment or floating vessel;
  - i) Any elevator, crane, ladle or bucket, hoist, power shovel, drag line, excavator, scale, or conveyor, but not excluding any pressure vessel, gears, engines or electrical equipment used with a machine.

## **B. Accidental Event**

An unintended occurrence which results in an interruption of operations.

## **C. Architect Fees and Engineering Fees**

Any cost associated with the preparation of plans for the repair or reconstruction of the damaged property.

**D. Direct Customers and Direct Suppliers**

Customers and suppliers of the Insured that do business directly with the Insured. Direct Customers and Suppliers would include intermediaries or wholesale operations that do not materially modify or change property, as well as the original manufacturer or ultimate customer.

**E. Earthquake**

Quaking, vibratory or undulating movement of a portion of the earth's crust, produced by underground volcanic forces or by breaking and shifting of rock beneath the earth's crust. Whenever used in this Policy, the term "earthquake" shall be restricted exclusively to the actual, specific cracking, rupturing, shifting or toppling of property and shall not include ensuing loss or damage resulting from fire, explosion or sprinkler leakage.

**F. Electronic Data Processing Media**

All forms of data, converted data, electronically converted data and/or programs and/or applications and/or instructions and/or media vehicles employed.

**G. Fine Arts**

Fine Arts shall include, but not be limited to, bona fide works of art, works of rarity, works of historical value, works of artistic merit, photographs, (positives and negatives) lithographs, illustrations, galley proofs, and/or original records.

**H. Finished Stock**

Stock manufactured by the Insured which, in the ordinary course of the Insured's business, is ready for packing, shipment or sale.

**I. Fire Brigade Charges/Fire Extinguishing Materials and Expenses**

Fire fighting and/or containment charges and/or fire department service charges and other extinguishing expenses.

**J. Flood**

Waves, tide or tidal water, tsunamis, rapid accumulation of surface waters, or the rising (including overflowing or breaking of boundaries) of lakes, reservoirs, rivers, streams or other bodies of water. It is understood and agreed that, whenever used in this policy, **flood** shall not include ensuing loss or damage resulting from fire, explosion or sprinkler leakage.

**K. Fraudulent or Dishonest Acts**

Fraudulent or dishonest acts committed by the Insured or the Insured's employees with the manifest intent to:

1. cause the Insured to sustain loss; and

2. obtain financial benefit for the Insured, Insured's employee, or for any other person or organization intended by the Insured or the employee to receive such benefit for such fraudulent or dishonest act or acts.

**L. General Average and/or Salvage:**

1. General Average, Salvage and Special Charges, as per foreign custom, payable according to foreign statement, and/or per York-Antwerp Rules and/or in accordance with the contract of affreightment, if and as required; or, failing any provision in or there be no contract of affreightment, payable in accordance with the Laws and Usages of the Port of New York.
2. General Average Contributions, Salvage and Special Charges and Sue and Labor Charges will be payable in full, irrespective of insured and contributory values.

**M. High Hazard Earthquake**

All insured property situated in New Madrid Earthquake Counties as more fully defined in Endorsement #3 or Pacific Northwest Earthquake Counties as more fully defined in Endorsement #4.

**N. High Hazard Flood**

- a) Only that portion of property at the time of policy inception which is located in a Special Flood Hazard Zone (SFHA) and situated at or below the 100 year flood elevation level, as shown in the most recent documentation published by the Federal Emergency Management Agency (FEMA), or other qualified and recognized authority for flood information. and/or,

With respect to this definition, the following terms apply:

- a) Federal Emergency Management Agency (FEMA) – The U.S. Federal agency, which is part of the U.S. Department of Homeland Security, under which the National Flood Insurance Program (NFIP) is managed.
- b) Special Flood Hazard Area (SFHA) – The areas of a Flood insurance Rate Map (FIRM) identified as Zone(s): A, AO, AH, A1-A30, AE, A99, AR, AR/A, AR/AE, AR/A1-A30, AR/AH, AR/AO, V, V1-V30, VE or VO.

**O. Insurer**

Insurance Company or security providing insurance under this contract as stated in the Supplemental Declarations section.

**P. Named Windstorm**

**Named Windstorm** shall mean the direct action of the wind when such wind is associated with, or occurs in connection with a storm or weather condition which has been named by the U.S. National Weather Service or its global equivalent.

Such Named Windstorm shall include all loss which is attributable directly or indirectly to the Named Windstorm and shall include all damage by rain, flood, storm surge or any other water damage that results from the Named Storm.

**Q. Property While in the Course of Construction**

When there is a sub-limit provided for **Property While in the Course of Construction**, that sub-limit shall only apply to property in the course of construction which does not pertain to alterations, revamping, refurbishment, maintenance, or incidental extensions to existing property of the Insured. **Property While in the Course of Construction** does not include any existing property which is not part of the course of construction. Any loss or damage to existing property not part of the course of construction which results from a covered occurrence to **Property While in the Course of Construction** is not subject to the sub-limit of liability attributable to **Property While in the Course of Construction**.

**R. Object**

Any boiler, fired or unfired vessel subject to pressure or vacuum, including piping or apparatus attached thereto and forming a part thereof, and any mechanical or electrical machine or apparatus used for the generation, transmission or utilization of mechanical or electrical power.

**S. Occurrence**

Loss, or a series of losses or several losses, which are attributable directly or indirectly to one cause or disaster or to one series of similar causes or disasters arising from a single event. All such losses shall be added together and the total amount of such losses shall be treated as one **occurrence** irrespective of the period of time or area over which such losses occur.

When the term applies to **Named Windstorm**, it shall be defined as the sum total of all the **Insured's** losses arising out of or caused by the same atmospheric disturbance during any period of 72 consecutive hours. The Insured shall have the right to elect the moment from which the 72 hour period shall be deemed to have commenced, provided always that no elected period of 72 hours shall commence within the period of any previous **occurrence**.

When the term applies to **Earthquake**, it shall be defined as the sum total of all the Insured's losses sustained during any period of 168 consecutive hours by reason of one **Earthquake** or a series of **Earthquake** shocks. The Insured may elect the moment from which the 168 hour period shall be deemed to have commenced, provided always that no elected period of 168 hours shall commence within the period of any previous **occurrence**.

When the term applies to **flood**, it shall be defined as the sum total of all the **Insured's** losses sustained by reason of one **flood** or a series of **floods**.

When the term applies to theft, the sum total of all losses insured herein resulting directly from one or more acts committed by a person(s) acting alone or in collusion with others shall constitute one occurrence. All such losses shall be added together and the total

amount of such losses shall be treated as one **occurrence** irrespective of the period of time or area over which such losses occur.

**T. Ordinary Payroll**

The entire payroll expense for all employees of the Insured except officers, executives, department managers, employees under contract, and other critical or important employees as determined by the insured.

**U. Soft Costs**

Expenses related to the delay of completion of a project over and above those costs which would have been incurred, including, but not limited to, interest payments on financing under loan agreements and real estate taxes accruing during the period of delay.

**V. Transit**

Shipments within and between the territorial limits of this policy, 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 during deviation and delay, until safely delivered and accepted at place of final destination.

**W. Underlying Policy**

An insurance policy issued to the Insured which is similar as respects the terms and conditions of this policy and issued for limits below the attachment point or deductible of this policy.

**X. Valuable Papers and Records**

Written, printed or otherwise inscribed documents, and records including but not limited to books, maps, films, drawings, abstracts, deeds, mortgages, mortgage files, manuscripts and micro or electronically/magnetically inscribed documents, but not including the monetary value of monies and/or securities.

**17. WAIVER OF INSURANCE CONDITIONS**

The terms and conditions of this manuscript form are substituted for those of the **Insurer's** policy jacket and other preprinted **Insurer** forms and the **Insurer's** declaration page to which it is attached, any more restrictive terms and conditions of same being waived and superseded by this manuscript form except for any agreed endorsements noted in policy **Section I Supplemental Declarations, Clause 14. Additional Conditions.**

ENDORSEMENT: 1

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

## AMENDATORY ENDORSEMENT

### LOCATION ENDORSEMENT

Coverage under this policy applies to a **Location** or **Locations** as outlined below unless otherwise described or extended in the policy form.

**Location** or **Locations** as used in this policy refer to:

- 1) Listed on a schedule of **Locations** or property values attached to this policy,
- 2) Listed on a schedule of **Locations** or property values reported to or on file with the **insurer**,
- 3) Defined as a **Miscellaneous Unnamed Location** as described in this endorsement,
- 4) Defined under **Automatic Coverage** as described in this endorsement.

The term **location** means a building, yard, dock, wharf, pier or bulkhead or any group of the foregoing. The term **locations** means more than one **location**. In addition, for the purposes of this definition, a schedule of locations and/or schedule of property values represents the **locations** provided to the **Insurer** prior to program inception.

The following definitions are hereby added to the policy:

#### **Miscellaneous Unnamed Location**

A **location** at which the Insured has property of the type insured hereunder which has not been reported to the **Insurer** and not defined under the **Automatic Coverage** or Errors and Omissions definition/clause of this policy. **Miscellaneous Unnamed Location** includes property on exhibition, but does not include any property in **transit** covered herein, or any property excluded under this policy.

#### **Automatic Coverage**

Property of the type insured at any **location** rented, leased or purchased after the inception date of this policy, or which is property in the course construction. **Automatic Coverage** applies from the date of rental, lease, purchase, or commencement of construction, for the Sublimit of Liability and/or Time Limit listed in the Supplemental Declarations.

**Automatic Coverage** will apply until whichever of the following occurs first:

- 1) The **location** is reported to the Insurer; upon which the Policy Limit shall apply;
- 2) Agreement is reached that the **Location** will not be insured under this Policy;
- 3) The applicable Time Limit shown in the Supplement Declarations section of this Policy has been reached. After which, the limit of liability shall be no more than the Sublimit of Liability for a **Miscellaneous Unnamed Location**.

All other terms and conditions of this policy remain unchanged.

ENDORSEMENT: 2

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

## **AMENDATORY ENDORSEMENT**

### **NEW MADRID EARTHQUAKE COUNTIES**

#### **Arkansas**

Arkansas, Clay, Craighead, Crittenden, Cross, Fulton, Greene, Independence, Izard, Jackson, Lawrence, Lee, Lonoke, Mississippi, Monroe, Phillips, Poinsett, Prairie, Randolph, Sharp, St. Francis, White, Woodruff

#### **Illinois**

Alexander, Bond, Clay, Clinton, Crawford, Edwards, Effingham, Fayette, Franklin, Gallatin, Hamilton, Hardin, Jackson, Jasper, Jefferson, Johnson, Lawrence, Madison, Marion, Massac, Monroe, , Perry, Pope, Pulaski, Randolph, Richland, Saline, St. Clair, Union, Wabash, Washington, Wayne, White, Williamson

#### **Indiana**

Gibson, Knox, Pike, Posey, Vanderburgh, Warrick

#### **Kentucky**

Ballard, Caldwell, Calloway, Carlisle, Christian, Crittenden, Daviess, Fulton, Graves, Henderson, Hickman, Hopkins, Livingston, Lyon, Marshall, McCracken, McLean, Muhlenberg, Todd, Trigg, Union, Webster

#### **Mississippi**

Alcorn, Benton, Coahoma, De Soto, Lafayette, Marshall, Panola, Quitman, Tate, Tippah, Tunica

#### **Missouri**

Bollinger, Butler, Cape Girardeau, Carter, Dunklin, Iron, Jefferson, Madison, Mississippi, New Madrid, Oregon, Pemiscot, Perry, Reynolds, Ripley, Scott, Shannon, St. Charles, St. Francois, St. Louis, St. Louis City, Ste. Genevieve, Stoddard, Warren, Washington, Wayne

#### **Tennessee**

Benton, Carroll, Chester, Crockett, Decatur, Dyer, Fayette, Gibson, Hardeman, Hardin, Haywood, Henderson, Henry, , Houston, Humphreys, Lake, Lauderdale, Lawrence, Madison, McNairy, Montgomery, Obion, Perry, Shelby, Stewart, Tipton, Weakley

ENDORSEMENT: 3

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

**AMENDATORY ENDORSEMENT**

**PACIFIC NORTHWEST EARTHQUAKE COUNTIES**

**Oregon**

Benton, Clackamas, Clatsop, Columbia, Coos, Curry, Douglas, Jackson, Josephine, Lane, Lincoln, Linn, Marion, Multnomah, Polk, Tillamook, Washington, Yamhill

**Washington**

Clallam, Clark, Cowlitz, Grays Harbor, Island, Jefferson, King, Kitsap, Lewis, Mason, Pacific, Pierce, San Juan, Skagit, Skamania, Snohomish, Thurston, Wahkiakum, Whatcom

**British Columbia (includes Vancouver Island), Canada**

South of 50° N latitude and west of 120° W longitude



ENDORSEMENT: 4

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

**AMENDATORY ENDORSEMENT**

**TIER 1 WIND PARISHES/COUNTIES**

**Alabama**

Baldwin, Mobile

**Florida**

Entire State

**Georgia**

Bryan, Camden, Chatham, Glynn, Liberty, McIntosh

**Louisiana**

Assumption, Cameron, Iberia, Jefferson, Lafourche, Livingston, Orleans, Plaquemines, St. Bernard, St. Charles, St. James, St. John the Baptist, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Vermilion, Washington

**Maryland**

Somerset, Wicomico, Worcester

**Mississippi**

Hancock, Harrison, Jackson

**Puerto Rico**

Entire Commonwealth

**North Carolina**

Beaufort, Bertie, Brunswick, Camden, Carteret, Chowan, Currituck, Dare, Hyde, New Hanover, Onslow, Pamlico, Pasquotank, Pender, Perquimans, Tyrrell, Washington

**South Carolina**

Beaufort, Berkeley, Charleston, Colleton, Georgetown, Horry, Jasper

**Texas**

Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Harris, Jackson, Jefferson, Kenedy, Kleberg, Matagorda, Nueces, Orange, Refugio, San Patricio, Willacy

**Virginia**

Accomack, Harrison, Chesapeake (City,) Gloucester, Hampton (City,) Isle of Wight, James City, Lancaster, Mathews, Middlesex, Newport News (City,) Norfolk (City,) Northampton, Northumberland, Poquoson (City,) Suffolk (City,) Virginia Beach (City,) Williamsburg (City), York

ENDORSEMENT: 5

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

**AMENDATORY ENDORSEMENT**

**EXTENDED INCREASED COST OF CONSTRUCTION**

This policy also provides coverage for increased cost of construction due to the enforcement of any law, ordinance and/or governmental directive regulating the construction, repair or use of property that comes into force and effect within 12 months after the date of loss.

All other terms and conditions of this policy remain unchanged.

ENDORSEMENT: 6

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

## **AMENDATORY ENDORSEMENT**

### **SPECIAL PERILS BUSINESS INTERRUPTION EXTENSION – NON PHYSICAL DAMAGE BUSINESS INTERRUPTION INSURANCE**

1. It is hereby understood and agreed that this insurance is extended to include the actual loss sustained as insured under this insurance during the period of time described in 6. below caused by the closure of or restriction of access to INSURED PREMISES by any government or local authority directly as a result of any of the matters described in 1.1, 1.2 or 1.3 below:

1.1. NOTIFIABLE INFECTIOUS OR CONTAGIOUS DISEASE which is manifested by any person during the period of insurance whilst on or within any INSURED PREMISES.

1.2. NOTIFIABLE ILLNESS which is manifested by any person and which can be traced to injurious matter contained in food or drink supplied by the Insured and consumed by that person whilst that person is on the INSURED PREMISES during the period of insurance.

1.3. CRIME occurring during the period of insurance at the INSURED PREMISES.

2. NOTIFIABLE INFECTIOUS OR CONTAGIOUS DISEASE shall mean any disease which can be passed from human to human or from animal to human and which is required by law in the territory where the INSURED PREMISES are located to be notified to a government or local authority.

3. NOTIFIABLE ILLNESS shall mean any illness which is required by law in the territory where the INSURED PREMISES are located to be notified to a government or local authority.

4. INSURED PREMISES shall mean any premises which are insured hereunder and which are under the direct ownership or control of the Insured.

5. CRIME shall mean murder, suicide, attempted murder, attempted suicide or violent crime, including armed robbery.

6. Coverage under this Extension shall be for the period of time commencing with the date of the closure of or restriction of access to INSURED PREMISES by any government or local authority and ending no later than 30 days thereafter. Such period of time shall run concurrently with and not in addition to the period of time specified in any other provision of this insurance providing cover for closure or restriction of access, whether or not such other provision is providing cover for the matters described in 1.1, 1.2 or 1.3 above.

7. No cover shall be provided under this Extension for:

7.1. Loss of licence;

7.2. Fines or penalties of any kind;

7.3. Loss arising out of the enforcement of any law which is not in force at the time and place of the closure of or restriction of access to INSURED PREMISES by any government or local authority;

7.4. Loss arising from any disease, illness which has not been acknowledged by the appropriate government or local authority as being notifiable;

7.5. The cost or expense of inspection, investigation, product recall, decontamination or clean up or any other cost or expense associated with remediation except to the extent that such cost or expense reduces loss otherwise payable hereunder.

8. The maximum amount payable in respect of all losses under this Extension arising out of 1.1, 1.2 and 1.3 above combined shall not exceed USD 500,000 per occurrence and USD1,000,000 in the aggregate.

9. No loss shall be payable unless and until the period of time commencing with the date of the closure of or restriction of access to INSURED PREMISES by any government or local authority and ending no less than 24 hours shall have elapsed.

10. Nothing in this Extension shall operate to override any exclusion in this insurance including but not limited to exclusions for terrorism, sabotage, the actual or threatened malicious use of pathogenic or poisonous biological or chemical materials or nuclear or radioactive contamination.

LMA5221  
29 April 2015

All other terms and conditions of this policy remain unchanged.

ENDORSEMENT: 7

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

## AMENDATORY ENDORSEMENT

### HIGH HAZARD FLOOD LOCATIONS

For property insured under this policy at location addresses that are listed on the Schedule of Locations on file with the Company, the following location addresses have been agreed to be scheduled as being situated in High Hazard Flood Zones:

| Street Address               | City            | County             | State |
|------------------------------|-----------------|--------------------|-------|
| 1100 W. DALLAS               | CONROE          | MONTGOMERY COUNTY  | TX    |
| 2250 MACARTHUR               | ORANGE          | ORANGE COUNTY      | TX    |
| 509 A WEST COMMERCE STREET   | BROWNWOOD       | BROWN COUNTY       | TX    |
| 2711 61ST ST.                | GALVESTON       | GALVESTON COUNTY   | TX    |
| 2310 SW MILITARY DR.         | SAN ANTONIO     | BEXAR COUNTY       | TX    |
| 5300 N. SAN DARIO            | LAREDO          | WEBB COUNTY        | TX    |
| 4438 NORTH FRWY              | HOUSTON         | HARRIS COUNTY      | TX    |
| 726 MEYERLAND PLAZA          | HOUSTON         | HARRIS COUNTY      | TX    |
| 11251 FONDREN                | HOUSTON         | HARRIS COUNTY      | TX    |
| 209 US HWY 70 WEST           | RUIDOSO         | LINCOLN COUNTY     | NM    |
| 407 N ARKANSAS AVE           | RUSSELLVILLE    | POPE COUNTY        | AR    |
| 1814 MAIN ST                 | FRANKLIN        | ST. MARY PARISH    | LA    |
| 1622 NORTH PARKERSON AVENUE  | CROWLEY         | ACADIA PARISH      | LA    |
| 16255 EAST MAIN ST.          | CUT OFF         | LAFOURCHE PARISH   | LA    |
| 8400 W JUDGE PEREZ DR. STE C | CHALMETTE       | ST. BERNARD PARISH | LA    |
| 571 S. MAIN ST.              | SPRINGHILL      | WEBSTER PARISH     | LA    |
| 311 N GRAND COURT            | NOGALES         | SANTA CRUZ COUNTY  | AZ    |
| 2921 BOCA CHICA BLVD.        | BROWNSVILLE     | CAMERON COUNTY     | TX    |
| 118 W. RICE ST.              | FALFURRIAS      | BROOKS COUNTY      | TX    |
| 511 EAST UNIVERSITY          | EDINBURG        | HIDALGO COUNTY     | TX    |
| 4027 EAST HWY 83             | RIO GRANDE CITY | STARR COUNTY       | TX    |

|                              |                |                   |    |
|------------------------------|----------------|-------------------|----|
| 1515 E 8TH ST.               | ODESSA         | ECTOR COUNTY      | TX |
| 2150 HIGHWAY 180 E           | SILVER CITY    | GRANT COUNTY      | NM |
| 106 CALDWELL                 | BELEN          | VALENCIA COUNTY   | NM |
| 601 WEST 18TH ST.            | PORTALES       | ROOSEVELT COUNTY  | NM |
| 2356 SOUTH RANGE AVENUE      | DENHAM SPRINGS | LIVINGSTON PARISH | LA |
| 124-126 BURR AVENUE          | PAULS VALLEY   | GARVIN COUNTY     | OK |
| 1345 S. CARSON ST.           | CARSON CITY    | CARSON CITY       | NV |
| 1115 W MAIN ST               | STERLING       | LOGAN COUNTY      | CO |
| 450 PIKE STREET              | MARIETTA       | WASHINGTON COUNTY | OH |
| 18910 PARK AVENUE PLAZA      | MEADVILLE      | CRAWFORD COUNTY   | PA |
| 4095 NORTH MAYO TRAIL        | PIKEVILLE      | PIKE COUNTY       | KY |
| 110 TWIN CITY PLAZA          | CRYSTAL CITY   | JEFFERSON COUNTY  | MO |
| 657 PARK PLAZA DRIVE         | NEW ALBANY     | UNION COUNTY      | MS |
| 532 EAST MAIN STREET         | JACKSON        | JACKSON COUNTY    | OH |
| 89 BROOKLYN STREET           | CARBONDALE     | LACKAWANNA COUNTY | PA |
| 1142 W. 9TH STREET           | RUSSELLVILLE   | LOGAN COUNTY      | KY |
| 1436 SOUTH MAIN STREET       | MANSFIELD      | TIOGA COUNTY      | PA |
| 857 SOUTH ROCHESTER STREET   | MUKWONAGO      | WAUKESHA COUNTY   | WI |
| 941 N. MAIN ST.              | LANCASTER      | LANCASTER COUNTY  | SC |
| 141 TALMADGE DR.             | MOULTRIE       | COLQUITT COUNTY   | GA |
| 901 GREEN BLVD               | AURORA         | DEARBORN COUNTY   | IN |
| 437 E CHESTNUT               | JUNCTION CITY  | GEARY COUNTY      | KS |
| 301 NORTH 12TH STREET        | MIDDLESBORO    | BELL COUNTY       | KY |
| 1301 SCOTLAND CROSSING DRIVE | LAURINBURG     | SCOTLAND COUNTY   | NC |
| 140 HOCKING MALL             | LOGAN          | HOCKING COUNTY    | OH |
| 650 OLD WILLOW AVE.          | HONESDALE      | WAYNE COUNTY      | PA |
| 726 MEYERLAND PLAZA          | HOUSTON        | HARRIS COUNTY     | TX |
| 601 US HWY 71 N.             | MENA           | POLK COUNTY       | AR |
| 1150 S NEOSHO BLVD           | NEOSHO         | NEWTON COUNTY     | MO |
| 9701 FORD AVE                | RICHMOND HILL  | BRYAN COUNTY      | GA |
| 1121 S MAGNOLIA ST           | WOODVILLE      | TYLER COUNTY      | TX |
| 70 CANAL PLACE               | PHILADELPHIA   | NESHOBA COUNTY    | MS |

|                                 |                |                        |    |
|---------------------------------|----------------|------------------------|----|
| 1502 W EVERLY<br>BROTHERS BLVD  | CENTRAL CITY   | MUHLENBERG<br>COUNTY   | KY |
| 513 FISHER                      | OAKDALE        | ALLEN PARISH           | LA |
| 820 N. SEBASTIAN                | WEST HELENA    | PHILLIPS COUNTY        | AR |
| 700 QUINTARD DR.                | OXFORD         | CALHOUN COUNTY         | AL |
| 460 TRI-COUNTY LANE             | BELLE VERNON   | WESTMORELAND<br>COUNTY | PA |
| 112 S. TALLAHASSEE ST.<br>STE.8 | HAZLEHURST     | JEFF DAVIS<br>COUNTY   | GA |
| 262 OCILLA HWY                  | FITZGERALD     | BEN HILL COUNTY        | GA |
| 445 KY HIGHWAY 44<br>EAST       | SHEPHERDSVILLE | BULLITT COUNTY         | KY |
| 11427A COASTAL<br>HIGHWAY       | BERLIN         | WORCESTER<br>COUNTY    | MD |
| 1527 OHIO AVE S                 | LIVE OAK       | SUWANNEE<br>COUNTY     | FL |
| 1017 W WILL ROGERS<br>BLVD      | CLAREMORE      | ROGERS COUNTY          | OK |
| 2280 HIGHWAY 36 SOUTH           | SEALY          | AUSTIN COUNTY          | TX |
| 2385 YORK CROSSING DR           | HAYES          | GLOUCESTER<br>COUNTY   | VA |
| 23 OHIO RIVER PLAZA             | GALLIPOLIS     | GALLIA COUNTY          | OH |

All other terms and conditions of this policy remain unchanged.

ENDORSEMENT: 8

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

## **AMENDATORY ENDORSEMENT**

The High Hazard Flood definition is hereby deleted and replaced with the following:

### **N. High Hazard Flood**

For property insured under this policy at location addresses that are listed on the Schedule of Locations on file with the Company, refer to the list of locations on Endorsement 7.

For all other locations, the following applies:

- (a) Only that portion of property at the time of policy inception which is located in a Special Flood Hazard Zone (SFHA) and situated at or below the 100 year flood elevation level, as shown in the most recent documentation published by the Federal Emergency Management Agency (FEMA), or other qualified and recognized authority for flood information. and/or,

With respect to this definition, the following terms apply:

- a) Federal Emergency Management Agency (FEMA) – The U.S. Federal agency, which is part of the U.S. Department of Homeland Security, under which the National Flood Insurance Program (NFIP) is managed.
- b) Special Flood Hazard Area (SFHA) – The areas of a Flood insurance Rate Map (FIRM) identified as Zone(s): A, AO, AH, A1-A30, AE, A99, AR, AR/A, AR/AE, AR/A1-A30, AR/AH, AR/AO, V, V1-V30, VE or VO.

All other terms and conditions of this policy remain unchanged.



**COMMERCIAL PROPERTY**  
**ECP 10 601 03 17**

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **AUTHORITIES EXCLUSION**

This endorsement modifies insurance provided under the following:

### **COMMERCIAL PROPERTY MANUSCRIPT POLICY**

Notwithstanding any of the preceding provisions of this Endorsement, except in respect of certain specific coverage(s) provided elsewhere in the policy to which this Endorsement is attached, this policy does not insure against fines, penalties and expenses directly attributable to such fines and penalties incurred or sustained by or imposed on the Insured at the order of any government agency, court or other authority arising from any cause whatsoever.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

MINIMUM EARNED PREMIUM

This endorsement modifies insurance provided under the following:

COMMON POLICY CONDITIONS

SCHEDULE

|  |    |   |
|--|----|---|
| Minimum Earned Premium   | 35 | % of the TOTAL PREMIUM shown on the COMMON POLICY<br>DECLARATIONS |
| Information required to complete this Schedule, if not shown above, will be shown in the Declarations. |    |   |

Paragraph **A.5. – Cancellation** of the Common Policy Conditions is replaced by the following:

If this policy is cancelled, we will send the first Named Insured any premium refund due. If we cancel, the refund will be pro rata. If the first Named Insured cancels, the refund will be pro rata, less 10%, and such refund will be subject to the minimum earned premium shown in the Schedule. The cancellation will be effective even if we have not made or offered a refund.

COMMERCIAL PROPERTY  
ECP 10 603 03 17

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **ASBESTOS ENDORSEMENT**

This endorsement modifies insurance provided under the following:

### COMMERCIAL PROPERTY MANUSCRIPT POLICY

- A. This Policy only insures asbestos physically incorporated in an insured building or structure, and then only that part of the asbestos which has been physically damaged during the policy period by one of these Listed Perils:

Fire; Smoke; Explosion; Lightning; Windstorm; Hail; Direct Impact of Vehicles, Aircraft or Vessel; Riot or Civil Commotion; Vandalism or Malicious Mischief; Leakage or Accidental Discharge of Fire Protective Equipment; Flood and Earth Movement.

This coverage is subject to all limitations in the policy to which this endorsement is attached and, in addition, to each of the following specific limitations:

- 1) The said building or structure must be insured under this policy for damage by that Listed Peril.
  - 2) The Listed Peril must be the immediate, sole cause of the damage to the asbestos.
  - 3) The Assured must inspect the building or structure and report to Underwriters the existence and cost of the damage within one year after the Listed Peril first damaged the asbestos. Any later reported damage is not insured, including all damage reported more than one year after the last day of the policy period.
  - 4) Insurance under this policy in respect of asbestos shall not include any sum relating to:
    - (i) faults in the asbestos or its design or workmanship;
    - (ii) asbestos not physically damaged by the Listed Peril;
    - (iii) actions taken to protect human health or property; or
    - (iv) standards or requirements set by any government or regulatory authority.
- B. Except as set forth in the foregoing Section A, this policy does not insure asbestos or any sum relating thereto.

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **ELECTRONIC DATA ENDORSEMENT**

This endorsement modifies insurance provided under the following:

### COMMERCIAL PROPERTY MANUSCRIPT POLICY

#### **1. Electronic Data Exclusion**

Notwithstanding any provision to the contrary within the Policy or any endorsement thereto, it is understood and agreed as follows:

- (a) This Policy does not insure loss, damage, destruction, distortion, erasure, corruption or alteration of ELECTRONIC DATA from any cause whatsoever (including but not limited to COMPUTER VIRUS) or loss of use, reduction in functionality, cost, expense of whatsoever nature resulting therefrom, regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

ELECTRONIC DATA means facts, concepts and information converted to a form useable for communications, interpretation or processing by electronic and electromechanical data processing or electronically controlled equipment and includes programmes, software and other coded instructions for the processing and manipulation of data or the direction and manipulation of such equipment.

COMPUTER VIRUS means a set of corrupting, harmful or otherwise unauthorised instructions or code including a set of maliciously introduced unauthorised instructions or code, programmatic or otherwise, that propagate themselves through a computer system or network of whatsoever nature. COMPUTER VIRUS includes but is not limited to 'Trojan Horses', 'worms' and 'time or logic bombs'.

- (b) However, in the event that a peril listed below results from any of the matters described in Paragraph (a) above, this Policy, subject to all its terms, conditions and exclusions, will cover physical damage occurring during the Policy period to property insured by this Policy directly caused by such listed peril.

Listed Perils

Fire

Explosion

Aircraft or Vehicle Impact

Leakage of Fire Protection Equipment

Theft

Collision

Overturn

Collapse

#### **2. Electronic Data Processing Media Valuation**

Notwithstanding any provision to the contrary within the Policy or any endorsement thereto, it is understood and agreed as follows:

Should electronic data processing media insured by this Policy suffer physical loss or damage insured by this Policy, then the basis of valuation shall be the cost to repair, replace or restore such media to the condition that existed immediately prior to such loss or damage, including the cost of reproducing any ELECTRONIC DATA contained thereon, providing such media is repaired, replaced or restored.

Such cost of reproduction shall include all reasonable and necessary amounts, is included for any one loss, incurred by the Assured in recreating, gathering and assembling such ELECTRONIC DATA. If the media is not repaired, replaced or restored the basis of valuation shall be the cost of the blank media. However this Policy does not insure any amount pertaining to the value of such ELECTRONIC DATA to the Assured or any other party, even if such ELECTRONIC DATA cannot be recreated, gathered or assembled.

COMMERCIAL PROPERTY  
ECP 10 607 03 17

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **ELECTRONIC DATE RECOGNITION EXCLUSION**

This endorsement modifies insurance provided under the following:

### COMMERCIAL PROPERTY MANUSCRIPT POLICY

This policy does not cover any loss, damage, cost, claim or expense, whether preventative, remedial or otherwise, directly or indirectly arising out of or relating to:

- a) the calculation, comparison, differentiation, sequencing or processing of data involving the date change to the year 2000, or any other date change, including leap year calculations, by any computer system, hardware, program or software and/or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment, whether the property of the insured or not; or
- b) any change, alteration or modification involving the date change to the year 2000, or any other date change including leap year calculations, to any such computer system, hardware program or software or any microchip, integrated circuit or similar device in computer equipment or noncomputer equipment, whether the property of the insured or not.

Clause applies regardless of any other cause or event that contributes concurrently or in any sequence to the loss, damage, cost, claim or expense.

COMMERCIAL PROPERTY  
ECP 10 608 03 17

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **OCCURRENCE LIMIT OF LIABILITY ENDORSEMENT**

This endorsement modifies insurance provided under the following:

COMMERCIAL PROPERTY MANUSCRIPT POLICY

It is agreed that the following special terms and conditions apply to this policy:

1. The limit of liability or Amount of Insurance shown on the face of this policy, or endorsed on this policy, is the total limit of the Company's liability applicable to each occurrence, as hereafter defined. Notwithstanding any other terms and conditions of this policy to the contrary, in no event shall the liability of the Company exceed this limit or amount irrespective of the number of locations involved.

The term "Occurrence" shall mean any one loss, disaster, casualty, or series of losses, disasters, or casualties, arising out of one event.

2. The premium for this policy is based upon the Statement of Values provided to the Insurer(s) by or on behalf of the Insured, and kept on file with the Insurer(s). In the event of loss under this policy, the liability of the Insurer(s) shall be limited to the least of the following:
  - a.) The actual adjust amount of loss, less applicable deductible(s);
  - b.) -----
  - c.) Any other limit of liability or sublimit of insurance or amount of insurance specifically stated in this policy to apply to any particular insured loss, or coverage, or location.

COMMERCIAL PROPERTY  
ECP 10 610 03 17

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **MOLD AND FUNGUS EXCLUSION**

This endorsement modifies insurance provided under the following:

### COMMERCIAL PROPERTY MANUSCRIPT POLICY

In consideration of the premium charged, it is understood and agreed that this Company shall not be liable for any loss or damage in the form of, caused by, arising out of, contributed to, or resulting from fungus, mold(s), mildew or yeast; or any spores or toxins created or produced by or emanating from such mold(s), fungus, yeast or mildew;

- (a) fungus includes, but is not limited to, any plants or organisms belonging to the major group fungi, lacking chlorophyll, and including mold(s), rust, mildews, smuts and mushrooms;
- (b) mold(s) include, but is not limited to, any superficial growth produced on damp or decaying matter or on living organisms, and fungi that produce mold(s)
- (c) spore(s) means any dormant or reproductive body produced by or arising or emanating out of any fungus, mold(s), mildews, plants, organisms or microorganisms,

regardless of any other cause or event that contributes concurrently or in any sequence to such loss.

This exclusion shall not apply to any loss or damage in the form of, caused by, contributed to, or resulting from fungus, mold(s), mildew, yeast, or any spores or toxins created by or produced by or emanating from such fungus, mold(s), mildew, yeast, which the Insured establishes is a direct result of a Covered Loss not otherwise excluded by this Policy, provided that such fungus, mold(s), mildew, yeast loss or damage is reported to the Company within twelve months from the expiration date of the policy.

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **SEEPAGE AND/OR POLLUTION AND/OR CONTAMINATION EXCLUSION**

This endorsement modifies insurance provided under the following:

COMMERCIAL PROPERTY MANUSCRIPT POLICY

### **1. SEEPAGE AND/OR POLLUTION AND/OR CONTAMINATION EXCLUSION**

Notwithstanding any provisions in the policy to which this Endorsement is attached, this policy does not insure against loss, damage, costs or expenses in connection with any kind or description of seepage and/or pollution and/or contamination, direct or indirect, arising from any cause whatsoever. Nevertheless if a peril not excluded from this policy arises directly or indirectly from seepage and/or pollution and/or contamination any loss or damage insured under this policy arising directly from that peril shall (subject to the terms, conditions and limitations of the policy) be covered.

However, if the insured property is the subject of direct physical loss or damage for which this Company has paid or agreed to pay then this policy (subject to its terms and conditions and limitations) insures against direct physical loss or damage to the property insured hereunder caused by resulting seepage and/or pollution and/or contamination.

The Insured shall give notice to the Company of intent to claim no later than 12 months after the date of the original physical loss or damage.

### **2. DEBRIS REMOVAL AND COST OF CLEAN UP EXTENSION**

a. Notwithstanding the provisions of the preceding exclusion in this Endorsement or any provision respecting seepage and/or pollution and/or contamination, and/or debris removal and/or cost of clean up in the policy to which this Endorsement is attached, in the event of direct physical loss or damage to the property insured hereunder, this policy (subject otherwise to its terms, conditions and limitations, including but not limited to any applicable deductible) also insures, within the limit of liability stated in Section 3:

- (1) expenses reasonably incurred in removal of debris of the property insured hereunder destroyed or damaged from the location of the loss; and/or
- (2) cost of clean-up, at the location of the loss, made necessary as a result of such direct physical loss or damage;

Provided that this policy does not insure against the costs of decontamination or removal of water, soil or any other substance not covered by this policy on or under such premises.

b. It is a condition precedent to recovery under this extension that the Company shall have paid or agreed to pay for direct physical loss or damage to the property insured hereunder unless such payment is precluded solely by the operation of any deductible and that the Insured shall give notice to the Company of intent to claim for cost of removal of debris or cost of clean-up NO LATER THAN 12 MONTHS AFTER THE DATE OF SUCH PHYSICAL LOSS OR DAMAGE.

### **3. POLLUTION CLEAN-UP OF LAND AND WATER**

Notwithstanding the provisions of the preceding exclusion in this Endorsement or any provision respecting seepage and/or pollution and/or contamination, and/or debris removal and/or cost of clean-up in the policy to



which this Endorsement is attached, this Policy also covers the reasonable and necessary cost for the cleanup, removal and disposal of contaminants or pollutants from uninsured property consisting of land, water or any other substance in or on land at the Insured Location if the release, discharge or dispersal of contaminants or pollutants is a direct result of insured physical loss or damage to insured property.

This Policy does not cover the cost to cleanup, remove and dispose of contaminants or pollutants from such property:

- 1) at any location insured for Personal Property only.
- 2) at any property insured under AUTOMATIC COVERAGE, ERRORS AND OMISSIONS or Miscellaneous Unnamed Location coverage provided by this Policy.
- 3) when the Insured fails to give written notice of loss to the Company within 180 days after inception of the loss.

COMMERCIAL PROPERTY  
ECP 10 613 03 17

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **EXCLUSION OF CERTIFIED ACTS OF TERRORISM**

This endorsement modifies insurance provided under the following:

COMMERCIAL PROPERTY MANUSCRIPT POLICY

### **SCHEDULE**

The **Exception Covering Certain Fire Losses** (Paragraph **C**) applies to property located in the following state(s), if covered under the indicated Coverage Form, Coverage Part or Policy:

| <b>State(s)</b>  | <b>Coverage Form, Coverage Part Or Policy</b> |
|--|---|
| AL,AR,AZ,CO,DE,FL,GA,IA,ID,IL,IN,KS,KY,LA  | Property                                      |
| MA,MD,MI,MO,MS,NC,NH,NJ,NM,NV,OH,OK,OR   |   |
| PA,SC,TN,TX,UT,VA,VT,WI,WV,WY  |   |
|  |   |
|  |   |
| Information required to complete this Schedule, if not shown above, will be shown in the Declarations. |   |

**A.** The following definition is added with respect to the provisions of this endorsement:

"Certified act of terrorism" means an act that is certified by the Secretary of the Treasury, in accordance with the provisions of the federal Terrorism Risk Insurance Act, to be an act of terrorism pursuant to such Act. The criteria contained in the Terrorism Risk Insurance Act for a "certified act of terrorism" include the following:

1. The act resulted in insured losses in excess of \$5 million in the aggregate, attributable to all types of insurance subject to the Terrorism Risk Insurance Act; and
2. The act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

**B.** The following exclusion is added:

#### **CERTIFIED ACT OF TERRORISM EXCLUSION**

The Company will not pay for loss or damage caused directly or indirectly by a "certified act of terrorism". Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

**C. Exception Covering Certain Fire Losses**

The following exception to the exclusion in Paragraph **B.** applies only if indicated and as indicated in the Schedule of this endorsement.

If a "certified act of terrorism" results in fire, the Company will pay for the loss or damage caused by that fire. Such coverage for fire applies only to direct loss or damage by fire to Covered Property.

If aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a calendar year and the Company has met the insurer deductible under the Terrorism Risk Insurance Act, the Company shall not be liable for the payment of any portion of the amount of such losses that exceeds \$100 billion, and in such case insured losses up to that amount are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury.

**D. Application Of Other Exclusions**

The terms and limitations of any terrorism exclusion, or the inapplicability or omission of a terrorism exclusion, do not serve to create coverage for any loss which would otherwise be excluded under this Policy, such as losses excluded by the Nuclear Hazard Exclusion or the War And Military Action Exclusion.

COMMERCIAL PROPERTY  
ECP 10 614 03 17

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **METHOD OF CLAIM NOTICE AND SERVICE OF SUIT CONDITIONS**

This endorsement modifies insurance provided under the following:

COMMERCIAL PROPERTY MANUSCRIPT POLICY

### **AA. METHOD OF CLAIM NOTICE**

Under all of the coverages of this policy, notice of claim or circumstances which may reasonably be expected to give rise to a claim hereunder shall be given in writing to, and at the address for the Claims Organization shown in the Declarations. If no Claims Organization is shown in the Declarations, such notice shall be given in writing to Everest Indemnity Insurance Company, PO Box 830, Liberty Corner, NJ 07938-0830.

### **BB. SERVICE OF SUIT**

It is agreed that in the event of the Company's failure to pay any amount claimed to be due hereunder, the Company, at your request will submit to the jurisdiction of a court of competent jurisdiction within the United States. Nothing in this condition constitutes or should be understood to constitute a waiver of the Company's rights to commence an action in any court of competent jurisdiction in the United States, to remove an action to a United States District Court or to seek a transfer of a case to another court as permitted by the laws of the United States or of any state in the United States. It is further agreed that service of process in such suit may be made upon Counsel, Legal Department, Everest Indemnity Insurance Company, PO Box 830, Liberty Corner, NJ 07938-0830 or his or her representative, and that in any suit instituted against us upon this contract, the Company will abide by the final decision of such court or of any appellate court in the event of any appeal.

Further, pursuant to any statute of any state, territory, or district of the United States which makes provision therefor, the Company hereby designates the Superintendent, Commissioner, or Director of Insurance, other officer specified for that purpose in the statute, or his or her successor or successors in office as the Company's true and lawful attorney upon whom may be served any lawful process in any action, suit, or proceeding instituted by or on behalf of you or any beneficiary hereunder arising out of this contract of insurance, and hereby designate the above named Counsel as the person to whom the said officer is authorized to mail such process or a true copy thereof.

# Exhibit D

17 Aug 2017

Joan Lynch  
Stage Stores, Inc.  
2425 West Loop South  
Houston TX 77027  
USA

Re: Policy Delivery  
Line of Business: Commercial Property Coverage  
Policy #: PRAGDKG17  
Policy Term: 01 May 2017 to 01 May 2018

Dear Joan,

We are pleased to confirm that the above captioned policy is available for your receipt. We have reviewed this policy and found the following items which are inconsistent with the terms and conditions of coverage bound:

Other: Requested that Commercial Policy Conditions Endorsement, Clause H: Policy Territory should reflect agreed territory in policy (worldwide for contingent) - remove / amend to align with policy.

We have requested corrective endorsements from the carrier, and will have them forwarded to you upon receipt.

It is very important that you also carefully review this policy right away and let me know if you have any questions or concerns or in any way believe the coverage does not meet your specifications.

Best regards,

Jessica Hernandez Hernandez-Radford  
jessica.radford@aon.com  
Aon Risk Solutions

## TEXAS SURPLUS LINES NOTICE

THIS INSURANCE CONTRACT IS WITH AN INSURER NOT LICENSED TO TRANSACT INSURANCE IN THIS STATE AND IS ISSUED AND DELIVERED AS A SURPLUS LINE COVERAGE UNDER THE TEXAS INSURANCE STATUTES.

THE TEXAS DEPARTMENT OF INSURANCE DOES NOT AUDIT THE FINANCES OR REVIEW THE SOLVENCY OF THE SURPLUS LINES INSURER PROVIDING THIS COVERAGE, AND THIS INSURER IS NOT A MEMBER OF THE PROPERTY AND CASUALTY INSURANCE GUARANTY ASSOCIATION CREATED UNDER CHAPTER 462, INSURANCE CODE. CHAPTER 225, INSURANCECODE, REQUIRES PAYMENT OF 4.85% (+ STAMPING FEE OF .15% (.0015)) TAX ON GROSS PREMIUM.

Aspen Specialty Insurance Company



## IMPORTANT NOTICE

To obtain information or make a complaint:

You may call **Aspen Specialty Insurance Company's** toll-free telephone number for information or to make a complaint at:

**1-877-245-3510**

You may also write to **Aspen Specialty Insurance Company** at:

**175 Capital Boulevard, Suite 100  
Rocky Hill, CT 06067**

You may contact the Texas Department of Insurance to obtain information on companies, coverages, rights or complaints at:

**1-800-252-3439**

You may write the Texas Department of Insurance:

PO Box 149104  
Austin, TX 78714-9104  
FAX: (512) 490-1007  
Web: [www.tdi.texas.gov](http://www.tdi.texas.gov)  
E-mail: [ConsumerProtection@tdi.texas.gov](mailto:ConsumerProtection@tdi.texas.gov)

**PREMIUM OR CLAIM DISPUTES:** Should you have a dispute concerning your premium or about a claim you should contact **Aspen Specialty Insurance Company** first. If the dispute is not resolved, you may contact the Texas Department of Insurance.

**ATTACH THIS NOTICE TO YOUR POLICY:** This notice is for information only and does not become a part or condition of the attached document.

## AVISO IMPORTANTE

Para obtener información o para presentar una queja:

Usted puede llamar al número de teléfono gratuito de **Aspen Specialty Insurance Company** para obtener información o para presentar una queja al:

**1-877-245-3510**

Usted también puede escribir a **Aspen Specialty Insurance Company**:

**175 Capital Boulevard  
Rocky Hill, CT 06067**

Usted puede comunicarse con el Departamento de Texas para obtener información sobre compañías, coberturas, derechos, o quejas al:

**1-800-252-3439**

Usted puede escribir al Departamento de Seguros de Texas a:

PO Box 149104  
Austin, TX 78714-9104  
FAX: (512) 490-1007  
Web: [www.tdi.texas.gov](http://www.tdi.texas.gov)  
E-mail: [ConsumerProtection@tdi.texas.gov](mailto:ConsumerProtection@tdi.texas.gov)

**DISPUTAS POR PRIMAS DE SEGUROS O RECLAMACIONES:** Si tiene una disputa relacionada con su prima de seguro o con una reclamación, usted debe comunicarse con **Aspen Specialty Insurance Company** primero. Si la disputa no es resuelta, puede comunicarse con el Departamento de Seguros de Texas.

**ADJUNTE ESTE AVISO A SU POLIZA:** Este aviso es solamente para propósitos informativos y no se convierte en parte o en condición del document adjunto.



Aspen Specialty Insurance Company  
**POLICY NUMBER:**PRAGDKG17  
**RENEWAL OF:** PRAGDKG16



## COMMON POLICY DECLARATIONS

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Insured Name & Mailing Address

STAGE STORES INC  
2425 WEST LOOP SOUTH  
HOUSTON, TX 77027

Effective Date: 05/01/2017 12:01AM

Broker Name & Mailing Address

AmWINS Insurance Brokerage of California, LLC  
140 New Montgomery Street  
Suite 1600  
San Francisco, CA 94105

Expiration Date: 05/01/2018 12:01AM

Business Description:

Department Stores

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Premium Summary:

In return for the payment of the premium indicated below, and subject to all the terms of this policy, we agree to provide the insurance as stated in this policy.

| <u>Coverage</u>          | <u>Premium</u> |
|--------------------------|----------------|
| Commercial Property      | \$160,000      |
| Terrorism                | REJECTED       |
| Total Premium Due        | \$160,000      |
| Minimum Retained Premium | \$40,000       |

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Coverage Forms Applicable:

Coverage form schedule as more specifically outlined in Aspen Form ASPPR006,  
*Schedule of Applicable Forms*

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Authorized Representative

Texas Premium: \$160,000.00  
Fees: N/A  
Surplus Lines Tax: \$ 7,760.00  
Stamping Fee: \$ 240.00  
Total: \$168,000.00

Aspen Specialty Insurance Company  
**POLICY NUMBER:**PRAGDKG17  
**RENEWAL OF:** PRAGDKG16



## COMMON POLICY DECLARATIONS

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|                                       |   |
|---------------------------------------|---|
| Named Insured                         | STAGE STORES INC                                |
| Surplus Lines Broker Name:            | George Maggay                                   |
| Surplus Lines Broker Address:         | 21500 Oxnard Street<br>Woodland Hills, CA 91367 |
| Surplus Lines Broker License No.:     | 15813   |
| Surplus Lines State Taxes were filed: | TX  |

**Aspen Specialty Insurance Company**



IN WITNESS WHEREOF, the Insurer has caused this Policy to be signed by its President and Secretary and countersigned where required by law on the Declarations page by its duly Authorized Representative.

A handwritten signature in black ink, appearing to read 'Kevin Bond', written over a horizontal line.

Secretary

A handwritten signature in black ink, appearing to read 'David L. ...', written over a horizontal line.

President

## SCHEDULE OF APPLICABLE FORMS

The following forms are attached to and are a part of this policy:

| <u>FormNumber</u>      | <u>FormName</u>  |
|------------------------|--|
| SNTX 0517              | TEXAS SURPLUS LINES NOTICE                               |
| ASPPR154 0916          | COMMON POLICY DECLARATIONS                               |
| ASPCO098 0213          | SIGNATURE PAGE   |
| ASPPR006 0404          | SCHEDULE OF APPLICABLE FORMS                             |
| ASPPR067DEC 0511       | COMMERCIAL PROPERTY COVERAGE PART DECLARATIONS           |
| BROKER MANUSCRIPT FORM | STAGE STORES INC GLOBAL PROPERTY INSURANCE POLICY        |
| IL0953 0115            | EXCLUSION OF CERTIFIED ACTS OF TERRORISM                 |
| ASPCO002 0715          | GENERAL SERVICE OF SUIT NOTICE                           |
| ASPCO021 0616          | OFAC ENDORSEMENT   |
| ASPCO023 1016          | NBCR TERRORISM EXCLUSION                                 |
| ASPPR072 0807          | MINIMUM EARNED PREMIUM CLAUSE                            |
| ASPPR081 0907          | SEEPAGE AND/OR POLLUTION AND /OR CONTAMINATION EXCLUSION |
| ASPPR086 0312          | LOSS ADJUSTMENT ENDORSEMENT                              |
| ASPPR138 0112          | COMMON POLICY CONDITIONS                                 |
| CP0090 0788            | COMMERCIAL PROPERTY CONDITIONS                           |
| IL0935 0702            | EXCLUSION OF CERTAIN COMPUTER-RELATED LOSSES             |
| NMA2915 0101           | ELECTRONIC DATA ENDORSEMENT                              |
| ASPPR100 0916          | POLICYHOLDER'S GUIDE TO REPORTING A PROPERTY CLAIM       |

Aspen Specialty Insurance Company



POLICY NUMBER: PRAGDKG17

RENEWAL OF: PRAGDKG16

## COMMERCIAL PROPERTY COVERAGE PART DECLARATIONS

NAMED INSURED: STAGE STORES INC

EFFECTIVE DATE: 05/01/2017

### DESCRIPTION OF PREMISES

| Prem. No | Bldg. No | Location Address   |
|----------|----------|--|
| **       | **       | As per schedule on file with this Company received on March 27, 2017.<br>Total Insured Values: \$1,326,404,593 |

**COVERAGES PROVIDED** (Insurance at the described premises applies only for coverages for which a limit of insurance is shown)

| Prem. No | Bldg. No | Coverage   | Limit of Insurance   | Covered Causes of Loss            | Coins. % | Rates Incl. |
|----------|----------|--|--|-----------------------------------|----------|-------------|
| **       | **       | Real and Personal Property, Time Element and as more fully defined in the Broker Manuscript Form | \$5,000,000 Part Of \$50,000,000 Per Occurrence and in the Annual Aggregate for Earthquake/ Earthquake Sprinkler Leakage and Flood | As per the Broker Manuscript Form | Nil      | X           |

\*This limit(s) is included in and not in addition to the Limit of Insurance shown elsewhere in this policy.

### OPTIONAL COVERAGES (Applicable only when entries are made in the schedule below)

Replacement Cost (X)

| Prem. No | Bldg. No | Exp. Date | Agreed Value |        | Building | Personal Property | Including "Stock" |
|----------|----------|-----------|--------------|--------|----------|-------------------|-------------------|
|          |          |           | Coverage     | Amount |          |                   |                   |
| **       | **       |           |              |        | X        | X                 |                   |

| InflationGuardPercentage | *Monthly Limit Indemnity (Fraction) | *Max. Period Of Indemnity (X) | *Ext. Period Indemnity (Days) |
|--------------------------|-------------------------------------|-------------------------------|-------------------------------|
|--------------------------|-------------------------------------|-------------------------------|-------------------------------|

| Prem. No | Bldg. No | Building | Personal Property |
|----------|----------|----------|-------------------|
|----------|----------|----------|-------------------|

\*Applies to Business Income Only

Aspen Specialty Insurance Company



**POLICY NUMBER:** PRAGDKG17  
**RENEWAL OF:** PRAGDKG16

## COMMERCIAL PROPERTY COVERAGE PART DECLARATIONS

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### DEDUCTIBLE:

All Other Perils – \$500,000 per occurrence and as more fully defined in the Broker Manuscript Form

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### MORTGAGE HOLDER(S)

| Prem. No | Bldg. No | Mortgage Holder Name | Mailing Address |
|----------|----------|----------------------|-----------------|
|----------|----------|----------------------|-----------------|

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### FORMS AND ENDORSEMENTS

Forms and Endorsements applying to this Coverage Part and made part of this policy at time of issue: Refer to ASPPR006 SCHEDULE OF FORMS AND ENDORSEMENTS.

THESE DECLARATIONS ARE PART OF THE POLICY CONTAINING THE NAME OF THE INSURED AND THE POLICY PERIOD.

---

By:

---

AUTHORIZED REPRESENTATIVE

**STAGE STORES, INC.**

**Global Property Insurance Policy**

**Policy # PRAGDKG17**

**(Including Boiler and Machinery)**

**Insurer/Security:**

**Aspen Specialty Insurance Company**

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Note: Any term that appears in bold print, other than titles of clauses, is defined in **Definitions**.

## **I. SUPPLEMENTAL DECLARATIONS**

### **1. NAMED INSURED AND MAILING ADDRESS**

**Stage Stores, Inc.** and any subsidiary, affiliated, associated, or allied company, corporation, firm, organization, and the Insured's interest in partnerships and/or joint ventures, and/or any owned (wholly or partially) or controlled company(ies) where the Insured maintains an interest, as now or hereafter constituted or acquired; and any other party or interest that the Insured is required by contract or agreement to insure;

**all hereafter referred to as the "Insured."**

**Mailing Address:**

**Stage Stores, Inc.**

**2425 West Loop South**

**Houston, TX 77027**

### **2. POLICY TERM**

This policy attaches and insures;

FROM: May 1, 2017

TO: May 1, 2018

beginning and ending at 12:01AM, standard time, at location of the property involved unless otherwise described herein.

### **3. POLICY TERRITORY**

This policy insures the United States of America, its territories and possessions, the District of Columbia, Guam, Puerto Rico, the U.S. Virgin Islands and Canada, including their respective inland and coastal waters. However, coverage applies worldwide, as respects Contingent Time Element and Time Element Extensions.

### **4. LOSS OR DAMAGE INSURED**

This policy insures against all risks of direct physical loss or damage to insured property occurring during the policy term, also including **General Average and/or Salvage** and all other charges on shipments insured 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.

### **5. LIMITS OF LIABILITY**

In the event of loss or damage insured under this policy, this **Insurer** shall be liable for its proportional share of USD 100,000,000 per **occurrence**, and its proportional share of the following program per **occurrence** and/or policy year annual aggregate sublimits of liability, excess of policy deductibles.

The total amount to be indemnified under this policy and/or any locally admitted version of this policy issued by the **Insurer** or its representatives shall not exceed the overall limit or applicable program sublimits stated in this policy.

Program Sublimits of Liability:

|              |                       |  |
|--------------|-----------------------|--|
| \$1,000,000  | per <b>occurrence</b> | and in the aggregate in any one policy year as respects losses caused by <b>Earthquake</b> for property situated in the State of California.                   |
| \$10,000,000 | per <b>occurrence</b> | and in the aggregate in any one policy year as respects losses caused by <b>Earthquake</b> for property situated in <b>High Hazard Earthquake Zones</b> .      |
| \$50,000,000 | per <b>occurrence</b> | and in the aggregate in any one policy year as respects losses caused by <b>Earthquake</b> for property situated outside <b>High Hazard Earthquake Zones</b> . |

**Earthquake** limits shall not apply to any ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

|              |                       |   |
|--------------|-----------------------|---|
| \$10,000,000 | per <b>occurrence</b> | and in the aggregate in any one policy year as respects losses caused by <b>flood</b> for property situated in <b>High Hazard Flood Zones</b> per Endorsement #7. |
| \$50,000,000 | per <b>occurrence</b> | and in the aggregate in any one policy year as respects losses caused by <b>flood</b> for property situated outside <b>High Hazard Flood Zones</b> .              |

**Flood** limits shall not apply to any ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

**Flood** zone designations at time of inception of this Policy will be the Zones utilized for Limits of Liability and deductible application, regardless of any post-policy inception change in the designation by FEMA or any other organization responsible for determining flood zones.

|              |                       |  |
|--------------|-----------------------|--|
| \$250,000    | per <b>occurrence</b> | and in the aggregate in any one policy year as respects losses insured under the Land and Water Clean Up Expense                   |
| \$1,000,000  | per <b>occurrence</b> | as respects Accounts Receivable  |
| \$100,000    | per <b>occurrence</b> | as respects Asbestos Removal (after a covered loss under this policy)  |
| \$10,000,000 | per <b>occurrence</b> | as respects Gross Earnings or Loss of Profits  |
| \$5,000,000  | per <b>occurrence</b> | as respects Civil or Military Authority  |
| \$10,000,000 | per <b>occurrence</b> | as respects Contingent Time Element, including Attraction Properties for <b>direct customers and suppliers</b> , worldwide.        |
| \$10,000,000 | per <b>occurrence</b> | as respects Debris Removal or 25% of the total insurable values at the location where loss or damage occurs, whichever is greater. |
|              |                       | <b>Demolition and Increased Cost of Construction</b>   |
| Included     | per <b>occurrence</b> | as respects the value of the undamaged property - clause F.1)  |
| Included     | per <b>occurrence</b> | as respects the cost of demolishing the undamaged property - clause F.2)   |

|              |                       |   |
|--------------|-----------------------|---|
| \$10,000,000 | per <b>occurrence</b> | as respects the increased cost of repair or reconstruction - clause F.3)                            |
| \$10,000,000 | per <b>occurrence</b> | as respects the increase in Time Element loss – clause F.4)   |
| \$1,000,000  | per <b>occurrence</b> | as respects Exhibition and Trade Show   |
| \$10,000,000 | per <b>occurrence</b> | as respects Expediting Expense  |
| \$1,000,000  | per <b>occurrence</b> | as respects Extended Increased Cost of Construction   |
| \$25,000,000 | per <b>occurrence</b> | as respects Extra Expense   |
| \$500,000    | per <b>occurrence</b> | as respects Fine Arts however \$25,000 any one item unless on file with company.                    |
| Included     | per <b>occurrence</b> | as respects Fire Brigade Charges and Extinguishing Expenses   |
| \$2,500,000  | per <b>occurrence</b> | as respects Impounded Water   |
| \$5,000,000  | per <b>occurrence</b> | as respects Ingress/Egress  |
| \$1,000,000  | per <b>occurrence</b> | as respects Land Improvements   |
| \$5,000,000  | per <b>occurrence</b> | as respects Leasehold Interest  |
| Included     | per <b>occurrence</b> | as respects Personal Property of Employees  |
| \$5,000,000  | per <b>occurrence</b> | as respects Professional Fees   |
| \$10,000,000 | per <b>occurrence</b> | as respects <b>Property While in the Course of Construction</b>                                     |
| \$2,500,000  | per <b>occurrence</b> | as respects Protection and Preservation of Property – Time Element                                  |
| \$1,000,000  | per <b>occurrence</b> | as respects Royalties   |
| \$5,000,000  | per <b>occurrence</b> | as respects Service Interruption/Off Premise Power  |
| \$1,000,000  | per <b>occurrence</b> | and \$2,000,000 in the aggregate, as respects Special Perils Business Interruption                  |
| \$5,000,000  | per <b>occurrence</b> | as respects <b>Transit</b>  |
| \$500,000    | per <b>conveyance</b> | as respects <b>Transit</b> (Each railroad car or trailer shall be considered a separate conveyance) |
| \$5,000,000  | per <b>occurrence</b> | as respects Valuable Papers and Records and Electronic Data Processing Media                        |

**ACCIDENT TO AN OBJECT (BOILER AND MACHINERY), BUT NOT TO EXCEED:**

|              |                       |  |
|--------------|-----------------------|--|
| \$60,000,000 | per <b>occurrence</b> | as respects Property Damage and Time Element |
| \$1,000,000  | per <b>occurrence</b> | as respects Ammonia Contamination            |
| \$2,500,000  | per <b>occurrence</b> | as respects Consequential Damage             |

**ADDITIONAL SUBLIMITS:**

|              |                       |   |
|--------------|-----------------------|---|
| \$10,000,000 | per <b>occurrence</b> | as respects <b>Automatic Coverage</b> (Newly Acquired Property) |
| \$10,000,000 | per <b>occurrence</b> | as respects Errors and Omissions                                |
| \$10,000,000 | per <b>occurrence</b> | as respects <b>Miscellaneous Unnamed Locations</b>              |

**6. DISTANCE LIMITATIONS**

|        |   |
|--------|---|
| 5 Mile | as respects Civil or Military Authority         |
| 5 Mile | as respects Ingress/Egress                      |
| 5 Mile | as respects Transmission and Distribution Lines |
| 5 Mile | as respects Attraction Properties               |

**7. TIME LIMITS**

In addition to any time limits shown elsewhere in this policy, the following also apply:

|          |  |
|----------|--|
| 90 Days  | as respects Automatic Coverage (Newly Acquired Property) |
| 60 Days  | as respects Civil or Military Authority.                 |
| 60 Days  | as respects Ingress/Egress                               |
| 365 Days | as respects the Extended Period of Liability             |
| Excluded | as respects Ordinary Payroll                             |
| 120 Days | as respects Delay in Completion                          |

**8. WAITING PERIOD**

|          |  |
|----------|--|
| 24 Hours | As respects Service Interruption – Time Element                    |
| 8 Hours  | As respects <b>Electronic Data Processing Media</b> - Time Element |

The stated Waiting Period is a qualifier for coverage. Once the Waiting Period is exceeded, the applicable Time Element Loss is calculated from the date and time of loss, (or earlier if Preservation of Property – Time Element is applicable) and the policy deductible is then applied.

**9. DEDUCTIBLES**

In each case of loss covered by this policy, the **Insurer** will be liable only if the Insured sustains a loss in a single **occurrence** greater than the applicable deductible(s) specified below, and only for its share of that amount.

Unless otherwise stated below, when this policy insures more than one location, the deductible will apply against the total loss covered by this policy in any one **occurrence**.

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 USD 500,000 except:

**Miscellaneous Deductibles**

|             |   |
|-------------|---|
|             | All losses, damages or expenses arising out of any one <b>occurrence</b> for the following: |
| USD 100,000 | Property in <b>Transit</b>  |

**Accident to an Object Deductibles**

|            |  |
|------------|--|
| USD 50,000 | Per <b>Accident</b> as respects Boiler and Machinery ( <b>Accident</b> to an <b>Object</b> ) |
|------------|--|

Flood Deductibles

USD 1,000,000

for loss or damage caused by **Flood** for insured property at locations situated in **High Hazard Flood Zones** per Endorsement #7. However, this deductible shall not apply to insured property situated outside of the above designated **flood** zone. Furthermore, this deductible shall not apply to any ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

Earthquake Deductibles

5%

Minimum

USD500,000

of the value, per unit of insurance, for loss or damage caused by **Earthquake** to insured property situated in the State of California, subject to a minimum of USD 250,000 in total for all units of insurance per **occurrence**. However, this deductible will not apply to insured property situated outside of this designated **earthquake** zone. This deductible shall apply only to those units of insurance suffering a loss in the **occurrence**. Furthermore, this deductible shall not apply to ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

2%

Minimum

USD500,000

of the value, per unit of insurance, for loss or damage caused by **Earthquake** to insured property situated in **High Hazard Earthquake Zones**, subject to a minimum of USD 250,000 in total for all units of insurance per **occurrence**. However, this deductible will not apply to insured property situated outside of this designated **earthquake** zone. This deductible shall apply only to those units of insurance suffering a loss in the **occurrence**. Furthermore, this deductible shall not apply to ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

Named Windstorm Deductibles

5%

Minimum

USD500,000

of the value, per unit of insurance, for loss or damage caused by **Named Windstorm** to insured property situated in **Tier 1 Counties/Parishes or Zones** for **Named Windstorm**, subject to a minimum of USD 250,000 in total for all units of insurance per **occurrence**. However, this deductible shall not apply to property situated outside of this designated **Named Windstorm** zone. This deductible shall apply only to those units of insurance suffering a loss in the **occurrence**. Furthermore, this deductible shall not apply to ensuing loss or damage caused by or resulting from fire explosion and/or sprinkler leakage.

The amount of the deductibles above shall be determined by applying the above percentages, separately to each of the following units of insurance:

- (1) Each building or structure, not including the value of its foundations, which has sustained loss or damage;
- (2) Personal property within each building or structure if that personal property sustains loss or damage;
- (3) Personal property in the open that sustains loss or damage;
- (4) The Time Element values impacted by insured loss or damage to said property that sustains loss or damage.

Unit(s) of Insurance:

Property Damage Values (1,2 and 3 above) to be used when calculating deductibles shall be either those specified for each unit of insurance shown in the most recent Statement of Values on file with the **Insurer** or, if not so specified (or property under construction), the values will be determined at the time of loss.

Time Element Values to be used when calculating deductibles shall be either those specified for each unit of insurance shown in the most recent Statement of Values on file with the **Insurer** or, if not so specified, based upon the twelve (12) months following the date of loss, with consideration for the most probable experience of the business for the Location, had no loss occurred.

Time Element as used above refers to the following coverages:

- a. Gross Earnings
- b. Loss of Profits
- c. Rental Value and Rental Income

Deductible Clarifications:

(1) In the event that the Insured maintains underlying insurance through the National Flood Insurance Program, it is agreed that this policy shall be excess over the recovery under such National Flood Insurance Policy(s). Should the amount of loss payable under such National Flood Insurance Policy(s) exceed the applicable **flood** deductible under this policy, then no deductible shall apply hereunder. However, if the amount to be paid under such National Flood Insurance Policy(s) is less than the applicable **flood** deductible under this policy, then the amount to be deducted hereunder shall not exceed the difference between the amount to be paid under the Insured's National Flood Insurance Policy(s) and the applicable **flood** deductible under this policy. Insurance maintained through the National Flood Insurance Program shall be considered Underlying Insurance.

(2) If two or more deductible amounts in this policy apply to a single **occurrence**, the total to be deducted shall not exceed the largest individual deductible pertaining to any one cause of loss involved in the occurrence. Where deductibles apply on a per location basis, the single largest deductible at each location shall apply.

(3) In any **occurrence** where loss or damage is caused by more than one cause of loss insured against under this policy, the Insured shall have the right to separate the loss amount by cause of loss for the purposes of application of the deductible(s) specified in this section, notwithstanding the above reference to two or more deductibles and the policy limits.

(4) Whenever mortgage or lease conditions require insurance protection without deductibles, or with deductibles less than are provided herein, **Insurers** agree to make payment without consideration of the applicable deductible. However, the Insured agrees to reimburse the **Insurers** for any payments so made within 30 days of such payment.

(5) If other insurance applies to the same property as insured hereunder, and to the extent recovery is made from such other insurance, the deductible under this policy shall be reduced by such recovery, but in no event shall the deductible under this policy be less than shown in the policy. If recovery from such other insurance is greater than the deductible in this policy, then the deductible under this policy shall not apply.

(6) In the event that all or any portion of the deductible is payable under the Insured's primary insurance or by local, state or governmental funding organizations, such payment shall be considered Underlying Insurance as defined in Section IV, Clause 9.

(7) The deductible amounts specified above shall not apply to general average contributions, salvage charges and sue and labor expenses.

(8) For Contingent Time Element loss, when a deductible is not specifically stated as applying to Contingent Time Element, the deductible for Contingent Time Element loss will be determined as though the contingent time element location was an insured location under this Policy.

#### 10. **LOSS ADJUSTERS**

It is hereby understood and agreed that each and every loss will be adjusted by the Adjuster named below unless otherwise agreed by the Insured and the **Insurer**.

Richard Martin  
vrs»**vericlaim**  
A Toplis & Harding Corporation  
5871 Glenridge Dr NE, Suite 395  
Atlanta, GA 30328



**11. INSURER PARTICIPATION AND PREMIUM**

**Insurer/Security:** Aspen Specialty Insurance Company hereafter referred to as the **Insurer**.  
**Insurer Policy Number:** PRAGDKG17

In consideration of the premium charged, the **Insurer** agrees to indemnify the Insured for the amount recoverable under the terms and conditions of this policy, and any endorsements hereto, provided that:

- a. The liability of the **Insurer** shall not exceed its percentage of the limit of liability, any sublimit of liability or any aggregate limit of liability in any one policy year.
- b. The liability of the **Insurer** shall not exceed the participation limit described below.

**LAYERED AND LAYERED/QUOTA-SHARE**

| Layer No. | Insurer's Limit of Liability | Part of (Layer Limit) | Excess of (Underlying Limit) |
|-----------|------------------------------|-----------------------|------------------------------|
| 4         | 0%                           | 50,000,000            | 50,000,000                   |
| 3         | 10%                          | 25,000,000            | 25,000,000                   |
| 2         | 10%                          | 15,000,000            | 10,000,000                   |
| 1         | 10%                          | 10,000,000            | Deductibles                  |

In the event of loss or damage insured by this policy, this **Insurer** shall be liable for their proportional interest (outlined above) of the Limits of Liability set forth in Clause No. 5 of this section, or as described in Appendix I.

Domestic Premium: USD 160,000

Domestic Terrorism Premium: USD 0

Deductions from Insurer Premium: 0% Retail Commission  
 (Broker compensation) 17.5% Wholesale Commission  
 (applied against annual premium above)

**12. BROKER OF RECORD**

Aon Risk Services Central, Inc. – Illinois Division  
 200 East Randolph Street  
 Chicago, IL 60601

**13. VALUES AT POLICY INCEPTION**

USD 1,326,404,593 Domestic (United States of America)

USD 0 International (all other countries)

USD 1,326,404,593 Total Values at Inception

The values reported are for premium purposes only.

See Appendix I for State allocation.

**14. PREMIUM ADJUSTMENT**

It is understood and agreed that there shall be no premium adjustment during the term of the policy for additions or deletions of locations unless the total insured values of such additions or deletions (for acquisitions and divestitures) exceeds 5% of the total values reported at inception.

**15. ADDITIONAL CONDITIONS**

Unless otherwise specified below, coverage provided by this policy follows all Policy Terms and Conditions as outlined herein unless endorsed or otherwise listed below:

- 1)
- 2)
- 3)
- 4)
- 5)

Attached to and forming part of Policy No. **PRAGDKG17** issued by Aspen Specialty Insurance Company.

---

Authorized Signature/**Insurer**

USD = United States Dollar

## APPENDIX I

In consideration of the premium charged, it is agreed that the following provisions are added to the policy as respects the liability of the **Insurer**:

### **1. LAYERED PROGRAM**

The Insurer's participation under this policy to which it subscribe is several and not joint, and is limited solely to the extent of its individual participation(s). The participating insurers are not responsible for the participation of any co-participating insurer who for any reason does not satisfy all or part of its obligations under this program.

Furthermore, when a sublimit is shown as applying in the aggregate in any one policy year, the limit of liability detailed above shall also be applied in the aggregate during any policy year separately for each applicable sublimit and shall not exceed such sublimit during any policy year.

### **2. EXCESS CLAUSE VOIDED**

**The following Excess Clause located in GENERAL CONDITIONS is voided**

#### **10. EXCESS CLAUSE**

This clause only applies in the event that there exists primary or underlying Policy(ies) providing coverage beneath the attachment point of this Policy. In the event of loss caused by or resulting from loss or damage not otherwise excluded, or to more than one location, for purposes of the attachment point of this policy, this policy shall recognize that the limit of liability of the underlying coverage shall apply first to the perils, coverages and/or locations not insured under this policy and the remainder, if any, to the perils, coverages and/or locations insured hereunder. This policy shall recognize the erosion of the underlying policy limits by all perils, coverages or locations insured by the underlying policy. Upon exhaustion of the limit of liability of the underlying coverage, this **Insurer** shall then be liable for the loss uncollected only for those perils, coverages, and/or locations insured under this Policy, subject to the **Insurer's** limit of liability as specified herein.

In the event the aggregate limits (if any) provided for **Flood** and/or **Earthquake** in any underlying insurance are diminished or exhausted in any one Policy year, the coverage provided under this policy shall respond as excess of the remaining limits.

In such event, the applicable amount of the deductible provision of the underlying insurance shall apply to the combination of all policies.

**And replaced with the following two provisions**

### **3. PRIORITY OF PAYMENTS** (applicable to primary or **underlying policy(ies)** only)

Any recoveries made under this policy shall first apply to loss or damage not insured by the excess policy(ies). Upon exhaustion of this policy's limit, the excess policy(ies) shall step down and be liable for the loss in excess of the amount attributed to this policy as respects loss or damage insured thereunder subject to the excess policy(ies) limits.

**4. STEP DOWN / DROP DOWN** (applicable to excess policies only)

In determining the amount of any loss or damage for which this policy is excess, the total loss caused by any combination of loss or damage, all of which are insured against under the primary policy or **underlying policy**, shall be used even though such loss or damage is not insured against under this excess policy.

- A. Any recoveries made under the primary or **underlying policy** shall first apply to loss or damage not insured against by this policy. Upon exhaustion of the primary or **underlying policy** limits, this policy shall apply in excess of the amount attributed to the primary or **underlying policy** as respects loss or damage insured hereunder subject to the limit of this policy.
- B. If there is any other excess insurance insuring the property insured hereunder for loss or damage insured against in the primary or **underlying policy** but not insured by this policy, this policy shall then allocate any loss recoveries made under the primary or **underlying policy** in the same proportion as the amount of loss or damage insured against by this policy bears to the combined total loss. Upon exhaustion of the primary or **underlying policy** limits, this policy shall apply in excess of the amount attributed to the primary or **underlying policy** as respects loss or damage insured hereunder subject to the limit of this policy.
- C. Sub-Paragraph B. above shall not apply, however, when the amount of loss attributed to loss or damage insured under the primary or **underlying policy**, but not insured under this policy, exceed the total amount of insurance provided by the primary and excess coverages with respect to said loss or damage. In this situation, any recoveries made under the primary or **underlying policy** shall first apply to loss or damage not insured by this policy. Upon exhaustion of the primary or **underlying policy** limits, this policy shall apply in excess of the amount attributed to the primary or **underlying policy** as respects loss or damage insured hereunder subject to the limit of this policy.
- D. It is further agreed, in the event the **Flood** and/or **Earthquake** annual aggregate limits of any primary or **underlying policy** are diminished or exhausted in any one policy year, any loss or damage insured under this policy for **Flood** and/or **Earthquake** shall apply as excess of any undiminished or unexhausted limits subject to the **underlying policy** deductibles.

All other terms and conditions of this policy remain unchanged.

## II. TERMS AND CONDITIONS

### 1. **INSURED PROPERTY**

All real and Personal property while such property is located anywhere within the territorial limits of this policy, including while in due course of **transit**, which is owned, used, or intended for use by the Insured, or acquired by the Insured, and property of others in the Insured's care, custody or control including the Insured's liability for such property and including the costs to defend any allegations of liability for loss or damage to such property; including but not limited to the following:

- A. Improvements and betterments. The **Insurer** agrees to accept and consider the Insured as sole and unconditional owner of the improvements and betterments, notwithstanding any contract or lease to the contrary.
- B. Personal property of the Insured's officials and employees, while in the Insured's care, custody or control or while on the Insured's premises, (except personal automobiles).
- C. The interest of the Insured's customers in property sold by the Insured under conditional sale, trust agreement, installment plan or other deferred payment plan including property which is leased to customers under a lease/purchase agreement.
- D. Real and/or Personal Property of others that the Insured has agreed to insure prior to loss or damage including property not in the Insured's care, custody or control.
- E. **Property While in the Course of Construction** and/or during erection, assembly and/or installation.
- F. Contractors' and vendors' interest in property covered to the extent of the Insured's liability imposed by law or assumed by contract, whether written or oral.

### 2. **PROPERTY NOT INSURED**

This policy does not insure loss or damage to:

- A. Motor vehicles licensed for highway use when not on the Insured's premises, except this exclusion shall not apply to contractor's equipment, or to such property which constitutes stock or property on exhibit or being serviced or repaired.
- B. Land, except as insured under Land and Water Clean Up Expense. This exclusion shall not apply to the cost of reclaiming, restoring or repairing land improvements. Land improvements as described hereunder include, but are not limited to, any alteration to the natural condition of the land by grading, excavating, landscaping, earthen dikes or dams, as well as additions to land such as pavements, roadways, ponds, golf courses, or similar works.
- C. Currency, money, gold bullion, evidence of debt, except Accounts Receivable as defined in the policy, notes or securities except as otherwise described in this policy.

- D. Growing crops and standing timber not to be used for industrial processes; live animals not used for research.
- E. Water, except as insured under Impounded Water, Land and Water Clean Up Expense, or when contained in any form of piping system, processing system or holding tank or used in the manufacturing process.
- F. 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.

However, this exclusion will not apply to:

- 1) ferry shipments to, from and between countries in Continental Europe, the United Kingdom and Ireland; and
- 2) air or inland waterway shipments to, from and between countries in Continental Europe.
- G. Waterborne shipments via the Panama Canal, and to and from Puerto Rico, the Virgin Islands, Hawaii, and Alaska;
- H. Aircraft, watercraft, spacecraft, satellites, except this exclusion shall not apply to such property that constitutes stock.
- I. Off-shore property, dams, dikes, bridges and tunnels, unless specifically reported to the **Insurer**. Bridges and tunnels which are part of, located upon and/or attached to real property insured by this Policy are covered by this Policy.

### 3. **LOSS OR DAMAGE EXCLUDED**

This policy does not insure the following:

- A.
  - 1) Loss or damage caused by 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 such government, power, authority, or forces;
  - 2) Loss or damage caused by any weapon employing atomic fission or fusion;
  - 3) Loss or damage caused by rebellion, revolution, civil war, usurped power; or action taken by governmental authority in hindering, combating, or defending against such **occurrence**;
  - 4) Loss or damage caused by seizure or destruction by order of public authority, except destruction by order of public authority to prevent spread of, or to otherwise contain, control or minimize loss, damage, or destruction which occurs due to loss or damage insured under this policy;

- 5) Risks of contraband or illegal trade.
- B. Loss or damage caused by nuclear reaction or 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, attributed to, or aggravated by loss or damage insured herein except:
- 1) The **Insurer** shall be liable for loss or damage caused by sudden or accidental radioactive contamination, including resultant radiation damage for each **occurrence** from material used or stored or from processes conducted on insured 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 insured premises;
  - 2) If fire ensues, liability is specifically assumed by the **Insurer** for such ensuing loss or damage insured hereunder but not including any loss due to nuclear reaction, nuclear radiation or radioactive contamination.
- C. Loss or damage caused by **fraudulent or dishonest acts** committed by the Insured or any of the Insured's employees.
- This exclusion does not apply to loss or damage resulting from the Insured voluntarily parting with title or possession of any property if induced to do so by any fraudulent scheme, trick, device or false pretense, nor shall this exclusion apply to willful acts of destruction committed by the Insured's employees.
- D. Normal or ordinary wear, tear, gradual deterioration, rust, corrosion, settling, cracking, erosion except if physical loss or damage not excluded in this policy ensues, then this policy shall insure only the ensuing loss or damage. However, if an **Accident** to an **Object** ensues, then this exclusion shall not be applicable.
- E. The cost of making good defective design, faulty material, or faulty workmanship, except, if physical loss or damage not excluded in this policy ensues, then this policy shall insure only the ensuing loss or damage. However, if an **Accident** to an **Object** ensues, then this exclusion shall not be applicable.
- F. Errors in processing or manufacture, except, if physical loss or damage not excluded in this policy ensues, then this policy shall insure only the ensuing loss or damage.
- G. Except as provided in Land and Water Clean Up Expense, loss or damage arising out of the dispersal, release or escape of contaminants or pollutants into or upon land, the atmosphere or any water course or body of water.
- H. Inherent vice or latent defect, except if physical loss or damage not excluded in this policy ensues, then this policy shall insure only the ensuing loss or damage.
- I. Mildew, mold, spoilage or decay; unless caused by physical loss or damage not otherwise excluded.

#### 4. **COVERAGE EXTENSIONS**

Except as excluded, this policy covers:

##### A. **Accounts Receivable**

In the event of insured loss or damage to records or accounts receivable from customers caused by loss or damage insured herein, this **Insurer** will indemnify the Insured as follows:

- 1) All sums due the Insured (from customers), provided the Insured is unable to effect collection thereof as a result of loss or damage to records of accounts receivable by loss or damage insured by this policy.
- 2) All sums due the Insured from factoring transactions, when the property of the debtor has been lost or damaged by loss or damage insured by this policy and the Insured has been unable to effect collection thereof.
- 3) Interest charges on any loan to offset impaired collections pending repayment of such sums made uncollectible by such loss or damage.
- 4) Collection expenses in excess of normal collection cost and made necessary because of such loss or damage.
- 5) Other expenses, when reasonably incurred by the Insured in reestablishing records of accounts receivable following such loss or damage.

For purpose of this insurance, charges under a credit card company and maintained on **Electronic Data Processing Media** shall be deemed to represent sums due the Insured from customers.

When there is proof that a loss of records of accounts receivable has occurred by the Insured and the Insured 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 (12) months shall be adjusted in accordance with the percentage increased or decreased in the twelve (12) 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 Insured and an amount to



allow for probable bad debts which would normally have been uncollectible by the Insured.

**B. Brands and Labels**

In case of insured loss or damage 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 Insured, the salvage value of such damaged property shall be determined after removal in the customary manner, at the expense of the **Insurer**, of all such brands or trademarks or other identifying characteristics.

**C. Consequential Damage**

1. This policy also insures against consequential loss caused by or resulting from a change in temperature or humidity or by interruption of power, heat, air conditioning, or refrigeration, telephone or telegraphs, supply water or telecommunications as a result of physical loss or damage of the type insured to property/equipment or plants used to provide refrigeration, cooling humidifying, dehumidifying air conditioning heating, generating, converting power or telephone or telegraphs, or telecommunications, including all connections and supply from transmission lines and pipes, power generating equipment, utility plants or sources, whether or not such equipment is on or off the premises of the Insured.
2. The policy shall further insure the resulting reduction in value of the remaining undamaged components or parts of property customarily sold as units, pairs, sets, lots or ranges of sizes or colors.

**D. Control of Damaged Property**

The Insured shall have full right to the possession of all property manufactured, sold or distributed by the Insured involved in any loss under this policy and shall retain control of all damaged property. The Insured, exercising reasonable discretion, shall be the sole judge as to whether the property involved in any loss under this policy is fit for consumption, sale or use and any property so deemed by the Insured to be unfit for consumption, sale or use shall not be sold or otherwise disposed of except by the Insured or with the Insured's consent, but the Insured shall allow the **Insurer** any salvage proceeds obtained by the Insured on any sale or other disposition of such merchandise.

**E. Debris Removal**

The policy insures the necessary and reasonable expenses incurred by the Insured to remove, clean-up and/or properly dispose of any debris remaining after any loss or damage covered under this policy.

**F. Demolition and Increased Cost of Construction**

In the event of insured loss or damage insured under this policy that causes the enforcement of any law, ordinance and/or governmental directive regulating the construction, repair or use of property, the **Insurer** shall be liable for:

1. The cost of demolishing the undamaged property including the cost of clearing the site;
2. The value of the undamaged property which had to be demolished;
3. The increased cost of repair or reconstruction, whichever is less, of the damaged and undamaged property on the same or another site and limited to the costs that would have been incurred in order to comply with the minimum requirements of such law, ordinance and/or governmental directive regulating the repair or reconstruction or use of the damaged property. However, the **Insurer** shall not be liable for any increased cost of construction loss unless the damaged property is actually rebuilt or replaced;
4. The increase in loss, including, but not limited to, Business Interruption, Extra Expense, Rental Value, Leasehold Interest or Royalties or extensions thereof arising out of the additional time required to comply with said law, ordinance and/or governmental directive.

**G. Expediting Expense**

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

**H. Fines and Penalties**

This policy is extended to insure such Fines or Penalties as may be imposed on the **Insured** for the breach of contract either in respect of goods and services delayed or not delivered, or in respect of the **Insured's** failure or delay to take delivery of goods and services ordered, as a direct result of a cause of physical loss not otherwise excluded herein to Real and Personal property covered under this policy. For the purposes of this clause, liquidated damages shall also be considered fines and penalties.

**I. Fire Brigade Charges and Extinguishing Expenses**

This policy insures the following expenses resulting from:

1. fire brigade charges and other extinguishing expenses for which the Insured may be assessed;
2. loss of fire extinguishing materials expended.

**J. Land and Water Clean Up Expense**

This policy insures the reasonable and necessary cost or expense of decontamination or removal or disposal of land and water on or under the premises of the Insured

It is a condition precedent to recovery under this clause that the **Insurer** shall have paid, or agreed to pay for, loss or damage to the property insured hereunder unless such payment is precluded solely by the operation of any deductible.

It is also a condition precedent to recovery under this clause that the Insured shall give written notice to the **Insurer** of intent to claim for decontamination and clean up expense not later than one hundred-eighty (180) days after the date of such loss or damage

**K. Professional Fees**

This policy insures the reasonable fees and expenses incurred by the Insured, or by the Insured's representatives for assessing, preparing and/or certifying details of a claim resulting from a loss which would be payable under this policy. The reasonable fees and expenses of Aon Property Risk Consulting, Inc. qualify for this coverage extension. However, this policy does not insure the expenses of Public Adjustors or attorneys. However, the reasonable fees and expenses of Aon Property Risk Consulting, Inc. qualify for this coverage extension.

**L. Protection and Preservation of Property – Property Damage**

In case of actual or imminent loss or damage of the type insured against by this policy, the expenses incurred by the Insured in taking reasonable and necessary actions for the temporary protection and preservation of insured property, shall be recoverable under the policy and be subject to the applicable deductible, and without increase in the limit provisions contained in this policy.

**M. Tax Treatment of Profits**

This policy insures the additional loss sustained by the Insured resulting from loss or damage insured by this policy in the event the tax treatment of:

- A. the profit portion of a loss recovery involving finished stock manufactured or purchased by the Insured; and/or
- B. the profit portion of business interruption loss proceeds;

differs from the tax treatment of profits that would have been incurred had no loss occurred.

**N. Temporary Removal of Property**

This policy insures property temporarily removed from a location for the purposes of being repaired or serviced, or in order to avoid loss or damage insured by this policy. However, this coverage does not apply to property removed for normal storage.

**O. Transit**

This policy insures loss or damage not otherwise excluded, to insured property in **transit** including resulting loss as afforded under Time Element Coverages provided under this policy.

- 1) This insurance is extended to insure loss or damage to property:
  - (a) sold and shipped by the Insured 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) at the Insured's option, which is incoming to the Insured.
- 2) This policy also insures loss or damage:
  - (a) 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;
  - (b) occasioned by the acceptance by the Insured, by its agents, or by its customers of fraudulent bills of lading, shipping and delivery orders, or similar documents.

## 5. TIME ELEMENT COVERAGE

This policy is extended to cover Time Element loss as described below resulting from insured loss or damage not otherwise excluded. The Insured has the option at any time during the loss adjustment to choose whether to calculate its claim in accordance with the Gross Earnings provision (5.A) and applicable extensions or the Loss of Profits provision (5.B) and applicable extensions. This election may be made at any time before final payment of claim.

### A. Gross Earnings

- 1) Loss due to the necessary interruption of business conducted by the Insured, whether total or partial, including all interdependencies between or among companies owned or operated by the Insured, resulting from physical loss or damage insured herein and occurring during the term of this policy to property insured herein.
- 2) Such loss shall be adjusted on the basis of the actual loss sustained by the Insured, consisting of the net profit which is prevented from being earned including **ordinary payroll** and payroll;

**and**

all charges and other expenses (including **soft costs**) to the extent that these must necessarily continue during the interruption of business, but only to the extent to which such charges and expenses would have been incurred had no loss occurred.

- 3) In determining the amount of net profit, charges, and expenses insured hereunder for the purposes of ascertaining the amount of the actual loss sustained, due consideration shall be given to the experience of the business before the date of the loss or damage and to the probable experience thereafter had no loss occurred.
- 4) As respects Time Element Coverage - Gross Earnings, the **Insurer** shall not be liable under this section for any loss resulting from loss or damage to **finished stock** nor for the time required to reproduce said **finished stock** or stock in process.

## B. Loss of Profits

Coverage under this clause applies where the Insured elects Loss of Profits coverage under this policy. Such election may be exercised at any time prior to loss settlement as outlined elsewhere in this policy. If such claim involves more than one location, including interdependency, the entire claim will be adjusted using a single coverage (Gross Earnings or Loss of Profits).

1. Loss of gross profit as hereinafter defined, resulting from interruption of or interference with the business and caused by physical loss or damage to real or personal property as insured herein.
2. Indemnity: The amount of loss of gross profit shall be based on REDUCTION IN TURNOVER and on INCREASE IN COST OF WORKING, and the amount payable as indemnity thereunder shall be:
  - (a) In respect to REDUCTION IN TURNOVER: The sum produced by applying the rate of gross profit to the amount by which the turnover during the indemnity period shall, in consequence of the damage, fall short of the standard turnover;
  - (b) In respect to INCREASE IN COST OF WORKING: The additional expenditure necessarily and reasonably incurred for the sole purpose of avoiding or diminishing the reduction in turnover which but for that expenditure would have taken place during the indemnity period in consequence of the damage, but not exceeding the sum produced by applying the rate of gross profit to the amount of the reduction thereby avoided;
  - (c) In respect to auditors fees, the reasonable charges payable by the Insured to their auditors for producing and certifying any particulars or details in the Insured's books of account or other books or documents or such other profits, information or evidence as may be required by the **Insurer**;

less any sum saved during the indemnity period in respect of such of the standing charges of the business payable out of gross profit as may cease or be reduced in consequence of the damage.

3. Definitions applicable to Loss of Profits:
  - (a) Gross Profit: The sum produced by adding to the net profit the amount of all the standing charges of the business, including **soft costs** or if there be no net profit the amount of said standing charges less the amount of any net trading loss. Standing charges shall include, but not be limited to, wages and depreciation on property.
  - (b) Net Profit: The net trading profit (exclusive of all capital receipts and accretions and all outlay properly chargeable to capital) resulting from the business of the Insured after due provision has been made for all standing and other charges including depreciation but before the deduction of any taxation chargeable on profits.

- (c) Wages: The remuneration (including where applicable: bonuses, overtime, living allowance (if any), national insurance contribution, holiday pay or other payments pertaining to wages) of all employees other than those whose remuneration is treated as salaries in the Insured's books of account.
- (d) Turnover: The money (less discounts allowed) paid or payable to the Insured for goods sold and delivered and for services rendered in course of the business.
- (e) Indemnity Period: The period beginning with the **occurrence** of the damage and ending not later than the period of indemnity stipulated under the primary insurance, twenty-four (24) months or as described in the Supplemental Declarations of this policy, whichever is greater, during which period of time the results of the business shall be affected in consequence of the damage.
- (f) Rate of Gross Profit: The rate of gross profit earned on the turnover during the financial year immediately before the date of the damage.
- (g) Annual Turnover: The turnover during that period in the 12 months immediately before the date of the damage.
- (h) Standard Turnover: The turnover during that period in the 12 months immediately before the date of the damage which corresponds with the indemnity period.

With respect to subparagraphs f-Rate of Gross Profit, g- Annual Turnover and h- Standard Turnover as described above, such adjustments shall be made as may be necessary to provide for the trend of the business and for variations in or special circumstances affecting the business either before or after the damage or which would have affected the business had the damage not occurred, so that the figures thus adjusted shall represent as nearly as reasonably practicable the results which but for the damage would have been obtained during the relative period after the damage.

4. Memoranda:

MEMO 1: If during the indemnity period goods shall be sold or services shall be rendered elsewhere other than at the damaged premises for the benefit of the business either by the Insured or by others on its behalf, the money paid or payable in respect of such sales or services shall be brought into account in arriving at the turnover during the indemnity period.

MEMO 2: In adjusting any loss, account shall be taken and an equitable allowance made if any shortage in turnover due to the damage is postponed by reason of the turnover being temporarily maintained from accumulated stocks of finished goods in warehouses and/or depots.

MEMO 3: In the event of a loss or damage to property insured herein, which results in an interruption of research and development activities which in themselves would not have produced gross profit during the indemnity period, this policy shall insure the actual loss sustained of the continuing standing charges, including wages directly attributable to such research and development activities.

**C. Extra Expense**

This policy provides coverage for the reasonable and necessary Extra Expense (including **soft costs**) incurred by the Insured in order to continue as nearly as practicable the normal operation of the Insured's business following physical loss or damage insured to property insured herein occurring during the policy term.

**D. Leasehold Interest**

This policy provides coverage for the leasehold interest of the Insured as outlined below:

Pro rata proportion from the date of loss to expiration date of the lease (to be paid without discount) on the Insured's interest in:

- 1) The amount of bonus paid by the Insured for the acquisition of the lease not recoverable under the terms of the lease;
- 2) Improvements and betterments to real property which are not covered under any other section of this policy;
- 3) The amount of advance rental paid by the Insured and not recoverable under the terms of the lease;

when property is rendered wholly or partially untenable by any covered loss during the term of this policy and the lease is canceled by the party not the Insured under this policy in accordance with the conditions of the lease or by statutory requirements of the appropriate jurisdiction in which the damaged or destroyed property is located; and

"The Interest of the Insured as Lessee or Lessor" when property is rendered wholly or partially untenable by any covered loss during the term of this policy and the lease is canceled by the party not the Insured by this policy in accordance with the conditions of the lease or by statutory requirements of the appropriate jurisdiction in which the damaged or destroyed property is located.

"The Interest of the Insured as Lessee or Lessor" 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.

Definitions applicable to Leasehold Interest:

- 1) "The Interest of the Insured as Lessee" is 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; and



- 2) the rental income earned by the Insured from sublease agreements, to the extent not covered under any other section of this policy, over and above the rental expenses specified in the lease between the Insured and the lessor.
- 3) "The Interest of the Insured as Lessor" is the difference between the rents payable to the lessor under the terms of the lease in effect at the time of loss and the actual rent collectible by the lessor during the unexpired term of the lease provided the lease is canceled by the lessee, to the extent not covered under any other section of this policy.
- 4) "Net Lease Interest" is that sum, which placed at 6% interest compounded annually will be equivalent to the "The Interest of the Insured as Lessee or Lessor."

It is understood and agreed that in the event loss or damage insured results in both loss of Rental Income and/or Rental Value and loss of the Interest of the Insured as Lessor, the provisions and limit of liability of the Rental Income and Rental Value coverage will be applied first in accordance with the applicable period of recovery. The coverage provided by the Leasehold Interest provisions and limit of liability shall be applied and commence at the cessation of the Rental Income and Rental Value coverage and continue until the expiration of the lease.

**E. Rental Value and Rental Income**

- 1) This policy provides coverage for Loss of Rental Income and/or Loss of Rental Value of the Insured caused by physical loss or damage insured herein occurring during the term of this policy to property and/or premises rented, leased or occupied by the Insured and/or rented or leased by the Insured to others.
- 2) Rental Income shall include the following:
  - a) The total anticipated gross rental income from tenant(s) of the Insured's building(s) and structure(s), and
  - b) The amount of all charges assumed by tenant(s) except those charges which do not continue, which would otherwise be obligations of the Insured, and
  - c) The fair rental reasonably expected from unrented portions of such property and the fair rental for that portion occupied by the Insured.
- 3) Rental Value shall include the following:
  - a) Rental Income Insurance in those situations where the Insured is required under a lease or rental agreement to maintain such insurance on behalf of any landlord.
  - b) Rental expenses incurred by the Insured in excess of the expenses which would have been incurred had a leased or rented premises not been damaged or destroyed by loss or damage insured herein. Such coverage



will apply for all additional expenses incurred during the period of untenability or if the lease cannot be terminated until its expiration.

**F. Royalties**

- 1) Loss of Royalties, Fees and Commissions which would have been earned under Royalties, Fees or Commission Agreements between the Insured and any concern(s), as a result of loss or damage to the property of such concern(s) caused by physical loss or damage to property of the type insured herein occurring during the term of this policy.
- 2) Such loss shall be adjusted on the basis of actual loss sustained of such income which would have been earned had no loss occurred.

**6. TIME ELEMENT EXTENSIONS**

The Time Element Extensions extend the coverages provided in Clauses 5.A, B, C, D, E, and F, above.

- A. This policy insures the actual loss sustained caused by or resulting from loss or damage of the type insured to:

1) **Attraction Property**

Property not owned or operated by the Insured, which attracts business or trade to the vicinity of the Insured's operations.

There is no liability for any loss or damage otherwise insured under the Contingent Business Interruption/Contingent Extra Expense clause below.

2) **Contingent Time Element**

Property, that impairs or prevents;

- a) Any **direct supplier(s)** of goods and/or services to the Insured, from rendering and/or delivering their goods and/or services, or
- b) Any **direct customer(s)** of goods and/or services from the Insured, from accepting the Insured's goods and/or services.

For the purposes of this coverage extension, such supplier or customer can be located anywhere in the world.

There is no liability for any loss or damage otherwise insured under the Service Interruption/Off Premises Power clause below.

3) **Service Interruption/Off Premises Power**

Property of service providers, including, but not limited to, electricity, water, gas, sewerage, steam, telephone, telecommunications, including voice/data, or their

respective transmission and distribution lines or utility plants which directly or indirectly provide incoming or outgoing services to the Insured situated on or outside of the Insured's premises.

Coverage provided in this section is extended to include any **accidental event** at the above provider of services.

There is no liability for any loss or damage otherwise insured under the Contingent Business Interruption/Contingent Extra Expense or Attraction Property clauses above.

4) **Impounded Water**

Dams, reservoirs, or equipment connected therewith when water, used as a raw material, for power or other manufacturing purpose, is stored behind or in such dams or reservoirs, is released from storage and impairs or prevents operations of the insured due to adequate water supply from such sources. This coverage is afforded for thirty (30) days from the date of initial loss or damage. The Insured shall use due diligence and dispatch to repair or replace the damaged dam, reservoir or connected equipment.

**B. Civil or Military Authority**

This policy is extended to cover the actual loss sustained by the insured during the period of time when access to covered property is impaired by order or action of civil or military authority issued as a result of loss or damage of the type insured against to property, other than property as described under Property Insured. The loss or damage that causes the action or order of civil or military authority must occur within the number of miles from the Insured Property as stated in the Supplemental Declarations section of this Policy.

This coverage is afforded for the number of days as stated in the Supplemental Declarations section of this Policy.

**C. Ingress/Egress**

This policy is extended to cover the actual loss sustained by the insured during the period of time when ingress to or egress from covered property is impaired as a result of loss or damage of the type insured against to property, other than property described under Property Insured. The damage that causes the ingress to or egress from to be impaired, must occur within the number of miles from the Insured Property as stated in the Supplemental Declarations section of this Policy.

This coverage is afforded for the number of days as stated in the Supplemental Declarations section of this Policy.

**D. Protection and Preservation of Property-Time Element**

The policy is extended to cover the actual loss sustained during the period of time, when the Insured takes reasonable and necessary actions for the temporary protection and preservation of property insured, to prevent impending loss or damage insured. Such coverage applies regardless of whether actual insured loss or damage occurs.

**E. Research and Development**

In the event of insured loss or damage to property insured herein which results in an interruption of research and development activities, which in themselves would not have produced income during the recovery period, this policy shall insure the actual loss sustained of the continuing charges and expenses, including **ordinary payroll**, and payroll, directly attributable to such research and development activities.

**F. Time to Replace Stock or Raw Material**

Notwithstanding the paragraph in the Business Interruption – Gross Earnings provision to the contrary, this policy is extended to cover the additional expenses incurred over and above normal, during the time required to replace raw materials, stock in process or finished goods to the inventory level which existed prior to the loss.

**G. Waterway Access**

This policy is extended to cover the actual loss sustained during the period of time, when the insured's business or operations are impaired fully or partially as a result of the inability to utilize waterways, when the inability is the result of physical loss or damage not otherwise excluded. Coverage is afforded for thirty (30) days from the date of initial actual loss sustained.

Contingent Time Element and Attraction Properties referenced in 6.A.1 and 6.A.2 will be considered as insured property for application of the following Time Element Extensions.

Service Interruption/Off Premises Power  
 Impounded Water  
 Civil or Military Authority  
 Ingress/Egress  
 Protection and Preservation of Property-Property Damage  
 Waterway Access

**7. TIME ELEMENT PROVISIONS**

The following apply to all Time Element Coverage and Time Element Extensions except Loss of Profits, unless otherwise stated therein:

**A. Period of Recovery**

The length of time for which loss may be claimed is referred to as the period of recovery and:

- 1) shall commence with the date of such loss or damage and shall not be limited by the date of expiration of this policy;
- 2) shall not exceed such length of time as would be required with the exercise of due diligence and dispatch to rebuild, repair, or replace the property that has been destroyed or damaged;

**and,**

- 3) such additional length of time to restore the Insured's business to the condition that would have existed had no loss occurred, commencing with the later of the following dates:
  - (a) the date on which the liability of the **Insurer** for loss or damage would otherwise terminate; or
  - (b) the date on which repair, replacement or rebuilding of the property that has been damaged is actually completed and the Insured has resumed normal operations.

but in no event for more than the number of days for Extended Period of Liability as stated in the Supplemental Declarations section of this policy;

- 4) With respect to loss or damage occurring to **property in the course of** construction, due consideration shall be given to the level of production or level of business operations that would reasonably have been achieved after completion of construction had no loss or damage occurred.
- 5) With respect to damage occurring to research and development activities, if there is a delay in planned product completion, release or offering, due consideration shall be given to the level of production or business operations that would reasonably have been achieved had no loss occurred. .
- 6) The Period of Recovery shall not include:
  - a) Any days which would coincide with a shutdown planned prior to loss,
  - b) Any increase of loss which may be occasioned by the suspension, lapse or cancellation of any lease or by the Insured exercising any option to cancel a lease unless the suspension, lapse or cancellation is due to the loss or damage covered by this policy.
  - c) Any additional loss due to fines, penalties or damages for breach of contract or non-delivery of goods.

B. If the Insured can reduce the loss resulting from the interruption of business:

- 1) by a complete or partial resumption of operations of the property insured, whether damaged or not; or
- 2) by making use of stock, merchandise, or other property insured herein;

Such reduction shall be taken into account in arriving at the amount of loss hereunder. However, when making use of stock, merchandise or other insured property the insured shall be reimbursed to replenish the stock or merchandise used to reduce the loss.

C. Expense to Reduce Loss: (not applicable to Extra Expense)

This policy also insures such expenses as are necessarily incurred for the purpose of reducing any loss under this policy, but in no event shall the aggregate of such expenses exceed the amount by which the loss under this coverage part is thereby reduced.

D. Experience of the Business:

In determining the amount of loss insured hereunder due consideration shall be given to the experience of the business before the date of loss or damage and to the probable experience thereafter had no loss or damage occurred.

### III. POLICY LOSS ADJUSTMENT AND SETTLEMENT

#### 1. NOTICE OF LOSS

The Insured shall report to the **Insurer** any loss or damage which may become a claim under this insurance policy as soon as may be practicable after it becomes known to the Director of the Risk Management Department (or the individual acting in a similar capacity) of the Insured.

#### 2. KNOWLEDGE OF OCCURRENCE

It is agreed that knowledge of an **occurrence** by an agent, servant or employee of the Insured shall not in itself constitute knowledge by the Insured. Knowledge is understood to occur only when the Director of the Risk Management Department (or the individual acting in a similar capacity) of the Insured shall have received notice from its agent, servant or employee.

#### 3. PROOF AND PAYMENT OF LOSS

A detailed Proof of Loss shall be filed with the **Insurer** as soon as practicable. Loss shall be adjusted with the Risk Management Department of the Insured or assigned representatives, and all adjusted claims shall be paid to the Insured or its order within thirty (30) days after filing and acceptance of a Proof of Loss.

#### 4. PARTIAL PAYMENT OF LOSS

It is understood and agreed that this **Insurer** will make partial payments of claims subject to the policy provisions and the normal policy adjustment provisions.

To obtain said partial claim payment, the Insured shall submit a partial Proof of Loss with supporting documentation. Upon receipt and approval of a partial Proof of Loss, the **Insurer** will make partial payments to the Insured within no more than fourteen (14) days to the Insured.

#### 5. LOSS PAYABLE

Loss, if any, shall be adjusted with and payable to the Insured or its order.

#### 6. SUBROGATION AND SUBROGATION WAIVER

A. It is agreed that upon payment of any loss, this **Insurer** is subrogated to all the rights of the Insured to the extent of such payment.

Any release or waiver of liability entered into by the Insured in the course of their business prior to loss (including but not limited to bills of lading and/or receipts from carriers, bailees, warehousemen, lightermen, processors, limiting or releasing their liability) hereunder shall not prejudice the Insured's rights of recovery under this policy.

B. The right of subrogation against the Insured's subsidiary, affiliated, or associated corporations or companies, joint ventures, partnerships or individuals, or any other party required to be insured, or any other corporations or companies associated with the Insured through ownership or management is waived.

C. In the event of any payment under this policy, except where subrogation rights have been

waived, the **Insurer** shall be subrogated to the extent of such payment to all the Insured's rights of recovery therefore. The Insured shall execute all papers required and shall take reasonable and necessary action to secure such subrogation rights. The **Insurer** will act in concert with all other interests concerned, such as the Insured and any other company(ies) 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, after deducting the costs of recovery, such amount shall be divided between the interests concerned in the proportion of their respective interests. If there should be no recovery, all costs and expenses shall be borne by the party instituting the proceedings.

## 7. **SALVAGE AND RECOVERIES**

Except as described elsewhere herein, after expenses incurred in salvage or recovery are deducted, any salvage or other recovery, except recovery through subrogation proceedings and/or from underlying and/or excess insurance as described herein, shall accrue entirely to the benefit of this **Insurer** until the sum paid by the **Insurer** has been recovered.

## 8. **VALUATION**

At time of loss, the basis of adjustment shall be as follows:

- A. On buildings and structures, at the replacement cost new; if not replaced, then at the actual cash value.
- B. On machinery, equipment, furniture, fixtures and improvements and betterments at the replacement cost new or the cost of repair, whichever is less. If not replaced, then at the actual cash value.
- C. The cost of architects', surveyors', inspectors' and/or engineers' plans, drawings, specifications, fees and charges including the cost for supervision of construction and repair of damages.
- D. **Valuable Papers and Records and Electronic Data Processing Media** at the value blank plus the cost of labor, service and/or supplies for actually reconstructing, researching, gathering information, reproducing, recreating, transcribing or copying such papers, records and **Electronic Data Processing Media**.
- E. **Fine Arts** owned by the Insured at the cost of reasonably restoring the property to its condition immediately prior to the loss, or in the event that the property cannot be restored at the appraised value prior to the loss. In absence of such appraisal, at the market value at the time of loss.  
  
**Fine Arts** which is the property of others, either at the Insured's contractual or legal liability.
- F. **Finished Stock** and other merchandise not manufactured by the Insured but held for sale, at the Insured's selling price less discounts to which the goods would have been subject had no loss occurred, and labor (internal or 3<sup>rd</sup> party) at the cost to restock. Any obsolete inventory is a deduction to the inventory at the time of loss only, and not a percentage applied to the total inventory loss.

- G. Property of others and property leased by the Insured, or for which the Insured has agreed to insure, at the Insured's contractual or legal liability for said damage.
- H. Stock in process (raw stock which has undergone any aging, seasoning, or other processing by the Insured, but which has not become finished stock) shall be valued at the Insured's selling price of finished stock at the time of the loss, less any manufacturing expense not incurred by the Insured and less any discounts, rebates and unincurred expense to which the sales price would have been subject.
- I. Contractor's equipment shall be valued at actual cash value, unless an agreed value applies or at the **Insured's** contractual or legal liability for said loss or damage.
- J. All other property, not otherwise mentioned above, at the replacement cost new; if not replaced, then at the actual cash value.

It is understood and agreed that as respects replacement cost new, the Insured shall have the option of replacing equipment having technological advantages and/or representing an improvement in function and/or forming part of a program of system enhancement provided that such replacement can be accomplished without increasing the **Insurer's** liability.

The Insured, using reasonable discretion, shall be the sole judge as to whether electrical and mechanical equipment are damaged and unusable. This **Insurer** shall be allowed to dispose of, as salvage, any non-proprietary property deemed unusable by the Insured.

As respects A., B. and J. above, the Insured may elect not to replace the property lost, damaged, or destroyed and obtain loss settlement on a replacement cost basis if the proceeds of such loss settlement are expended in any other capital expenditures related to the Insured's operations within the territorial limits of the policy.

## 9. **CURRENCY**

It is hereby understood and agreed that all amounts used herein are in United States currency and that premiums shall be paid and all losses shall be adjusted and paid in United States currency. In the event of a loss adjustment involving foreign currency, conversion into the currency of the United States of America shall be calculated as follows:

- A. As respects real and personal property, the cost of repair, replacement or reconditioning shall be converted, as of the date of repair, replacement or reconditioning based on the rate of exchange quoted in the Wall Street Journal.

If the property is not replaced or repaired, the conversion into the currency of the United States of America shall be at the rate of exchange quoted in the Wall Street Journal as of the date of loss.

- B. As respects all other coverages, currency shall be converted at the rate of exchange quoted in the Wall Street Journal and such rate of exchange shall be based on the average of the daily rate of exchange quoted in the Wall Street Journal for the period of loss.

## 10. **COINSURANCE WAIVER**

This policy is not subject to Coinsurance or Average Clause.



**11. SEVERABILITY OF INTEREST**

Each of the Insureds insured by this policy will have the same protection and obligations as if the policy has been issued individually to each of them, except as respects the obligations associated with the **Cancellation** clause. However, the inclusion of more than one Insured will not operate to increase the limit of liability of the **Insurer** beyond the limit of liability as stated in the Supplemental Declarations section.

**12. APPRAISAL**

In case the Insured and this **Insurer** shall fail to agree as to the amount of loss, then, on the written demand of either, each shall select a competent and disinterested appraiser and notify the other of the appraiser selected within Twenty (20) days of such demand. The appraisers shall select a competent and disinterested umpire; and, failing for Fifteen (15) days to agree upon such umpire, then on request of the Insured or the **Insurer**, such umpire shall be selected by a judge of a district court of a judicial district in accordance with the Jurisdiction and Suit clause of this policy. The appraisers shall then appraise the loss, separating the loss to each item; and, failing to agree, shall submit their differences only to the umpire. An award in writing, so itemized of any two when filed with the **Insurer**, shall determine the amount of loss. Each appraiser shall be paid by the party selecting each respective appraiser and the expenses of appraisal and umpire shall be paid by the parties equally.

**13. JURISDICTION AND SUIT**

It is hereby understood and agreed that in the event of the failure of the **Insurer** to pay an amount claimed to be due hereunder, at the direction of the Insured, the **Insurer** will submit to the jurisdiction of any court of competent jurisdiction within the United States and will comply with all requirements necessary to give such jurisdiction.

## IV GENERAL CONDITIONS

### 1. CERTIFICATES OF INSURANCE

All parties to whom a Certificate of Insurance has been issued are automatically added to this policy upon issuance of said certificates, either as Additional Insureds, Mortgagees or as Loss Payees, or both, in accordance with the terms and conditions of this policy unless otherwise agreed to by the **Insurer**. Permission is granted for Aon Risk Services to issue Certificates on the **Insurer's** behalf.

### 2. CANCELLATION

A. This policy may be canceled at any time at the request of the Insured, or it may be canceled by the **Insurer** by mailing via registered or certified mail to the **Insured** and with copies provided to Aon Risk Services, during the term of this policy, written notice stating when no less than Ninety (90) days thereafter, except Ten (10) days for nonpayment of premium, such cancellation shall be effective.

This insurance may be canceled at any time by the Insured by surrender of this policy to the **Insurer** or by mailing or delivery to the **Insurer** written notice stating when thereafter such cancellation shall take effect. Return premium shall be allowed the Insured on a pro rata basis if the **Insurer** cancels and also on a pro rata basis if the Insured cancels.

Payments or tender of any unearned premium by the **Insurer** shall not be a condition precedent to the effectiveness of cancellation, but such payment shall be made as soon as practicable.

B. The mailing of notice as described in A. above shall be sufficient proof of notice and the effective date and hour of cancellation stated in the notice shall become the end of the policy period. Delivery of such written notice either by the Insured or by this **Insurer** 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 safely delivered and accepted at place of final destination.

### 3. INSPECTION AND AUDIT

This **Insurer** shall be permitted, but not obligated, to inspect the Insured's property at any reasonable time. Neither the **Insurer's** right to make inspections, nor the making thereof, nor any report thereon, shall constitute an undertaking, on behalf of or for the benefit of the Insured or others, to determine or warrant that such property is safe.

### 4. LIBERALIZATION

If during the period that insurance is in force under this policy, any authorized endorsement or filed rules or regulations affecting the same are revised by statute or otherwise so as to broaden the insurance without additional premium charge, such extended or broadened insurance shall inure to the benefit of the Insured hereunder.

**5. MORTGAGE CLAUSE**

Loss or damage, if any, under this policy shall be payable to the mortgagee(s) (or trustee(s)) as interest(s) may appear, and this insurance, as to the interest(s) of the mortgagee(s) (or trustee(s)) only therein, shall not be invalidated by any act or neglect of the mortgagor or owner of the described property, nor by any foreclosure or other proceedings or notice of sale relating to the property, nor by any change in the title or ownership of the property, nor by the occupation of the premises for purposes more hazardous than are permitted by this policy provided that in case the mortgagor or owner shall neglect to pay any premium due under this policy, the mortgagee (or trustee) shall, on demand, pay the same.

This **Insurer** reserves the right to cancel this policy at any time as provided by its terms, but in such case this policy shall continue in force for the benefit only of the mortgagee (or trustee) for Ten (10) days after notice to the mortgagee (or trustee) of such cancellation and shall then cease and this **Insurer** shall have the right, on like notice, to cancel this agreement.

**6. OTHER INSURANCE**

Except as referred to in Contributing Insurance, Excess Insurance and Underlying Insurance clauses, this policy shall not insure to the extent of any other insurance, whether prior or subsequent hereto in date and whether directly or indirectly insuring the same property against the same loss or damage. This insurance shall be excess of and/or supplementary to the amount recoverable from such other collectible insurance. Notwithstanding this Other Insurance provision, this Policy will guarantee prompt payment in full of the amount of loss which would have been otherwise recoverable hereunder as if this clause did not exist and the Insured shall cooperate with the **Insurer** to pursue recovery of any Other Insurance.

**7. CONTRIBUTING INSURANCE**

Permission is granted for other policies written upon the same terms, conditions, and provisions irrespective of limit or attachment point as those contained in this policy. This policy shall contribute to the total of each loss otherwise payable herein to the extent of the participation of this policy in the total limit of liability stated herein.

**8. EXCESS INSURANCE**

Permission is granted for the Insured to have excess insurance over the limit of liability in this policy without prejudice to this policy and the existence of such insurance, if any, shall not reduce any liability under this policy.

**9. UNDERLYING INSURANCE**

Permission is granted for the Insured to purchase insurance on all or any part of the deductible and against all or any of the coverage provided by this policy. The existence of such underlying insurance shall not prejudice or affect any recovery otherwise payable under this policy.

**10. EXCESS CLAUSE**

This clause only applies in the event that there exists primary or underlying Policy(ies) providing coverage beneath the attachment point of this Policy. In the event of loss caused by or resulting from loss or damage not otherwise excluded, or to more than one location, for purposes of the

attachment point of this policy, this policy shall recognize that the limit of liability of the underlying coverage shall apply first to the perils, coverages and/or locations not insured under this policy and the remainder, if any, to the perils, coverages and/or locations insured hereunder. This policy shall recognize the erosion of the underlying policy limits by all perils, coverages or locations insured by the underlying policy. Upon exhaustion of the limit of liability of the underlying coverage, this **Insurer** shall then be liable for the loss uncollected only for those perils, coverages, and/or locations insured under this Policy, subject to the **Insurer's** limit of liability as specified herein.

In the event the aggregate limits (if any) provided for **Flood** and/or **Earthquake** in any underlying insurance are diminished or exhausted in any one Policy year, the coverage provided under this policy shall respond as excess of the remaining limits.

In such event, the applicable amount of the deductible provision of the underlying insurance shall apply to the combination of all policies.

**11. NON-REDUCTION OF LIMITS OF LIABILITY**

Any loss hereunder shall not reduce the limit(s) of liability under this policy except for aggregate limits as stated in the Supplemental Declarations section.

**12. ERRORS AND OMISSIONS**

No inadvertent error, inadvertent omission or inadvertent failure in making reports or other data hereunder shall prejudice the Insured's right of recovery, but shall be corrected when discovered. It is further understood and agreed that any error in description of locations, or values of projects insured or to be insured by this policy shall not invalidate or reduce the policy limit of liability, or otherwise prejudice any recovery under this policy.

**13. PERMITS**

Permission is hereby granted for any building(s) to be and remain vacant and unoccupied without limit of time and without prejudice to the Insured's right of recovery for claim under this policy.

Any change in occupancy or use of the premises or any increase in hazard shall not prejudice the Insured's right of recovery for claim under this policy.

**15. TITLES OF PARAGRAPHS**

The several titles of the various paragraphs of this policy (and of Endorsements and Supplemental Policies, if any, which are attached to this policy) are inserted solely for convenience or reference and shall not be deemed in any way to limit or affect the provisions to which they relate.

**16. DEFINITIONS**

**A. Accident**

**1) Accident shall mean:**

- a) Any condition or occurrence within boilers or fired or unfired vessels owned by, operated by, or under the control of the Insured and subject to pressure or vacuum

including piping or apparatus attached to and forming a part thereof, except that the words "any condition or occurrence" shall not include explosion, other than explosion of the parts of a steam boiler containing steam or water, steam piping, steam turbines, or steam engines;

- b) Mechanical breakdown of any machine or apparatus arising out of any condition or occurrence within such machine or apparatus;
- c) Electrical injury or disturbance to electrical appliances, devices, fixtures, wiring, or other electrical or electronic equipment caused by electrical currents artificially generated.

However, the term **Accident** does not include:

- a) Loss or damage from fire or from the use of water or other means to extinguish fire; and
- b) The normal operation of any safety or protective device;

**Accident** shall not mean:

- a) Depletion, deterioration, corrosion or erosion;
  - b) Wear and tear;
  - c) Leakage at any valve, fitting, shaft seal, gland packing, joint or connection.
- 2) The term **Accident** shall not apply to the following property:
- a) Property in **transit**;
  - b) Property while in the course of construction, erection, installation, or assembly;
  - c) Electronic data processing systems used for administrative, statistical, or accounting purposes;
  - d) Any sewer piping, any piping forming a part of a fire protective system, or any water piping other than:
  - e) Boiler feed water piping;
  - f) Boiler condensate return piping;
  - g) Water piping used in a heat transfer system for cooling, humidifying, or space heating purposes;
  - h) Any vehicle, aircraft, or self-propelled equipment or floating vessel;
  - i) Any elevator, crane, ladle or bucket, hoist, power shovel, drag line, excavator, scale, or conveyor, but not excluding any pressure vessel, gears, engines or electrical equipment used with a machine.

## **B. Accidental Event**

An unintended occurrence which results in an interruption of operations.

## **C. Architect Fees and Engineering Fees**

Any cost associated with the preparation of plans for the repair or reconstruction of the damaged property.

**D. Direct Customers and Direct Suppliers**

Customers and suppliers of the Insured that do business directly with the Insured. Direct Customers and Suppliers would include intermediaries or wholesale operations that do not materially modify or change property, as well as the original manufacturer or ultimate customer.

**E. Earthquake**

Quaking, vibratory or undulating movement of a portion of the earth's crust, produced by underground volcanic forces or by breaking and shifting of rock beneath the earth's crust. Whenever used in this Policy, the term "earthquake" shall be restricted exclusively to the actual, specific cracking, rupturing, shifting or toppling of property and shall not include ensuing loss or damage resulting from fire, explosion or sprinkler leakage.

**F. Electronic Data Processing Media**

All forms of data, converted data, electronically converted data and/or programs and/or applications and/or instructions and/or media vehicles employed.

**G. Fine Arts**

Fine Arts shall include, but not be limited to, bona fide works of art, works of rarity, works of historical value, works of artistic merit, photographs, (positives and negatives) lithographs, illustrations, galley proofs, and/or original records.

**H. Finished Stock**

Stock manufactured by the Insured which, in the ordinary course of the Insured's business, is ready for packing, shipment or sale.

**I. Fire Brigade Charges/Fire Extinguishing Materials and Expenses**

Fire fighting and/or containment charges and/or fire department service charges and other extinguishing expenses.

**J. Flood**

Waves, tide or tidal water, tsunamis, rapid accumulation of surface waters, or the rising (including overflowing or breaking of boundaries) of lakes, reservoirs, rivers, streams or other bodies of water. It is understood and agreed that, whenever used in this policy, **flood** shall not include ensuing loss or damage resulting from fire, explosion or sprinkler leakage.

**K. Fraudulent or Dishonest Acts**

Fraudulent or dishonest acts committed by the Insured or the Insured's employees with the manifest intent to:

1. cause the Insured to sustain loss; and

2. obtain financial benefit for the Insured, Insured's employee, or for any other person or organization intended by the Insured or the employee to receive such benefit for such fraudulent or dishonest act or acts.

**L. General Average and/or Salvage:**

1. General Average, Salvage and Special Charges, as per foreign custom, payable according to foreign statement, and/or per York-Antwerp Rules and/or in accordance with the contract of affreightment, if and as required; or, failing any provision in or there be no contract of affreightment, payable in accordance with the Laws and Usages of the Port of New York.
2. General Average Contributions, Salvage and Special Charges and Sue and Labor Charges will be payable in full, irrespective of insured and contributory values.

**M. High Hazard Earthquake**

All insured property situated in New Madrid Earthquake Counties as more fully defined in Endorsement #3 or Pacific Northwest Earthquake Counties as more fully defined in Endorsement #4.

**N. High Hazard Flood**

- a) Only that portion of property at the time of policy inception which is located in a Special Flood Hazard Zone (SFHA) and situated at or below the 100 year flood elevation level, as shown in the most recent documentation published by the Federal Emergency Management Agency (FEMA), or other qualified and recognized authority for flood information. and/or,

With respect to this definition, the following terms apply:

- a) Federal Emergency Management Agency (FEMA) – The U.S. Federal agency, which is part of the U.S. Department of Homeland Security, under which the National Flood Insurance Program (NFIP) is managed.
- b) Special Flood Hazard Area (SFHA) – The areas of a Flood insurance Rate Map (FIRM) identified as Zone(s): A, AO, AH, A1-A30, AE, A99, AR, AR/A, AR/AE, AR/A1-A30, AR/AH, AR/AO, V, V1-V30, VE or VO.

**O. Insurer**

Insurance Company or security providing insurance under this contract as stated in the Supplemental Declarations section.

**P. Named Windstorm**

**Named Windstorm** shall mean the direct action of the wind when such wind is associated with, or occurs in connection with a storm or weather condition which has been named by the U.S. National Weather Service or its global equivalent.

Such Named Windstorm shall include all loss which is attributable directly or indirectly to the Named Windstorm and shall include all damage by rain, flood, storm surge or any other water damage that results from the Named Storm.

**Q. Property While in the Course of Construction**

When there is a sub-limit provided for **Property While in the Course of Construction**, that sub-limit shall only apply to property in the course of construction which does not pertain to alterations, revamping, refurbishment, maintenance, or incidental extensions to existing property of the Insured. **Property While in the Course of Construction** does not include any existing property which is not part of the course of construction. Any loss or damage to existing property not part of the course of construction which results from a covered occurrence to **Property While in the Course of Construction** is not subject to the sub-limit of liability attributable to **Property While in the Course of Construction**.

**R. Object**

Any boiler, fired or unfired vessel subject to pressure or vacuum, including piping or apparatus attached thereto and forming a part thereof, and any mechanical or electrical machine or apparatus used for the generation, transmission or utilization of mechanical or electrical power.

**S. Occurrence**

Loss, or a series of losses or several losses, which are attributable directly or indirectly to one cause or disaster or to one series of similar causes or disasters arising from a single event. All such losses shall be added together and the total amount of such losses shall be treated as one **occurrence** irrespective of the period of time or area over which such losses occur.

When the term applies to **Named Windstorm**, it shall be defined as the sum total of all the **Insured's** losses arising out of or caused by the same atmospheric disturbance during any period of 72 consecutive hours. The Insured shall have the right to elect the moment from which the 72 hour period shall be deemed to have commenced, provided always that no elected period of 72 hours shall commence within the period of any previous **occurrence**.

When the term applies to **Earthquake**, it shall be defined as the sum total of all the Insured's losses sustained during any period of 168 consecutive hours by reason of one **Earthquake** or a series of **Earthquake** shocks. The Insured may elect the moment from which the 168 hour period shall be deemed to have commenced, provided always that no elected period of 168 hours shall commence within the period of any previous **occurrence**.

When the term applies to **flood**, it shall be defined as the sum total of all the **Insured's** losses sustained by reason of one **flood** or a series of **floods**.

When the term applies to theft, the sum total of all losses insured herein resulting directly from one or more acts committed by a person(s) acting alone or in collusion with others shall constitute one occurrence. All such losses shall be added together and the total



amount of such losses shall be treated as one **occurrence** irrespective of the period of time or area over which such losses occur.

**T. Ordinary Payroll**

The entire payroll expense for all employees of the Insured except officers, executives, department managers, employees under contract, and other critical or important employees as determined by the insured.

**U. Soft Costs**

Expenses related to the delay of completion of a project over and above those costs which would have been incurred, including, but not limited to, interest payments on financing under loan agreements and real estate taxes accruing during the period of delay.

**V. Transit**

Shipments within and between the territorial limits of this policy, 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 during deviation and delay, until safely delivered and accepted at place of final destination.

**W. Underlying Policy**

An insurance policy issued to the Insured which is similar as respects the terms and conditions of this policy and issued for limits below the attachment point or deductible of this policy.

**X. Valuable Papers and Records**

Written, printed or otherwise inscribed documents, and records including but not limited to books, maps, films, drawings, abstracts, deeds, mortgages, mortgage files, manuscripts and micro or electronically/magnetically inscribed documents, but not including the monetary value of monies and/or securities.

**17. WAIVER OF INSURANCE CONDITIONS**

The terms and conditions of this manuscript form are substituted for those of the **Insurer's** policy jacket and other preprinted **Insurer** forms and the **Insurer's** declaration page to which it is attached, any more restrictive terms and conditions of same being waived and superseded by this manuscript form except for any agreed endorsements noted in policy **Section I Supplemental Declarations, Clause 14. Additional Conditions.**

ENDORSEMENT: 1

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

## AMENDATORY ENDORSEMENT

### LOCATION ENDORSEMENT

Coverage under this policy applies to a **Location** or **Locations** as outlined below unless otherwise described or extended in the policy form.

**Location** or **Locations** as used in this policy refer to:

- 1) Listed on a schedule of **Locations** or property values attached to this policy,
- 2) Listed on a schedule of **Locations** or property values reported to or on file with the **insurer**,
- 3) Defined as a **Miscellaneous Unnamed Location** as described in this endorsement,
- 4) Defined under **Automatic Coverage** as described in this endorsement.

The term **location** means a building, yard, dock, wharf, pier or bulkhead or any group of the foregoing. The term **locations** means more than one **location**. In addition, for the purposes of this definition, a schedule of locations and/or schedule of property values represents the **locations** provided to the **Insurer** prior to program inception.

The following definitions are hereby added to the policy:

#### **Miscellaneous Unnamed Location**

A **location** at which the Insured has property of the type insured hereunder which has not been reported to the **Insurer** and not defined under the **Automatic Coverage** or Errors and Omissions definition/clause of this policy. **Miscellaneous Unnamed Location** includes property on exhibition, but does not include any property in **transit** covered herein, or any property excluded under this policy.

#### **Automatic Coverage**

Property of the type insured at any **location** rented, leased or purchased after the inception date of this policy, or which is property in the course construction. **Automatic Coverage** applies from the date of rental, lease, purchase, or commencement of construction, for the Sublimit of Liability and/or Time Limit listed in the Supplemental Declarations.

**Automatic Coverage** will apply until whichever of the following occurs first:

- 1) The **location** is reported to the Insurer; upon which the Policy Limit shall apply;
- 2) Agreement is reached that the **Location** will not be insured under this Policy;
- 3) The applicable Time Limit shown in the Supplement Declarations section of this Policy has been reached. After which, the limit of liability shall be no more than the Sublimit of Liability for a **Miscellaneous Unnamed Location**.

All other terms and conditions of this policy remain unchanged.

ENDORSEMENT: 2

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

**AMENDATORY ENDORSEMENT**

**NEW MADRID EARTHQUAKE COUNTIES**

**Arkansas**

Arkansas, Clay, Craighead, Crittenden, Cross, Fulton, Greene, Independence, Izard, Jackson, Lawrence, Lee, Lonoke, Mississippi, Monroe, Phillips, Poinsett, Prairie, Randolph, Sharp, St. Francis, White, Woodruff

**Illinois**

Alexander, Bond, Clay, Clinton, Crawford, Edwards, Effingham, Fayette, Franklin, Gallatin, Hamilton, Hardin, Jackson, Jasper, Jefferson, Johnson, Lawrence, Madison, Marion, Massac, Monroe, , Perry, Pope, Pulaski, Randolph, Richland, Saline, St. Clair, Union, Wabash, Washington, Wayne, White, Williamson

**Indiana**

Gibson, Knox, Pike, Posey, Vanderburgh, Warrick

**Kentucky**

Ballard, Caldwell, Calloway, Carlisle, Christian, Crittenden, Daviess, Fulton, Graves, Henderson, Hickman, Hopkins, Livingston, Lyon, Marshall, McCracken, McLean, Muhlenberg, Todd, Trigg, Union, Webster

**Mississippi**

Alcorn, Benton, Coahoma, De Soto, Lafayette, Marshall, Panola, Quitman, Tate, Tippah, Tunica

**Missouri**

Bollinger, Butler, Cape Girardeau, Carter, Dunklin, Iron, Jefferson, Madison, Mississippi, New Madrid, Oregon, Pemiscot, Perry, Reynolds, Ripley, Scott, Shannon, St. Charles, St. Francois, St. Louis, St. Louis City, Ste. Genevieve, Stoddard, Warren, Washington, Wayne

**Tennessee**

Benton, Carroll, Chester, Crockett, Decatur, Dyer, Fayette, Gibson, Hardeman, Hardin, Haywood, Henderson, Henry, , Houston, Humphreys, Lake, Lauderdale, Lawrence, Madison, McNairy, Montgomery, Obion, Perry, Shelby, Stewart, Tipton, Weakley

ENDORSEMENT: 3

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

**AMENDATORY ENDORSEMENT**

**PACIFIC NORTHWEST EARTHQUAKE COUNTIES**

**Oregon**

Benton, Clackamas, Clatsop, Columbia, Coos, Curry, Douglas, Jackson, Josephine, Lane, Lincoln, Linn, Marion, Multnomah, Polk, Tillamook, Washington, Yamhill

**Washington**

Clallam, Clark, Cowlitz, Grays Harbor, Island, Jefferson, King, Kitsap, Lewis, Mason, Pacific, Pierce, San Juan, Skagit, Skamania, Snohomish, Thurston, Wahkiakum, Whatcom

**British Columbia (includes Vancouver Island), Canada**

South of 50° N latitude and west of 120° W longitude

ENDORSEMENT: 4

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

**AMENDATORY ENDORSEMENT**

**TIER 1 WIND PARISHES/COUNTIES**

**Alabama**

Baldwin, Mobile

**Florida**

Entire State

**Georgia**

Bryan, Camden, Chatham, Glynn, Liberty, McIntosh

**Louisiana**

Assumption, Cameron, Iberia, Jefferson, Lafourche, Livingston, Orleans, Plaquemines, St. Bernard, St. Charles, St. James, St. John the Baptist, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Vermilion, Washington

**Maryland**

Somerset, Wicomico, Worcester

**Mississippi**

Hancock, Harrison, Jackson

**Puerto Rico**

Entire Commonwealth

**North Carolina**

Beaufort, Bertie, Brunswick, Camden, Carteret, Chowan, Currituck, Dare, Hyde, New Hanover, Onslow, Pamlico, Pasquotank, Pender, Perquimans, Tyrrell, Washington

**South Carolina**

Beaufort, Berkeley, Charleston, Colleton, Georgetown, Horry, Jasper

**Texas**

Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Harris, Jackson, Jefferson, Kenedy, Kleberg, Matagorda, Nueces, Orange, Refugio, San Patricio, Willacy

**Virginia**

Accomack, Harrison, Chesapeake (City,) Gloucester, Hampton (City,) Isle of Wight, James City, Lancaster, Mathews, Middlesex, Newport News (City,) Norfolk (City,) Northampton, Northumberland, Poquoson (City,) Suffolk (City,) Virginia Beach (City,) Williamsburg (City), York

ENDORSEMENT: 5

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

**AMENDATORY ENDORSEMENT**

**EXTENDED INCREASED COST OF CONSTRUCTION**

This policy also provides coverage for increased cost of construction due to the enforcement of any law, ordinance and/or governmental directive regulating the construction, repair or use of property that comes into force and effect within 12 months after the date of loss.

All other terms and conditions of this policy remain unchanged.

ENDORSEMENT: 6

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

**AMENDATORY ENDORSEMENT**

**SPECIAL PERILS BUSINESS INTERRUPTION EXTENSION – NON PHYSICAL  
DAMAGE BUSINESS INTERRUPTION INSURANCE**

1. It is hereby understood and agreed that this insurance is extended to include the actual loss sustained as insured under this insurance during the period of time described in 6. below caused by the closure of or restriction of access to INSURED PREMISES by any government or local authority directly as a result of any of the matters described in 1.1, 1.2 or 1.3 below:

1.1. NOTIFIABLE INFECTIOUS OR CONTAGIOUS DISEASE which is manifested by any person during the period of insurance whilst on or within any INSURED PREMISES.

1.2. NOTIFIABLE ILLNESS which is manifested by any person and which can be traced to injurious matter contained in food or drink supplied by the Insured and consumed by that person whilst that person is on the INSURED PREMISES during the period of insurance.

1.3. CRIME occurring during the period of insurance at the INSURED PREMISES.

2. NOTIFIABLE INFECTIOUS OR CONTAGIOUS DISEASE shall mean any disease which can be passed from human to human or from animal to human and which is required by law in the territory where the INSURED PREMISES are located to be notified to a government or local authority.

3. NOTIFIABLE ILLNESS shall mean any illness which is required by law in the territory where the INSURED PREMISES are located to be notified to a government or local authority.

4. INSURED PREMISES shall mean any premises which are insured hereunder and which are under the direct ownership or control of the Insured.

5. CRIME shall mean murder, suicide, attempted murder, attempted suicide or violent crime, including armed robbery.

6. Coverage under this Extension shall be for the period of time commencing with the date of the closure of or restriction of access to INSURED PREMISES by any government or local authority and ending no later than 30 days thereafter. Such period of time shall run concurrently with and not in addition to the period of time specified in any other provision of this insurance providing cover for closure or restriction of access, whether or not such other provision is providing cover for the matters described in 1.1, 1.2 or 1.3 above.

7. No cover shall be provided under this Extension for:

7.1. Loss of licence;

7.2. Fines or penalties of any kind;

7.3. Loss arising out of the enforcement of any law which is not in force at the time and place of the closure of or restriction of access to INSURED PREMISES by any government or local authority;

7.4. Loss arising from any disease, illness which has not been acknowledged by the appropriate government or local authority as being notifiable;

7.5. The cost or expense of inspection, investigation, product recall, decontamination or clean up or any other cost or expense associated with remediation except to the extent that such cost or expense reduces loss otherwise payable hereunder.

8. The maximum amount payable in respect of all losses under this Extension arising out of 1.1, 1.2 and 1.3 above combined shall not exceed USD 500,000 per occurrence and USD1,000,000 in the aggregate.

9. No loss shall be payable unless and until the period of time commencing with the date of the closure of or restriction of access to INSURED PREMISES by any government or local authority and ending no less than 24 hours shall have elapsed.

10. Nothing in this Extension shall operate to override any exclusion in this insurance including but not limited to exclusions for terrorism, sabotage, the actual or threatened malicious use of pathogenic or poisonous biological or chemical materials or nuclear or radioactive contamination.

LMA5221  
29 April 2015

All other terms and conditions of this policy remain unchanged.



ENDORSEMENT: 7

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

## AMENDATORY ENDORSEMENT

### HIGH HAZARD FLOOD LOCATIONS

For property insured under this policy at location addresses that are listed on the Schedule of Locations on file with the Company, the following location addresses have been agreed to be scheduled as being situated in High Hazard Flood Zones:

| Street Address               | City            | County             | State |
|------------------------------|-----------------|--------------------|-------|
| 1100 W. DALLAS               | CONROE          | MONTGOMERY COUNTY  | TX    |
| 2250 MACARTHUR               | ORANGE          | ORANGE COUNTY      | TX    |
| 509 A WEST COMMERCE STREET   | BROWNWOOD       | BROWN COUNTY       | TX    |
| 2711 61ST ST.                | GALVESTON       | GALVESTON COUNTY   | TX    |
| 2310 SW MILITARY DR.         | SAN ANTONIO     | BEXAR COUNTY       | TX    |
| 5300 N. SAN DARIO            | LAREDO          | WEBB COUNTY        | TX    |
| 4438 NORTH FRWY              | HOUSTON         | HARRIS COUNTY      | TX    |
| 726 MEYERLAND PLAZA          | HOUSTON         | HARRIS COUNTY      | TX    |
| 11251 FONDREN                | HOUSTON         | HARRIS COUNTY      | TX    |
| 209 US HWY 70 WEST           | RUIDOSO         | LINCOLN COUNTY     | NM    |
| 407 N ARKANSAS AVE           | RUSSELLVILLE    | POPE COUNTY        | AR    |
| 1814 MAIN ST                 | FRANKLIN        | ST. MARY PARISH    | LA    |
| 1622 NORTH PARKERSON AVENUE  | CROWLEY         | ACADIA PARISH      | LA    |
| 16255 EAST MAIN ST.          | CUT OFF         | LAFOURCHE PARISH   | LA    |
| 8400 W JUDGE PEREZ DR. STE C | CHALMETTE       | ST. BERNARD PARISH | LA    |
| 571 S. MAIN ST.              | SPRINGHILL      | WEBSTER PARISH     | LA    |
| 311 N GRAND COURT            | NOGALES         | SANTA CRUZ COUNTY  | AZ    |
| 2921 BOCA CHICA BLVD.        | BROWNSVILLE     | CAMERON COUNTY     | TX    |
| 118 W. RICE ST.              | FALFURRIAS      | BROOKS COUNTY      | TX    |
| 511 EAST UNIVERSITY          | EDINBURG        | HIDALGO COUNTY     | TX    |
| 4027 EAST HWY 83             | RIO GRANDE CITY | STARR COUNTY       | TX    |

|                              |                |                   |    |
|------------------------------|----------------|-------------------|----|
| 1515 E 8TH ST.               | ODESSA         | ECTOR COUNTY      | TX |
| 2150 HIGHWAY 180 E           | SILVER CITY    | GRANT COUNTY      | NM |
| 106 CALDWELL                 | BELEN          | VALENCIA COUNTY   | NM |
| 601 WEST 18TH ST.            | PORTALES       | ROOSEVELT COUNTY  | NM |
| 2356 SOUTH RANGE AVENUE      | DENHAM SPRINGS | LIVINGSTON PARISH | LA |
| 124-126 BURR AVENUE          | PAULS VALLEY   | GARVIN COUNTY     | OK |
| 1345 S. CARSON ST.           | CARSON CITY    | CARSON CITY       | NV |
| 1115 W MAIN ST               | STERLING       | LOGAN COUNTY      | CO |
| 450 PIKE STREET              | MARIETTA       | WASHINGTON COUNTY | OH |
| 18910 PARK AVENUE PLAZA      | MEADVILLE      | CRAWFORD COUNTY   | PA |
| 4095 NORTH MAYO TRAIL        | PIKEVILLE      | PIKE COUNTY       | KY |
| 110 TWIN CITY PLAZA          | CRYSTAL CITY   | JEFFERSON COUNTY  | MO |
| 657 PARK PLAZA DRIVE         | NEW ALBANY     | UNION COUNTY      | MS |
| 532 EAST MAIN STREET         | JACKSON        | JACKSON COUNTY    | OH |
| 89 BROOKLYN STREET           | CARBONDALE     | LACKAWANNA COUNTY | PA |
| 1142 W. 9TH STREET           | RUSSELLVILLE   | LOGAN COUNTY      | KY |
| 1436 SOUTH MAIN STREET       | MANSFIELD      | TIOGA COUNTY      | PA |
| 857 SOUTH ROCHESTER STREET   | MUKWONAGO      | WAUKESHA COUNTY   | WI |
| 941 N. MAIN ST.              | LANCASTER      | LANCASTER COUNTY  | SC |
| 141 TALMADGE DR.             | MOULTRIE       | COLQUITT COUNTY   | GA |
| 901 GREEN BLVD               | AURORA         | DEARBORN COUNTY   | IN |
| 437 E CHESTNUT               | JUNCTION CITY  | GEARY COUNTY      | KS |
| 301 NORTH 12TH STREET        | MIDDLESBORO    | BELL COUNTY       | KY |
| 1301 SCOTLAND CROSSING DRIVE | LAURINBURG     | SCOTLAND COUNTY   | NC |
| 140 HOCKING MALL             | LOGAN          | HOCKING COUNTY    | OH |
| 650 OLD WILLOW AVE.          | HONESDALE      | WAYNE COUNTY      | PA |
| 726 MEYERLAND PLAZA          | HOUSTON        | HARRIS COUNTY     | TX |
| 601 US HWY 71 N.             | MENA           | POLK COUNTY       | AR |
| 1150 S NEOSHO BLVD           | NEOSHO         | NEWTON COUNTY     | MO |
| 9701 FORD AVE                | RICHMOND HILL  | BRYAN COUNTY      | GA |
| 1121 S MAGNOLIA ST           | WOODVILLE      | TYLER COUNTY      | TX |
| 70 CANAL PLACE               | PHILADELPHIA   | NESHOBA COUNTY    | MS |

|                                 |                |                        |    |
|---------------------------------|----------------|------------------------|----|
| 1502 W EVERLY<br>BROTHERS BLVD  | CENTRAL CITY   | MUHLENBERG<br>COUNTY   | KY |
| 513 FISHER                      | OAKDALE        | ALLEN PARISH           | LA |
| 820 N. SEBASTIAN                | WEST HELENA    | PHILLIPS COUNTY        | AR |
| 700 QUINTARD DR.                | OXFORD         | CALHOUN COUNTY         | AL |
| 460 TRI-COUNTY LANE             | BELLE VERNON   | WESTMORELAND<br>COUNTY | PA |
| 112 S. TALLAHASSEE ST.<br>STE.8 | HAZLEHURST     | JEFF DAVIS<br>COUNTY   | GA |
| 262 OCILLA HWY                  | FITZGERALD     | BEN HILL COUNTY        | GA |
| 445 KY HIGHWAY 44<br>EAST       | SHEPHERDSVILLE | BULLITT COUNTY         | KY |
| 11427A COASTAL<br>HIGHWAY       | BERLIN         | WORCESTER<br>COUNTY    | MD |
| 1527 OHIO AVE S                 | LIVE OAK       | SUWANNEE<br>COUNTY     | FL |
| 1017 W WILL ROGERS<br>BLVD      | CLAREMORE      | ROGERS COUNTY          | OK |
| 2280 HIGHWAY 36 SOUTH           | SEALY          | AUSTIN COUNTY          | TX |
| 2385 YORK CROSSING DR           | HAYES          | GLOUCESTER<br>COUNTY   | VA |
| 23 OHIO RIVER PLAZA             | GALLIPOLIS     | GALLIA COUNTY          | OH |

All other terms and conditions of this policy remain unchanged.

ENDORSEMENT: 8

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

### **AMENDATORY ENDORSEMENT**

The High Hazard Flood definition is hereby deleted and replaced with the following:

**N. High Hazard Flood**

For property insured under this policy at location addresses that are listed on the Schedule of Locations on file with the Company, refer to the list of locations on Endorsement 7.

For all other locations, the following applies:

- (a) Only that portion of property at the time of policy inception which is located in a Special Flood Hazard Zone (SFHA) and situated at or below the 100 year flood elevation level, as shown in the most recent documentation published by the Federal Emergency Management Agency (FEMA), or other qualified and recognized authority for flood information. and/or,

With respect to this definition, the following terms apply:

- a) Federal Emergency Management Agency (FEMA) – The U.S. Federal agency, which is part of the U.S. Department of Homeland Security, under which the National Flood Insurance Program (NFIP) is managed.
- b) Special Flood Hazard Area (SFHA) – The areas of a Flood insurance Rate Map (FIRM) identified as Zone(s): A, AO, AH, A1-A30, AE, A99, AR, AR/A, AR/AE, AR/A1-A30, AR/AH, AR/AO, V, V1-V30, VE or VO.

All other terms and conditions of this policy remain unchanged.

POLICY NUMBER:PRAGDKG17

IL 09 53 01 15

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.****EXCLUSION OF CERTIFIED ACTS OF TERRORISM**

This endorsement modifies insurance provided under the following:

BOILER AND MACHINERY COVERAGE PART  
 COMMERCIAL INLAND MARINE COVERAGE PART  
 COMMERCIAL PROPERTY COVERAGE PART  
 CRIME AND FIDELITY COVERAGE PART  
 EQUIPMENT BREAKDOWN COVERAGE PART  
 FARM COVERAGE PART  
 STANDARD PROPERTY POLICY

**SCHEDULE**

The **Exception Covering Certain Fire Losses** (Paragraph **C**) applies to property located in the following state(s), if covered under the indicated Coverage Form, Coverage Part or Policy:

| State(s)   | Coverage Form, Coverage Part Or Policy |
|--|--|
| N/A  | N/A                                    |
| Information required to complete this Schedule, if not shown above, will be shown in the Declarations. |  |

**A.** The following definition is added with respect to the provisions of this endorsement:

"Certified act of terrorism" means an act that is certified by the Secretary of the Treasury, in accordance with the provisions of the federal Terrorism Risk Insurance Act, to be an act of terrorism pursuant to such Act. The criteria contained in the Terrorism Risk Insurance Act for a "certified act of terrorism" include the following:

1. The act resulted in insured losses in excess of \$5 million in the aggregate, attributable to all types of insurance subject to the Terrorism Risk Insurance Act; and
2. The act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

**B.** The following exclusion is added:

**CERTIFIED ACT OF TERRORISM EXCLUSION**

We will not pay for loss or damage caused directly or indirectly by a "certified act of terrorism". Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

**C. Exception Covering Certain Fire Losses**

The following exception to the exclusion in Paragraph **B.** applies only if indicated and as indicated in the Schedule of this endorsement.

If a "certified act of terrorism" results in fire, we will pay for the loss or damage caused by that fire. Such coverage for fire applies only to direct loss or damage by fire to Covered Property. Therefore, for example, the coverage does not apply to insurance provided under Business Income and/or Extra Expense coverage forms or endorsements which apply to those forms, or to the Legal Liability Coverage Form or the Leasehold Interest Coverage Form.

If aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a calendar year and we have met our insurer deductible under the Terrorism Risk Insurance Act, we shall not be liable for the payment of any portion of the amount of such losses that exceeds \$100 billion, and in such case insured losses up to that amount are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury.

#### **D. Application Of Other Exclusions**

The terms and limitations of any terrorism exclusion, or the inapplicability or omission of a terrorism exclusion, do not serve to create coverage for any loss which would otherwise be excluded under this Coverage Part or Policy, such as losses excluded by the Nuclear Hazard Exclusion or the War And Military Action Exclusion.

Aspen Specialty Insurance Company

## GENERAL SERVICE OF SUIT NOTICE

In the event of failure of the Company to pay any amount claimed to be due under the terms of this policy, the Company, at the request of the **Insured**, will submit to the jurisdiction of a court of competent jurisdiction within the United States. Nothing in this condition constitutes or should be understood to constitute a waiver of the Company's rights to commence an action in any court of competent jurisdiction in the United States to remove an action to a United States District Court or to seek a transfer of a case to another court as permitted by the laws of the United States or of any state in the United States. In any suit instituted against the Company upon this policy, the Company will abide by the final decision of such court or of any appellate court in the event of appeal.

It is further agreed that service of process in such suit may be made upon: Aspen Specialty Insurance Management, Inc., c/o General Counsel, 175 Capital Blvd., Rocky Hill, CT 06067; (877) 245-3510; Questions can be directed to: [Compliance.us@aspenspecialty.com](mailto:Compliance.us@aspenspecialty.com)

Further, pursuant to any statute of any state, territory, or district of the United States which makes provision therefore, the Company hereby designates the Superintendent, Commissioner or Director of Insurance, Secretary of State, or other officer specified for that purpose in the statute, as its true and lawful attorney upon whom service may be made of any lawful process in any action, suit, or proceeding instituted by or on behalf of the **Insured** or any beneficiary hereunder arising out of this policy of insurance and hereby designates the above named General Counsel as the person to whom the said officer is authorized to mail such process or a true copy thereof.

This notice does not change any other provision of the policy.

Aspen Specialty Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **OFAC ENDORSEMENT**

In consideration of the premium charged, it is agreed that any payment under this Policy shall only be made in full compliance with all U.S.A economic or trade sanctions or other laws or regulations, including sanctions, laws and regulations administered and enforced by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC").

**ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.**



Aspen Specialty Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

**NUCLEAR, BIOLOGICAL, CHEMICAL, OR RADIOLOGICAL  
TERRORISM EXCLUSION**

This endorsement modifies insurance provided under this Policy.

**TO THE EXTENT ANY PROVISION OF THIS ENDORSEMENT CONFLICTS WITH ANY PROVISION OF THE POLICY OR ANY OF ITS OTHER ENDORSEMENTS, THE PROVISIONS OF THIS ENDORSEMENT WILL SUPERSEDE.**

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

1. Notwithstanding anything to the contrary contained within the Policy, the following exclusion is added to the Policy:

**Nuclear, Biological, Chemical, Or Radiological Terrorism**

No coverage will be available under this insurance for any loss, cost, damage, expense, injury, claim or suit, caused by, arising out of, or resulting directly or indirectly, in whole or in part from any act of **Nuclear, Biological, Chemical, Or Radiological Terrorism**, regardless of any other cause or event that contributes concurrently or in any other sequence to the act of **Nuclear, Biological, Chemical, Or Radiological Terrorism**.

2. For the purpose of this Endorsement the following Definitions are added to the Policy:

**Biological Agent** means any pathogenic (disease producing) micro-organism(s) and/or biological produced toxin(s), including genetically modified organisms and chemically synthesized toxin(s) which caused illness, damage, injury or death in humans, animals, or plants.

**Chemical Agent** means any compound which, when disseminated, produces incapacitating illness, or damaging and/or lethal effects on people, animals, plants, or property.

**Nuclear, Biological, Chemical, Or Radiological Terrorism** means the:

- a. Dispersal, application, or release of radioactive material;
- b. Use of any nuclear weapon or device that involves or produces a nuclear reaction, nuclear radiation, or radioactive contamination; or
- c. Emission, discharge, dispersal, release, or escape of any solid, liquid or gaseous **Biological Agent** and/or **Chemical Agent**;

by any person or group(s) of persons, whether acting alone, or on behalf of or in connection with any organization(s) or government(s), committed for political, religious, ideological purposes or reasons, including the intention to influence any government and/or to put the public, or any section of the public, in fear.

**ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.**

Aspen Specialty Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **MINIMUM EARNED PREMIUM CLAUSE – PERCENTAGE ENDORSEMENT**

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

In the event of cancellation of this policy by the insured, a minimum premium of 25% of the original policy premium shall become earned; any conditions of the policy to the contrary notwithstanding.

Failure of the insured to make timely payment of premium shall be considered a request by the insured for the Company to cancel.

In the event of such cancellation by the Company for non-payment of premium, the minimum premium shall be due and payable; provided, however, such non-payment cancellation shall be rescinded if the insured remits the full premium due within 10 days of receiving it. In the event of any other cancellation by the Company, the earned premium shall be computed pro rata, not subject to the minimum payment.

**ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.**

Aspen Specialty Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

**SEEPAGE AND/OR POLLUTION AND/OR CONTAMINATION  
EXCLUSION, INCLUDING: (1) DEBRIS REMOVAL AND COST  
OF CLEAN UP EXTENSION; AND (2) AUTHORITIES  
EXCLUSION; AND (3) ASBESTOS MATERIAL REMOVAL  
LIMITATION ENDORSEMENT**

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

**SEEPAGE AND/OR POLLUTION AND/OR CONTAMINATION EXCLUSION**

Notwithstanding any provision in the policy to which this Endorsement is attached, this policy does not insure against loss, damage, costs or expenses in connection with any kind or description of seepage and/or pollution and/or contamination, direct or indirect, arising from any cause whatsoever.

Nevertheless, if fire is not excluded from this policy and a fire arises directly or indirectly from seepage and/or pollution and/or contamination, any loss or damage insured under this policy arising directly from that fire shall (subject to the terms, conditions and limitations of the policy) be covered.

However, if the insured property is the subject of direct physical loss or damage for which we have paid or agreed to pay, then this policy (subject to its terms, conditions and limitations) insures against direct physical loss or damage to the property insured hereunder caused by resulting seepage and/or pollution and/or contamination.

You shall give notice to us of intent to claim NO LATER THAN TWELVE (12) MONTHS AFTER THE DATE OF THE ORIGINAL PHYSICAL LOSS OR DAMAGE.

**DEBRIS REMOVAL AND COST OF CLEAN UP EXTENSION**

Notwithstanding the provisions of the preceding Exclusion in this Endorsement or any provision respecting seepage and/or pollution and/or contamination, and or debris removal and/or clean up in the policy to which this Endorsement is attached, in the event of direct physical loss or damage to the property insured hereunder, this policy (subject otherwise to its terms, conditions and limitations, including but not limited to any applicable deductible) also insures within the sum insured:

1. Expenses incurred in removal of debris of the property insured hereunder destroyed or damaged from the insured premises; and/or
2. Cost of clean-up, at your premises, made necessary as a result of such loss or damage.

Provided that this policy does not insure against the costs of decontamination or removal of water, soil or any other substance on or under such premises.

**SEEPAGE AND/OR POLLUTION AND/OR CONTAMINATION EXCLUSION: continued**

It is a condition precedent to recovery under this Extension that we shall have paid or agreed to pay for physical loss or damage to the property insured hereunder unless such payment is precluded solely by the operation of any deductible and that you shall give notice to us of intent to claim for cost of removal of debris or cost of clean-up NO LATER THAN TWELVE (12) MONTHS AFTER THE DATE OF SUCH PHYSICAL LOSS OR DAMAGE.

**AUTHORITIES EXCLUSION**

Notwithstanding any of the preceding provisions of this Endorsement or any provision of the policy to which this Endorsement is attached, this policy does not insure against loss, damage, cost, expenses, fines or penalties incurred or sustained by or imposed on you at the order of any Government Agency, Court or other Authority arising from any cause whatsoever. Without restricting the generality of the foregoing, the policy does not cover claims arising out of the following U.S. legislation or amendments thereto:

1. Resource conservation and Recovery Act (R.C.R.A.) commonly known as Solid Waste Disposal Act.
2. Comprehensive Environmental Response, Compensation and Liability Act (C.E.R.C.L.A.) commonly known as Superfund.
3. Superfund Amendments and Reauthorization Act (S.A.R.A.) commonly known as Superfund Two.

**ASBESTOS MATERIAL REMOVAL LIMITATION**

This policy does not insure loss, damage or expense to remove, or replace asbestos materials unless such materials are themselves damaged by an insured peril.

Notwithstanding that competent Government Authority may declare all or parts of the insured premises unfit for occupancy without removal or modifications to asbestos materials, our liability is limited to the proportion represented by the cost to repair the damaged part of the premises, not the entire property.

Similarly, if the policy provides any coverage for business interruption, rental value or other loss of use or occupancy, such coverage shall be limited to the time necessary to repair or replace only the damaged portion(s) of the premises.

Nothing in the Endorsement shall override any radioactive contamination exclusion clause in the policy to which this Endorsement is attached.

**ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.**

Aspen Specialty Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **LOSS ADJUSTMENT ENDORSEMENT**

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

We have the option of engaging a separate loss adjuster and/or loss adjustment facility in place of any loss adjuster and/or loss adjustment facility so designated or named in the policy or any other policy of insurance that may be in force at our sole discretion and expense.

**ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.**

Aspen Specialty Insurance Company

## COMMON POLICY CONDITIONS

All Coverage Parts included in this policy are subject to the following conditions.

### A. Cancellation

1. The first Named Insured shown in the Declarations may cancel this policy by mailing or delivering to us advance written notice of cancellation.
2. We may cancel this policy by mailing or delivering to the first Named Insured written notice of cancellation at least:
  - a. 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or
  - b. 60 days before the effective date of cancellation if we cancel for any other reason.
3. We will mail or deliver our notice to the first Named Insured's last mailing address known to us.
4. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.
5. If this policy is cancelled, we will send the first Named Insured any premium refund due. If we cancel, the refund will be pro rata. If the first Named Insured cancels, the refund may be less than pro rata. The cancellation will be effective even if we have not made or offered a refund.
6. If notice is mailed, proof of mailing will be sufficient proof of notice.

### B. Changes

This policy contains all the agreements between you and us concerning the insurance afforded. The first Named Insured shown in the Declarations is authorized to make changes in the terms of this policy with our consent. This policy's terms can be amended or waived only by endorsement issued by us and made a part of this policy.

### C. Examination Of Your Books And Records

We may examine and audit your books and records as they relate to this policy at any time during the policy period and up to three years afterward.

### D. Inspections And Surveys

1. We have the right to:
  - a. Make inspections and surveys at any time;
  - b. Give you reports on the conditions we find; and
  - c. Recommend changes.
2. We are not obligated to make any inspections, surveys, reports or recommendations and any such actions we do undertake relate only to insurability and the premiums to be charged. We do not make safety inspections. We do not undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public. And we do not warrant that conditions:
  - a. Are safe or healthful; or
  - b. Comply with laws, regulations, codes or standards.
3. Paragraphs 1. and 2. of this condition apply not only to us, but also to any rating, advisory, rate service or similar organization which makes insurance inspections, surveys, reports or recommendations.
4. Paragraph 2. of this condition does not apply to any inspections, surveys, reports or recommendations we may make relative to certification, under state or municipal statutes, ordinances or regulations, of boilers, pressure vessels or elevators.

### E. Premiums

The first Named Insured shown in the Declarations:

1. Is responsible for the payment of all premiums;  
and
2. Will be the payee for any return premiums we  
pay.

**F. Transfer Of Your Rights And Duties Under This  
Policy**

Your rights and duties under this policy may not be transferred without our written consent except in the case of death of an individual named insured.

If you die, your rights and duties will be transferred to your legal representative but only while acting within the scope of duties as your legal representative. Until your legal representative is appointed, anyone having proper temporary custody of your property will have your rights and duties but only with respect to that property.

**COMMERCIAL PROPERTY****COMMERCIAL PROPERTY CONDITIONS**

This Coverage Part is subject to the following conditions, the Common Policy Conditions and applicable Loss Conditions and Additional Conditions in Commercial Property Coverage Forms.

**A. CONCEALMENT, MISREPRESENTATION OR FRAUD**

This Coverage Part is void in any case of fraud by you as it relates to this Coverage Part at any time. It is also void if you or any other insured, at any time, intentionally conceal or misrepresent a material fact concerning:

1. This Coverage Part;
2. The Covered Property;
3. Your interest in the Covered Property; or
4. A claim under this Coverage Part.

**B. CONTROL OF PROPERTY**

Any act or neglect of any person other than you beyond your direction or control will not affect this insurance.

The breach of any condition of this Coverage Part at any one or more locations will not affect coverage at any location where, at the time of loss or damage, the breach of condition does not exist.

**C. INSURANCE UNDER TWO OR MORE COVERAGES**

If two or more of this policy's coverages apply to the same loss or damage, we will not pay more than the actual amount of the loss or damage.

**D. LEGAL ACTION AGAINST US**

No one may bring a legal action against us under this Coverage Part unless:

1. There has been full compliance with all of the terms of this Coverage Part; and
2. The action is brought within 2 years after the date on which the direct physical loss or damage occurred.

**E. LIBERALIZATION**

If we adopt any revision that would broaden the coverage under this Coverage Part without additional premium within 45 days prior to or during the policy period, the broadened coverage will immediately apply to this Coverage Part.

**F. NO BENEFIT TO BAILEE**

No person or organization, other than you, having custody of Covered Property will benefit from this insurance.

**G. OTHER INSURANCE**

1. You may have other insurance subject to the same plan, terms, conditions and provisions as the insurance under this Coverage Part. If you do, we will pay our share of the covered loss or damage. Our share is the proportion that the applicable Limit of Insurance under this Coverage Part bears to the Limits of Insurance of all insurance covering on the same basis.
2. If there is other insurance covering the same loss or damage, other than that described in 1. above, we will pay only for the amount of covered loss or damage in excess of the amount due from that other insurance, whether you can collect on it or not. But we will not pay more than the applicable Limit of Insurance.

**H. POLICY PERIOD, COVERAGE TERRITORY**

Under this Coverage Part:

1. We cover loss or damage commencing:
  - a. During the policy period shown in the Declarations; and
  - b. Within the coverage territory.
2. The coverage territory is:
  - a. The United States of America (including its territories and possessions);
  - b. Puerto Rico; and
  - c. Canada.



**I. TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US**

If any person or organization to or for whom we make payment under this Coverage Part has rights to recover damages from another, those rights are transferred to us to the extent of our payment. That person or organization must do everything necessary to secure our rights and must do nothing after loss to impair them. But you may waive your rights against another party in writing:

1. Prior to a loss to your Covered Property or Covered Income.
2. After a loss to your Covered Property or Covered Income only if, at time of loss, that party is one of the following:
  - a. Someone insured by this insurance;
  - b. A business firm:
    - (1) Owned or controlled by you; or
    - (2) That owns or controls you; or
  - c. Your tenant.

This will not restrict your insurance.

IL 09 35 07 02

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **EXCLUSION OF CERTAIN COMPUTER-RELATED LOSSES**

This endorsement modifies insurance provided under the following:

COMMERCIAL INLAND MARINE COVERAGE PART  
COMMERCIAL PROPERTY COVERAGE PART  
CRIME AND FIDELITY COVERAGE PART  
STANDARD PROPERTY POLICY

- A.** We 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 insured 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 Crime and Fidelity Coverage Part, the Commercial Inland Marine Coverage Part or the Standard Property Policy; or
  - 2.** Under the Commercial Property Coverage Part:
    - a.** In a "Specified Cause of Loss", or in elevator collision resulting from mechanical breakdown, under the Causes of Loss – Special Form; or
    - b.** In a Covered Cause of Loss under the Causes Of Loss – Basic Form or the Causes Of Loss – Broad Form;

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.

# ELECTRONIC DATA ENDORSEMENT

## 1. Electronic Data Exclusion

Notwithstanding any provision to the contrary within the Policy or any endorsement thereto, it is understood and agreed as follows:

a) This policy does not insure loss, damage, destruction, distortion, erasure, corruption or alteration of ELECTRONIC DATA from any cause whatsoever (including but not limited to COMPUTER VIRUS) or loss of use, reduction in functionality, cost, expense of whatsoever nature resulting there from, regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

ELECTRONIC DATA means facts, concepts and information converted to a form useable for communications, interpretation or processing by electronic and electromechanical data processing for electronically controlled equipment and includes programs, software and other coded instructions for the processing and manipulation of data or the direction and manipulation of such equipment.

COMPUTER VIRUS means a set of corrupting, harmful or otherwise unauthorized instructions or code including a set of maliciously introduced unauthorized instructions or code, programmatic or otherwise, that propagate themselves through a computer system or network of whatsoever nature. COMPUTER VIRUS includes but is not limited to "Trojan Horses," "worms" and "time or logic bombs".

b) However, in the event that a peril listed below results from any of the matters described in paragraph a) above, this policy, subject to all its terms, conditions and exclusions, will cover physical damage occurring during the Policy period to property insured by this Policy directly caused by such listed peril.

Listed Perils

Fire  
Explosion

## 2. Electronic Data Processing Media Valuation

Notwithstanding any provision to the contrary within the Policy or any endorsement thereto, it is understood and agreed as follows:

Should electronic data processing media insured by this Policy suffer physical loss or damage insured by this policy, then the basis of valuation shall be the cost of the blank media plus the costs of copying the ELECTRONIC DATA from back-up or from originals of a previous generation. These costs will not include research and engineering nor any costs of recreating, gathering or assembling such ELECTRONIC DATA. If the media is not repaired, replaced or restored the basis of valuation shall be the cost of the blank media. However this Policy does not insure any amount pertaining to the value of such ELECTRONIC DATA to the Assured or any other party, even if such ELECTRONIC DATA cannot be recreated, gathered or assembled.

Form approved by Lloyd's Underwriters' Non-Marine Association Limited

Aspen Specialty Insurance Company

## **POLICYHOLDER'S GUIDE TO REPORTING A PROPERTY CLAIM**

**A.** At the time when you are aware of an event that will give rise to the need to report a claim on your own behalf (1st Party Property Claims), please be sure to quickly report the matter to both your agent/broker and Aspen Specialty Insurance Management Company. Be sure to include your policy number and the name of the insured as it is stated on the policy.

**B. New claims can be reported to Aspen Specialty Insurance Company as follows:**

- 1. By Mail:**  
Aspen Specialty Insurance Company  
c/o Aspen Specialty Insurance Management Company  
Claims Department  
125 Summer Street  
Boston, MA 02110  
Main Telephone No: 617-532-7300
- 2. By Fax:** 617-532-7342
- 3. By E-mail:** [property.claims@aspenspecialty.com](mailto:property.claims@aspenspecialty.com)
- 4. Toll Free for policyholders to use in the event of a disaster:** 855-397-3295

# Exhibit E

## General Declarations – AmWINS Property Program Coverage



**Policy Number: AMW-151344**

**Previous Policy Number: AMW-150847**

**Policy Period:**

Inception Date: 5/1/2017 to Expiration Date: 5/1/2018  
(12:01 A.M. Standard time at the address of the Named Insured as stated herein)

Coverage is provided in the following company, a stock company

Interstate Fire & Casualty Company

**Named Insured and Mailing Address:**

Stage Stores Inc  
2425 West Loop South  
Houston, TX 77027  
United States of America

**Producer Name and Address:**

AmWINS Brokerage of California  
140 New Montgomery St., Suite 1600  
San Francisco, CA 94105

**Business or Operations of the Named Insured:** NAICS code: 448150  
Accessories Stores

NAICS short description: Clothing

The insurance provided by this policy consists of the following coverage form(s). In return for payment of the premium and subject to all the terms of this policy, we agree with you to provide the insurance as stated in this policy.

### PROPERTY INSURANCE

**PREMIUM SUMMARY**

|   |                     |
|---|---------------------|
| Annual Premium (excluding Terrorism Risk Insurance Act)   | \$160,000.00        |
| Service Fee   | \$ 500.00           |
| Terrorism Risk Insurance Act ("The Act") - Certified Acts Coverage –<br>All Coverages Subject to the Act Excl WC and Umbrella – | Not Covered         |
| <b>TOTAL</b>  | <b>\$160,500.00</b> |

Texas Premium: \$160,000.00  
Fees: \$ 500.00  
Surplus Lines Tax: \$ 7,784.25  
Stamping Fee: \$ 240.75  
Total: \$168,525.00

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LOCATIONS OF PREMISES--Applicable to Coverages specified in these  
Declarations

Locations on file with the company

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**FORMS ATTACHED AT INCEPTION**

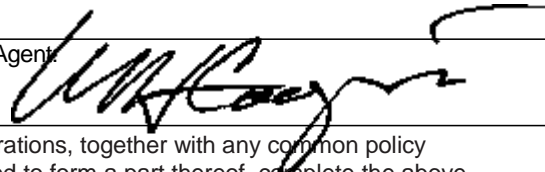
**GENERAL PROVISIONS**

**PROPERTY**

ART100-001E-072915 Market Follow-On Endorsement

Date of Issue:  
8/1/2017

Countersignature of Authorized Agent



These Master Policy Declarations and other coverage Declarations, together with any common policy conditions, coverage form(s) and endorsements if any issued to form a part thereof, complete the above numbered policy.

ART- General Property Declarations-003 02-16

## ENDORSEMENT – AMW-151344

### MARKET FOLLOW-ON ENDORSEMENT (“Endorsement”)

This Endorsement modifies the Commercial Property Coverage to which it is attached.

Notwithstanding any other term, condition, limit or exclusion contained in the Commercial Property Coverage that this Endorsement amends, the following sections 1 through 4, inclusive, shall apply in all circumstances:

#### 1. DEFINITIONS CLAUSE

The following terms used in this Endorsement, have the special meanings given to them below, and they apply and give meaning only to this Endorsement:

**Certified Act of Terrorism** means an act that is certified by the Secretary of the Treasury in accordance with the provisions of the federal Terrorism Risk Insurance Act, as amended, to be an act of terrorism. The criteria contained in that Act for a Certified Act of Terrorism include the following:

The act resulted in insured losses in excess of \$5 million in the aggregate, attributable to all types of insurance subject to the Terrorism Risk Insurance Act, as amended; and

The act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

**Covered Loss** means each direct or indirect loss you suffer with respect to the perils, interests and locations insured or insurable by the Insurance Company pursuant to the terms and conditions of the Policy.

**Declaration** means the declaration of insurance by which we provide insurance cover in connection with the Policy.

**Insurance Company** means the insurer(s) that provides the Policy.

**Policy** means the Commercial Property Coverage or other insuring agreement which this Endorsement amends.

**Limit of Insurance** means, the most insurance that will be paid by us for Covered Losses as identified in the Policy. Limits of Insurance are reduced by the amount of any paid Covered Loss.

#### 2. OFAC CLAUSE

The Office of Foreign Asset Control (OFAC) administers and enforces sanctions policy, based on Presidential declarations of “national emergency”.



In accordance with OFAC regulations, if you or any other insured, or any person or entity claiming the benefits of this insurance, has violated US sanctions law or is a Specially Designated National and Blocked Person, as identified by OFAC, this insurance will be considered a blocked or frozen contract and all provisions of this insurance are immediately subject to OFAC. When an insurance policy is considered to be such a blocked or frozen contract, no payments nor premium refunds may be made without authorization from OFAC. Others limitations on the premium and payment also apply.

**3. SERVICE OF SUIT CLAUSE:**

A. In the event of our failure to pay any amount claimed to be due under this Policy, we agree to submit to the jurisdiction of any court of competent jurisdiction within the United States in which a suit for those amounts may be brought. Nothing in this condition constitutes or should be understood to constitute a waiver of our right to commence an action in any court of competent jurisdiction in the United States to remove an action to a United States District Court or to seek a transfer of a case to another court as permitted by the laws of the United States or of any state in the United States.

B. Service of process in such suit may be made upon:

General Counsel's Office  
Interstate Fire & Casualty Company  
33 West Monroe Street  
Chicago, IL 60603

or his or her representative, and that in any suit instituted against us with respect to this Policy, we will abide by the final decision of such court or of any appellate court in the event of an appeal.

C. To the extent required by the express provisions of any statute of any state, territory, or district of the United States, we hereby designate the Superintendent, Commissioner or Director of Insurance, or other officer specified for that purpose in the statute, or his successor or successors in office as our true and lawful attorney upon whom may be served any lawful process in any action, suit, or proceeding instituted by you or on your behalf or any beneficiary hereunder arising out of this policy, and we hereby designate the above named Counsel as the person to whom the said officer is authorized to mail such process or a true copy thereof.

**4. CLAIMS CONTACT INFORMATION CLAUSE:**

In the event of a loss, claims are to be submitted as follows (email is preferable for quickest response):

Peninsula Insurance Bureau  
2842 Lent Road  
Apopka, FL 32712  
Phone: (407) 880-1100  
tpa@pibadjusters.com

## 5. ADDITIONAL EXCLUSIONS CLAUSE:

If the following perils or insurance coverages are not otherwise excluded by the Policy, the following exclusionary language does apply to the insurance provided by us pursuant to our Declaration and we shall provide no coverage for:

### A. Nuclear, Chemical or Biological

Nuclear reaction or radiation, or radioactive contamination, however caused. But if loss or damage by fire results, we will pay for that Covered Loss, subject to the Limit of Insurance.

It is agreed that this Insurance excludes Covered Losses of whatsoever nature directly or indirectly caused by, resulting from or in connection with the actual or threatened malicious use of pathogenic or poisonous biological or chemical materials regardless of any other cause or event contributing concurrently or in any other sequence thereto.

### B. Pollution Contamination

The release, discharge or dispersal of Pollutants, unless the release, discharge or dispersal is itself caused by any of the Specified Causes of Loss.

As used in this Exclusion, the term "Pollutants", means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes material to be recycled, reconditioned or reclaimed.

As used in this Exclusion, "Specified Causes of Loss" means loss or damage caused by or resulting from the following:

- (1) Building glass breakage.
- (2) The actual, abrupt falling down of a building or part of a building. A collapse occurs only when a building or part of a building has actually and abruptly fallen down. Collapse does not include a threat of collapse, even if collapse is imminent, and collapse does not mean a condition of a building including cracking, bulging, sagging, bending, shifting, leaning, settling, shrinkage, or expansion, that could lead to or contribute to its actual, abrupt falling down.
- (3) Explosion, including the explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass. This cause of loss does not include loss or damage by:
  - (a) Rupture, bursting or operation of pressure relief devices; or
  - (b) Rupture or bursting due to expansion or swelling of the contents of any building or structure, caused by or resulting from water.
- (4) Falling objects.
- (5) Fire, lightning, or smoke. Smoke must cause sudden and accidental loss or damage and does not include smoke from agricultural smudging or industrial operations.
- (6) Leakage from fire protection equipment, meaning leakage or discharge of any substance from fire protection equipment, including collapse of a tank that is part of the system.
- (7) Riot or civil commotion, including:

- (a) Acts of striking employees while occupying the described premises; and
- (b) Looting occurring at the time and place of a riot or civil commotion.
- (8) Sinkhole collapse, meaning loss or damage caused by the sudden sinking or collapse of land into underground empty spaces created by the action of water on limestone or dolomite. This cause of loss does not include:
  - (a) The cost of filling sinkholes;
  - (b) Sinking, subsidence, or collapse of land into man-made underground cavities; or
  - (c) Mine subsidence which is earth movement caused by a failure initiated at the mine level of man-made underground mines, including but not limited to coal, clay, limestone or fluorspar mines.
- (9) Theft, meaning any act of stealing; or attempted theft.
- (10) Vandalism, meaning the willful and malicious damage to, or destruction of covered property.
- (11) Vehicles, meaning the physical contact of an automobile; motorcycle; motor truck; tractor; self-propelled machine; trailer or semi-trailer; aircraft; watercraft; or any similar means of transporting persons or property including an object thrown up by a vehicle. However, we will not pay for loss or damage caused by or resulting from vehicles you own or operate.

C. Asbestos, Dioxin or Polychlorinated Biphenols

- (1) Asbestos, dioxin or polychlorinated biphenols (hereinafter all referred to as "Materials") removal from any good, product or structure unless the asbestos is itself damaged by fire, lightning, aircraft impact, explosion, riot, civil commotion, smoke, vehicle impact, windstorm or hail, vandalism, malicious mischief, leakage or accidental discharge from automatic fire protective system.
- (2) 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) Any governmental direction or request declaring that such Materials present in or part of or utilized on any undamaged portion of the insured's property can no longer be used for the purpose for which it was intended or installed and must be removed or modified.

The exception to exclusion C. (1), above, does not apply to payment for the investigation or defense of any loss, damage or any undamaged portion of the insured's property can no longer be used for the purpose for which it was intended.

D. Debris Removal Exclusion

As a result of a Covered Loss, we will pay the expense, subject to the Limit of Insurance, to remove debris that has been damaged or destroyed. However, in connection with the removal of debris, we will not pay the expense to:

- (1) Extract contaminants or pollutants from the debris;
- (2) Extract contaminants or pollutants from land or water;

- (3) Remove, restore or replace contaminated or polluted land or water;
- (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 is required by law or regulation.

It is a condition precedent to recovery under this insurance that we shall have paid or will pay a Covered Loss and that you shall give written notice to us of your intent to claim for 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 to your property.

E. Authorities Exclusion

Fines or penalties incurred or sustained by or imposed on you at the order of any government agency, court or other governmental authority arising from any cause whatsoever, and any seizure or destruction of property by order of any government agency, court or governmental authority. But we will pay for acts of destruction ordered by governmental authority and taken at the time of a fire to prevent its spread, if the fire would be covered under the Policy.

F. War and Terrorism Exclusion

- (1) Regardless of any other cause or event contributing concurrently or in any other sequence to the loss:
  - (a) war;
  - (b) invasion;
  - (c) acts of foreign enemies;
  - (d) hostilities or warlike operations (whether war be declared or not);
  - (e) civil war;
  - (f) rebellion;
  - (g) revolution, insurrection;
  - (h) civil commotion assuming the proportions of or amounting to an uprising; or
  - (i) military or usurped power; and
  - (j) Terrorism.
- (2) This Policy also excludes Covered Losses of whatsoever nature directly or indirectly caused by, resulting from or in connection with any action taken in controlling, preventing, suppressing or in any way relating to (a) through (j), inclusive, above.
- (3) If we allege that by reason of this exclusion F, any Covered Losses is not covered by this Policy, the burden of proving the contrary shall be upon you to demonstrate that coverage under this insurance applies.
- (4) For the purpose of this exclusion F, "Terrorism" means an act, including but not limited to the use of force or violence and/or the threat thereof, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organization(s) or government(s), committed for

political, religious, ideological or similar purposes including the intention to influence any government and/or to put the public, or any section of the public, in fear.

- (5) Other than as provided for in this Endorsement, if the Policy excludes Terrorism, then notwithstanding such other exclusion for Terrorism, if you have elected to purchase Certified Act of Terrorism coverage, and paid the relevant premium, we will pay for Covered Loss caused directly or indirectly by a Certified Act of Terrorism as follows:
- (a) If a Certified Act of Terrorism results in fire, then we will pay for your Covered Losses as provided for herein, caused by that fire. Such coverage for fire applies only to direct loss or damage by fire to your property insured under the Policy. Therefore, for example, the coverage does not apply to insurance provided under Business Income and/or Extra Expense coverage forms or endorsements which apply to those forms, or to the Legal Liability Coverage Form, or the Leasehold Interest Coverage Form, or the Net Leasehold Coverage Form.
  - (b) Notwithstanding F. (5) (a), above, if aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act, as amended, exceed \$100 billion in a calendar year and we have met our insurer deductible under the federal Terrorism Risk Insurance Act, as amended, then we shall not be liable for the payment on any portion of the amount such losses that exceeds \$100 billion, and in each such case insured losses up to that amount are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury.

(6) Application of Other Exclusions

The terms and limitations of any terrorism exclusions, or the inapplicability or omission of a terrorism exclusion, do not serve to create coverage for any Covered Loss which would otherwise be excluded under the Policy.

## Policy Endorsement

**Named Insured:** Stage Stores Inc

**Insurer:** Interstate Fire & Casualty Company

**Policy Number:** AMW-151344

**Effective Date:** 5/1/2017

It is hereby understood and agreed that the following changes are made to this policy:

Part I. Total Limit of Insurance applicable to this **Policy** in a primary insurance Layer is:  
\$5,000,000 part of \$50,000,000;

Part II. **Lead Insurance Company:**

- a. Name of Insurer: Aspen Specialty Insurance Company
- b. Policy Number: PRAGDKG17
- c. Policy Period: From: 5/1/2017 To: 5/1/2018

Part III. Premium in primary insurance **Layer**: \$160,000

Part IV. Minimum Earned Premium: per **Lead Insurance Policy**

Part V. **Certified Acts of Terrorism** Coverage:

| Layer   | <b>Certified<br/>Terrorism<br/>Included?</b> | <b>Acts of<br/>Coverage</b> | Premium (\$)   |
|---------|--|-----------------------------|----------------|
|         |  |                             |                |
| Primary | No   |                             | Not applicable |

All other terms and conditions remain unchanged.

**STAGE STORES, INC.**

**Global Property Insurance Policy**

**Policy # AMW-151344**

**(Including Boiler and Machinery)**

**Insurer/Security:**

**Interstate Fire & Casualty Company**

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Note: Any term that appears in bold print, other than titles of clauses, is defined in **Definitions**.

## I. SUPPLEMENTAL DECLARATIONS

### 1. NAMED INSURED AND MAILING ADDRESS

**Stage Stores, Inc.** and any subsidiary, affiliated, associated, or allied company, corporation, firm, organization, and the Insured's interest in partnerships and/or joint ventures, and/or any owned (wholly or partially) or controlled company(ies) where the Insured maintains an interest, as now or hereafter constituted or acquired; and any other party or interest that the Insured is required by contract or agreement to insure;

all hereafter referred to as the "Insured."

Mailing Address:

Stage Stores, Inc.

2425 West Loop South

Houston, TX 77027

### 2. POLICY TERM

This policy attaches and insures;

FROM: May 1, 2017

TO: May 1, 2018

beginning and ending at 12:01AM, standard time, at location of the property involved unless otherwise described herein.

### 3. POLICY TERRITORY

This policy insures the United States of America, its territories and possessions, the District of Columbia, Guam, Puerto Rico, the U.S. Virgin Islands and Canada, including their respective inland and coastal waters. However, coverage applies worldwide, as respects Contingent Time Element and Time Element Extensions.

### 4. LOSS OR DAMAGE INSURED

This policy insures against all risks of direct physical loss or damage to insured property occurring during the policy term, also including **General Average and/or Salvage** and all other charges on shipments insured 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.

### 5. LIMITS OF LIABILITY

In the event of loss or damage insured under this policy, this **Insurer** shall be liable for its proportional share of USD 100,000,000 per **occurrence**, and its proportional share of the following program per **occurrence** and/or policy year annual aggregate sublimits of liability, excess of policy deductibles.

The total amount to be indemnified under this policy and/or any locally admitted version of this policy issued by the **Insurer** or its representatives shall not exceed the overall limit or applicable program sublimits stated in this policy.

Program Sublimits of Liability:

|              |                       |  |
|--------------|-----------------------|--|
| \$1,000,000  | per <b>occurrence</b> | and in the aggregate in any one policy year as respects losses caused by <b>Earthquake</b> for property situated in the State of California.                   |
| \$10,000,000 | per <b>occurrence</b> | and in the aggregate in any one policy year as respects losses caused by <b>Earthquake</b> for property situated in <b>High Hazard Earthquake Zones</b> .      |
| \$50,000,000 | per <b>occurrence</b> | and in the aggregate in any one policy year as respects losses caused by <b>Earthquake</b> for property situated outside <b>High Hazard Earthquake Zones</b> . |

**Earthquake** limits shall not apply to any ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

|              |                       |   |
|--------------|-----------------------|---|
| \$10,000,000 | per <b>occurrence</b> | and in the aggregate in any one policy year as respects losses caused by <b>flood</b> for property situated in <b>High Hazard Flood Zones</b> per Endorsement #7. |
| \$50,000,000 | per <b>occurrence</b> | and in the aggregate in any one policy year as respects losses caused by <b>flood</b> for property situated outside <b>High Hazard Flood Zones</b> .              |

**Flood** limits shall not apply to any ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

**Flood** zone designations at time of inception of this Policy will be the Zones utilized for Limits of Liability and deductible application, regardless of any post-policy inception change in the designation by FEMA or any other organization responsible for determining flood zones.

|              |                       |  |
|--------------|-----------------------|--|
| \$250,000    | per <b>occurrence</b> | and in the aggregate in any one policy year as respects losses insured under the Land and Water Clean Up Expense                   |
| \$1,000,000  | per <b>occurrence</b> | as respects Accounts Receivable  |
| \$100,000    | per <b>occurrence</b> | as respects Asbestos Removal (after a covered loss under this policy)  |
| \$10,000,000 | per <b>occurrence</b> | as respects Gross Earnings or Loss of Profits  |
| \$5,000,000  | per <b>occurrence</b> | as respects Civil or Military Authority  |
| \$10,000,000 | per <b>occurrence</b> | as respects Contingent Time Element, including Attraction Properties for <b>direct customers and suppliers</b> , worldwide.        |
| \$10,000,000 | per <b>occurrence</b> | as respects Debris Removal or 25% of the total insurable values at the location where loss or damage occurs, whichever is greater. |
|              |                       | <b>Demolition and Increased Cost of Construction</b>   |
| Included     | per <b>occurrence</b> | as respects the value of the undamaged property - clause F.1)  |
| Included     | per <b>occurrence</b> | as respects the cost of demolishing the undamaged property - clause F.2)   |

|              |                       |   |
|--------------|-----------------------|---|
| \$10,000,000 | per <b>occurrence</b> | as respects the increased cost of repair or reconstruction - clause F.3)                            |
| \$10,000,000 | per <b>occurrence</b> | as respects the increase in Time Element loss – clause F.4)   |
| \$1,000,000  | per <b>occurrence</b> | as respects Exhibition and Trade Show   |
| \$10,000,000 | per <b>occurrence</b> | as respects Expediting Expense  |
| \$1,000,000  | per <b>occurrence</b> | as respects Extended Increased Cost of Construction   |
| \$25,000,000 | per <b>occurrence</b> | as respects Extra Expense   |
| \$500,000    | per <b>occurrence</b> | as respects Fine Arts however \$25,000 any one item unless on file with company.                    |
| Included     | per <b>occurrence</b> | as respects Fire Brigade Charges and Extinguishing Expenses   |
| \$2,500,000  | per <b>occurrence</b> | as respects Impounded Water   |
| \$5,000,000  | per <b>occurrence</b> | as respects Ingress/Egress  |
| \$1,000,000  | per <b>occurrence</b> | as respects Land Improvements   |
| \$5,000,000  | per <b>occurrence</b> | as respects Leasehold Interest  |
| Included     | per <b>occurrence</b> | as respects Personal Property of Employees  |
| \$5,000,000  | per <b>occurrence</b> | as respects Professional Fees   |
| \$10,000,000 | per <b>occurrence</b> | as respects <b>Property While in the Course of Construction</b>                                     |
| \$2,500,000  | per <b>occurrence</b> | as respects Protection and Preservation of Property – Time Element                                  |
| \$1,000,000  | per <b>occurrence</b> | as respects Royalties   |
| \$5,000,000  | per <b>occurrence</b> | as respects Service Interruption/Off Premise Power  |
| \$1,000,000  | per <b>occurrence</b> | and \$2,000,000 in the aggregate, as respects Special Perils Business Interruption                  |
| \$5,000,000  | per <b>occurrence</b> | as respects <b>Transit</b>  |
| \$500,000    | per <b>conveyance</b> | as respects <b>Transit</b> (Each railroad car or trailer shall be considered a separate conveyance) |
| \$5,000,000  | per <b>occurrence</b> | as respects Valuable Papers and Records and Electronic Data Processing Media                        |

ACCIDENT TO AN OBJECT (BOILER AND MACHINERY), BUT NOT TO EXCEED:

|              |                       |  |
|--------------|-----------------------|--|
| \$60,000,000 | per <b>occurrence</b> | as respects Property Damage and Time Element |
| \$1,000,000  | per <b>occurrence</b> | as respects Ammonia Contamination            |
| \$2,500,000  | per <b>occurrence</b> | as respects Consequential Damage             |

ADDITIONAL SUBLIMITS:

|              |                       |   |
|--------------|-----------------------|---|
| \$10,000,000 | per <b>occurrence</b> | as respects <b>Automatic Coverage</b> (Newly Acquired Property) |
| \$10,000,000 | per <b>occurrence</b> | as respects Errors and Omissions                                |
| \$10,000,000 | per <b>occurrence</b> | as respects <b>Miscellaneous Unnamed Locations</b>              |

## 6. DISTANCE LIMITATIONS

|        |   |
|--------|---|
| 5 Mile | as respects Civil or Military Authority         |
| 5 Mile | as respects Ingress/Egress                      |
| 5 Mile | as respects Transmission and Distribution Lines |
| 5 Mile | as respects Attraction Properties               |

## 7. TIME LIMITS

In addition to any time limits shown elsewhere in this policy, the following also apply:

|          |  |
|----------|--|
| 90 Days  | as respects Automatic Coverage (Newly Acquired Property) |
| 60 Days  | as respects Civil or Military Authority.                 |
| 60 Days  | as respects Ingress/Egress                               |
| 365 Days | as respects the Extended Period of Liability             |
| Excluded | as respects Ordinary Payroll                             |
| 120 Days | as respects Delay in Completion                          |

## 8. WAITING PERIOD

|          |  |
|----------|--|
| 24 Hours | As respects Service Interruption – Time Element                    |
| 8 Hours  | As respects <b>Electronic Data Processing Media</b> - Time Element |

The stated Waiting Period is a qualifier for coverage. Once the Waiting Period is exceeded, the applicable Time Element Loss is calculated from the date and time of loss, (or earlier if Preservation of Property – Time Element is applicable) and the policy deductible is then applied.

## 9. DEDUCTIBLES

In each case of loss covered by this policy, the **Insurer** will be liable only if the Insured sustains a loss in a single **occurrence** greater than the applicable deductible(s) specified below, and only for its share of that amount.

Unless otherwise stated below, when this policy insures more than one location, the deductible will apply against the total loss covered by this policy in any one **occurrence**.

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 USD 500,000 except:

### Miscellaneous Deductibles

|             |   |
|-------------|---|
|             | All losses, damages or expenses arising out of any one <b>occurrence</b> for the following: |
| USD 100,000 | Property in <b>Transit</b>  |

### Accident to an Object Deductibles

|            |  |
|------------|--|
| USD 50,000 | Per <b>Accident</b> as respects Boiler and Machinery ( <b>Accident</b> to an <b>Object</b> ) |
|------------|--|

Flood Deductibles

USD 1,000,000 for loss or damage caused by **Flood** for insured property at locations situated in **High Hazard Flood Zones** per Endorsement #7. However, this deductible shall not apply to insured property situated outside of the above designated **flood** zone. Furthermore, this deductible shall not apply to any ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

Earthquake Deductibles

5% of the value, per unit of insurance, for loss or damage caused by  
 Minimum **Earthquake** to insured property situated in the State of  
 USD500,000 California, subject to a minimum of USD 250,000 in total for all units of insurance per **occurrence**. However, this deductible will not apply to insured property situated outside of this designated **earthquake** zone. This deductible shall apply only to those units of insurance suffering a loss in the **occurrence**. Furthermore, this deductible shall not apply to ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

2% of the value, per unit of insurance, for loss or damage caused by  
 Minimum **Earthquake** to insured property situated in **High Hazard**  
 USD500,000 **Earthquake Zones**, subject to a minimum of USD 250,000 in total for all units of insurance per **occurrence**. However, this deductible will not apply to insured property situated outside of this designated **earthquake** zone. This deductible shall apply only to those units of insurance suffering a loss in the **occurrence**. Furthermore, this deductible shall not apply to ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

Named Windstorm Deductibles

5% of the value, per unit of insurance, for loss or damage caused by  
 Minimum **Named Windstorm** to insured property situated in **Tier 1**  
 USD500,000 **Counties/Parishes or Zones** for **Named Windstorm**, subject to a minimum of USD 250,000 in total for all units of insurance per **occurrence**. However, this deductible shall not apply to property situated outside of this designated **Named Windstorm** zone. This deductible shall apply only to those units of insurance suffering a loss in the **occurrence**. Furthermore, this deductible shall not apply to ensuing loss or damage caused by or resulting from fire explosion and/or sprinkler leakage.

The amount of the deductibles above shall be determined by applying the above percentages, separately to each of the following units of insurance:

- (1) Each building or structure, not including the value of its foundations, which has sustained loss or damage;
- (2) Personal property within each building or structure if that personal property sustains loss or damage;
- (3) Personal property in the open that sustains loss or damage;
- (4) The Time Element values impacted by insured loss or damage to said property that sustains loss or damage.

Unit(s) of Insurance:

Property Damage Values (1,2 and 3 above) to be used when calculating deductibles shall be either those specified for each unit of insurance shown in the most recent Statement of Values on file with the **Insurer** or, if not so specified (or property under construction), the values will be determined at the time of loss.

Time Element Values to be used when calculating deductibles shall be either those specified for each unit of insurance shown in the most recent Statement of Values on file with the **Insurer** or, if not so specified, based upon the twelve (12) months following the date of loss, with consideration for the most probable experience of the business for the Location, had no loss occurred.

Time Element as used above refers to the following coverages:

- a. Gross Earnings
- b. Loss of Profits
- c. Rental Value and Rental Income

Deductible Clarifications:

(1) In the event that the Insured maintains underlying insurance through the National Flood Insurance Program, it is agreed that this policy shall be excess over the recovery under such National Flood Insurance Policy(s). Should the amount of loss payable under such National Flood Insurance Policy(s) exceed the applicable **flood** deductible under this policy, then no deductible shall apply hereunder. However, if the amount to be paid under such National Flood Insurance Policy(s) is less than the applicable **flood** deductible under this policy, then the amount to be deducted hereunder shall not exceed the difference between the amount to be paid under the Insured's National Flood Insurance Policy(s) and the applicable **flood** deductible under this policy. Insurance maintained through the National Flood Insurance Program shall be considered Underlying Insurance.

(2) If two or more deductible amounts in this policy apply to a single **occurrence**, the total to be deducted shall not exceed the largest individual deductible pertaining to any one cause of loss involved in the occurrence. Where deductibles apply on a per location basis, the single largest deductible at each location shall apply.

(3) In any **occurrence** where loss or damage is caused by more than one cause of loss insured against under this policy, the Insured shall have the right to separate the loss amount by cause of loss for the purposes of application of the deductible(s) specified in this section, notwithstanding the above reference to two or more deductibles and the policy limits.

(4) Whenever mortgage or lease conditions require insurance protection without deductibles, or with deductibles less than are provided herein, **Insurers** agree to make payment without consideration of the applicable deductible. However, the Insured agrees to reimburse the **Insurers** for any payments so made within 30 days of such payment.

(5) If other insurance applies to the same property as insured hereunder, and to the extent recovery is made from such other insurance, the deductible under this policy shall be reduced by such recovery, but in no event shall the deductible under this policy be less than shown in the policy. If recovery from such other insurance is greater than the deductible in this policy, then the deductible under this policy shall not apply.

(6) In the event that all or any portion of the deductible is payable under the Insured's primary insurance or by local, state or governmental funding organizations, such payment shall be considered Underlying Insurance as defined in Section IV, Clause 9.

(7) The deductible amounts specified above shall not apply to general average contributions, salvage charges and sue and labor expenses.

(8) For Contingent Time Element loss, when a deductible is not specifically stated as applying to Contingent Time Element, the deductible for Contingent Time Element loss will be determined as though the contingent time element location was an insured location under this Policy.

#### 10. **LOSS ADJUSTERS**

It is hereby understood and agreed that each and every loss will be adjusted by the Adjuster named below unless otherwise agreed by the Insured and the **Insurer**.

Richard Martin  
 vrs»**vericlaim**  
 A Toplis & Harding Corporation  
 5871 Glenridge Dr NE, Suite 395  
 Atlanta, GA 30328



**11. INSURER, PARTICIPATION AND PREMIUM**

**Insurer/Security:** Interstate Fire & Casualty Company hereafter referred to as the **Insurer**.

**Insurer Policy Number:** AMW-151344

In consideration of the premium charged, the **Insurer** agrees to indemnify the Insured for the amount recoverable under the terms and conditions of this policy, and any endorsements hereto, provided that:

- a. The liability of the **Insurer** shall not exceed its percentage of the limit of liability, any sublimit of liability or any aggregate limit of liability in any one policy year.
- b. The liability of the **Insurer** shall not exceed the participation limit described below.

**LAYERED AND LAYERED/QUOTA-SHARE**

| Layer No. | Insurer's Limit of Liability | Part of (Layer Limit) | Excess of (Underlying Limit) |
|-----------|------------------------------|-----------------------|------------------------------|
| 4         | 0%                           | 50,000,000            | 50,000,000                   |
| 3         | 10%                          | 25,000,000            | 25,000,000                   |
| 2         | 10%                          | 15,000,000            | 10,000,000                   |
| 1         | 10%                          | 10,000,000            | Deductibles                  |

In the event of loss or damage insured by this policy, this **Insurer** shall be liable for their proportional interest (outlined above) of the Limits of Liability set forth in Clause No. 5 of this section, or as described in Appendix I.

Domestic Premium: USD 160,000

Domestic Terrorism Premium: USD 0

Deductions from Insurer Premium: 0% Retail Commission  
*(Broker compensation)* 16% Wholesale Commission  
 (applied against annual premium above)

**12. BROKER OF RECORD**

Aon Risk Services Central, Inc. – Illinois Division  
 200 East Randolph Street  
 Chicago, IL 60601

**13. VALUES AT POLICY INCEPTION**

USD 1,326,404,593 Domestic (United States of America)

USD 0 International (all other countries)

USD 1,326,404,593 Total Values at Inception

The values reported are for premium purposes only.

See Appendix I for State allocation.

**14. PREMIUM ADJUSTMENT**

It is understood and agreed that there shall be no premium adjustment during the term of the policy for additions or deletions of locations unless the total insured values of such additions or deletions (for acquisitions and divestitures) exceeds 5% of the total values reported at inception.

**15. ADDITIONAL CONDITIONS**

Unless otherwise specified below, coverage provided by this policy follows all Policy Terms and Conditions as outlined herein unless endorsed or otherwise listed below:

- 1)
- 2)
- 3)
- 4)
- 5)

Attached to and forming part of Policy No. **AMW-151344** issued by Interstate Fire & Casualty Company.

---

Authorized Signature/**Insurer**

USD = United States Dollar

## APPENDIX I

In consideration of the premium charged, it is agreed that the following provisions are added to the policy as respects the liability of the **Insurer**:

### 1. LAYERED PROGRAM

The Insurer's participation under this policy to which it subscribe is several and not joint, and is limited solely to the extent of its individual participation(s). The participating insurers are not responsible for the participation of any co-participating insurer who for any reason does not satisfy all or part of its obligations under this program.

Furthermore, when a sublimit is shown as applying in the aggregate in any one policy year, the limit of liability detailed above shall also be applied in the aggregate during any policy year separately for each applicable sublimit and shall not exceed such sublimit during any policy year.

### 2. EXCESS CLAUSE VOIDED

**The following Excess Clause located in GENERAL CONDITIONS is voided**

#### 10. EXCESS CLAUSE

This clause only applies in the event that there exists primary or underlying Policy(ies) providing coverage beneath the attachment point of this Policy. In the event of loss caused by or resulting from loss or damage not otherwise excluded, or to more than one location, for purposes of the attachment point of this policy, this policy shall recognize that the limit of liability of the underlying coverage shall apply first to the perils, coverages and/or locations not insured under this policy and the remainder, if any, to the perils, coverages and/or locations insured hereunder. This policy shall recognize the erosion of the underlying policy limits by all perils, coverages or locations insured by the underlying policy. Upon exhaustion of the limit of liability of the underlying coverage, this **Insurer** shall then be liable for the loss uncollected only for those perils, coverages, and/or locations insured under this Policy, subject to the **Insurer's** limit of liability as specified herein.

In the event the aggregate limits (if any) provided for **Flood** and/or **Earthquake** in any underlying insurance are diminished or exhausted in any one Policy year, the coverage provided under this policy shall respond as excess of the remaining limits.

In such event, the applicable amount of the deductible provision of the underlying insurance shall apply to the combination of all policies.

**And replaced with the following two provisions**

### 3. PRIORITY OF PAYMENTS (applicable to primary or **underlying policy(ies)** only)

Any recoveries made under this policy shall first apply to loss or damage not insured by the excess policy(ies). Upon exhaustion of this policy's limit, the excess policy(ies) shall step down and be liable for the loss in excess of the amount attributed to this policy as respects loss or damage insured thereunder subject to the excess policy(ies) limits.

**4. STEP DOWN / DROP DOWN** (applicable to excess policies only)

In determining the amount of any loss or damage for which this policy is excess, the total loss caused by any combination of loss or damage, all of which are insured against under the primary policy or **underlying policy**, shall be used even though such loss or damage is not insured against under this excess policy.

- A. Any recoveries made under the primary or **underlying policy** shall first apply to loss or damage not insured against by this policy. Upon exhaustion of the primary or **underlying policy** limits, this policy shall apply in excess of the amount attributed to the primary or **underlying policy** as respects loss or damage insured hereunder subject to the limit of this policy.
- B. If there is any other excess insurance insuring the property insured hereunder for loss or damage insured against in the primary or **underlying policy** but not insured by this policy, this policy shall then allocate any loss recoveries made under the primary or **underlying policy** in the same proportion as the amount of loss or damage insured against by this policy bears to the combined total loss. Upon exhaustion of the primary or **underlying policy** limits, this policy shall apply in excess of the amount attributed to the primary or **underlying policy** as respects loss or damage insured hereunder subject to the limit of this policy.
- C. Sub-Paragraph B. above shall not apply, however, when the amount of loss attributed to loss or damage insured under the primary or **underlying policy**, but not insured under this policy, exceed the total amount of insurance provided by the primary and excess coverages with respect to said loss or damage. In this situation, any recoveries made under the primary or **underlying policy** shall first apply to loss or damage not insured by this policy. Upon exhaustion of the primary or **underlying policy** limits, this policy shall apply in excess of the amount attributed to the primary or **underlying policy** as respects loss or damage insured hereunder subject to the limit of this policy.
- D. It is further agreed, in the event the **Flood** and/or **Earthquake** annual aggregate limits of any primary or **underlying policy** are diminished or exhausted in any one policy year, any loss or damage insured under this policy for **Flood** and/or **Earthquake** shall apply as excess of any undiminished or unexhausted limits subject to the **underlying policy** deductibles.

All other terms and conditions of this policy remain unchanged.

## II. TERMS AND CONDITIONS

### 1. INSURED PROPERTY

All real and Personal property while such property is located anywhere within the territorial limits of this policy, including while in due course of **transit**, which is owned, used, or intended for use by the Insured, or acquired by the Insured, and property of others in the Insured's care, custody or control including the Insured's liability for such property and including the costs to defend any allegations of liability for loss or damage to such property; including but not limited to the following:

- A. Improvements and betterments. The **Insurer** agrees to accept and consider the Insured as sole and unconditional owner of the improvements and betterments, notwithstanding any contract or lease to the contrary.
- B. Personal property of the Insured's officials and employees, while in the Insured's care, custody or control or while on the Insured's premises, (except personal automobiles).
- C. The interest of the Insured's customers in property sold by the Insured under conditional sale, trust agreement, installment plan or other deferred payment plan including property which is leased to customers under a lease/purchase agreement.
- D. Real and/or Personal Property of others that the Insured has agreed to insure prior to loss or damage including property not in the Insured's care, custody or control.
- E. **Property While in the Course of Construction** and/or during erection, assembly and/or installation.
- F. Contractors' and vendors' interest in property covered to the extent of the Insured's liability imposed by law or assumed by contract, whether written or oral.

### 2. PROPERTY NOT INSURED

This policy does not insure loss or damage to:

- A. Motor vehicles licensed for highway use when not on the Insured's premises, except this exclusion shall not apply to contractor's equipment, or to such property which constitutes stock or property on exhibit or being serviced or repaired.
- B. Land, except as insured under Land and Water Clean Up Expense. This exclusion shall not apply to the cost of reclaiming, restoring or repairing land improvements. Land improvements as described hereunder include, but are not limited to, any alteration to the natural condition of the land by grading, excavating, landscaping, earthen dikes or dams, as well as additions to land such as pavements, roadways, ponds, golf courses, or similar works.
- C. Currency, money, gold bullion, evidence of debt, except Accounts Receivable as defined in the policy, notes or securities except as otherwise described in this policy.

- D. Growing crops and standing timber not to be used for industrial processes; live animals not used for research.
- E. Water, except as insured under Impounded Water, Land and Water Clean Up Expense, or when contained in any form of piping system, processing system or holding tank or used in the manufacturing process.
- F. 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.

However, this exclusion will not apply to:

- 1) ferry shipments to, from and between countries in Continental Europe, the United Kingdom and Ireland; and
- 2) air or inland waterway shipments to, from and between countries in Continental Europe.
- G. Waterborne shipments via the Panama Canal, and to and from Puerto Rico, the Virgin Islands, Hawaii, and Alaska;
- H. Aircraft, watercraft, spacecraft, satellites, except this exclusion shall not apply to such property that constitutes stock.
- I. Off-shore property, dams, dikes, bridges and tunnels, unless specifically reported to the **Insurer**. Bridges and tunnels which are part of, located upon and/or attached to real property insured by this Policy are covered by this Policy.

### 3. **LOSS OR DAMAGE EXCLUDED**

This policy does not insure the following:

- A.
  - 1) Loss or damage caused by 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 such government, power, authority, or forces;
  - 2) Loss or damage caused by any weapon employing atomic fission or fusion;
  - 3) Loss or damage caused by rebellion, revolution, civil war, usurped power; or action taken by governmental authority in hindering, combating, or defending against such **occurrence**;
  - 4) Loss or damage caused by seizure or destruction by order of public authority, except destruction by order of public authority to prevent spread of, or to otherwise contain, control or minimize loss, damage, or destruction which occurs due to loss or damage insured under this policy;

- 5) Risks of contraband or illegal trade.
- B. Loss or damage caused by nuclear reaction or 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, attributed to, or aggravated by loss or damage insured herein except:
- 1) The **Insurer** shall be liable for loss or damage caused by sudden or accidental radioactive contamination, including resultant radiation damage for each **occurrence** from material used or stored or from processes conducted on insured 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 insured premises;
  - 2) If fire ensues, liability is specifically assumed by the **Insurer** for such ensuing loss or damage insured hereunder but not including any loss due to nuclear reaction, nuclear radiation or radioactive contamination.
- C. Loss or damage caused by **fraudulent or dishonest acts** committed by the Insured or any of the Insured's employees.
- This exclusion does not apply to loss or damage resulting from the Insured voluntarily parting with title or possession of any property if induced to do so by any fraudulent scheme, trick, device or false pretense, nor shall this exclusion apply to willful acts of destruction committed by the Insured's employees.
- D. Normal or ordinary wear, tear, gradual deterioration, rust, corrosion, settling, cracking, erosion except if physical loss or damage not excluded in this policy ensues, then this policy shall insure only the ensuing loss or damage. However, if an **Accident** to an **Object** ensues, then this exclusion shall not be applicable.
- E. The cost of making good defective design, faulty material, or faulty workmanship, except, if physical loss or damage not excluded in this policy ensues, then this policy shall insure only the ensuing loss or damage. However, if an **Accident** to an **Object** ensues, then this exclusion shall not be applicable.
- F. Errors in processing or manufacture, except, if physical loss or damage not excluded in this policy ensues, then this policy shall insure only the ensuing loss or damage.
- G. Except as provided in Land and Water Clean Up Expense, loss or damage arising out of the dispersal, release or escape of contaminants or pollutants into or upon land, the atmosphere or any water course or body of water.
- H. Inherent vice or latent defect, except if physical loss or damage not excluded in this policy ensues, then this policy shall insure only the ensuing loss or damage.
- I. Mildew, mold, spoilage or decay; unless caused by physical loss or damage not otherwise excluded.

#### 4. **COVERAGE EXTENSIONS**

Except as excluded, this policy covers:

##### A. **Accounts Receivable**

In the event of insured loss or damage to records or accounts receivable from customers caused by loss or damage insured herein, this **Insurer** will indemnify the Insured as follows:

- 1) All sums due the Insured (from customers), provided the Insured is unable to effect collection thereof as a result of loss or damage to records of accounts receivable by loss or damage insured by this policy.
- 2) All sums due the Insured from factoring transactions, when the property of the debtor has been lost or damaged by loss or damage insured by this policy and the Insured has been unable to effect collection thereof.
- 3) Interest charges on any loan to offset impaired collections pending repayment of such sums made uncollectible by such loss or damage.
- 4) Collection expenses in excess of normal collection cost and made necessary because of such loss or damage.
- 5) Other expenses, when reasonably incurred by the Insured in reestablishing records of accounts receivable following such loss or damage.

For purpose of this insurance, charges under a credit card company and maintained on **Electronic Data Processing Media** shall be deemed to represent sums due the Insured from customers.

When there is proof that a loss of records of accounts receivable has occurred by the Insured and the Insured 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 (12) months shall be adjusted in accordance with the percentage increased or decreased in the twelve (12) 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 Insured and an amount to



allow for probable bad debts which would normally have been uncollectible by the Insured.

**B. Brands and Labels**

In case of insured loss or damage 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 Insured, the salvage value of such damaged property shall be determined after removal in the customary manner, at the expense of the **Insurer**, of all such brands or trademarks or other identifying characteristics.

**C. Consequential Damage**

1. This policy also insures against consequential loss caused by or resulting from a change in temperature or humidity or by interruption of power, heat, air conditioning, or refrigeration, telephone or telegraphs, supply water or telecommunications as a result of physical loss or damage of the type insured to property/equipment or plants used to provide refrigeration, cooling humidifying, dehumidifying air conditioning heating, generating, converting power or telephone or telegraphs, or telecommunications, including all connections and supply from transmission lines and pipes, power generating equipment, utility plants or sources, whether or not such equipment is on or off the premises of the Insured.
2. The policy shall further insure the resulting reduction in value of the remaining undamaged components or parts of property customarily sold as units, pairs, sets, lots or ranges of sizes or colors.

**D. Control of Damaged Property**

The Insured shall have full right to the possession of all property manufactured, sold or distributed by the Insured involved in any loss under this policy and shall retain control of all damaged property. The Insured, exercising reasonable discretion, shall be the sole judge as to whether the property involved in any loss under this policy is fit for consumption, sale or use and any property so deemed by the Insured to be unfit for consumption, sale or use shall not be sold or otherwise disposed of except by the Insured or with the Insured's consent, but the Insured shall allow the **Insurer** any salvage proceeds obtained by the Insured on any sale or other disposition of such merchandise.

**E. Debris Removal**

The policy insures the necessary and reasonable expenses incurred by the Insured to remove, clean-up and/or properly dispose of any debris remaining after any loss or damage covered under this policy.

**F. Demolition and Increased Cost of Construction**

In the event of insured loss or damage insured under this policy that causes the enforcement of any law, ordinance and/or governmental directive regulating the construction, repair or use of property, the **Insurer** shall be liable for:

1. The cost of demolishing the undamaged property including the cost of clearing the site;
2. The value of the undamaged property which had to be demolished;
3. The increased cost of repair or reconstruction, whichever is less, of the damaged and undamaged property on the same or another site and limited to the costs that would have been incurred in order to comply with the minimum requirements of such law, ordinance and/or governmental directive regulating the repair or reconstruction or use of the damaged property. However, the **Insurer** shall not be liable for any increased cost of construction loss unless the damaged property is actually rebuilt or replaced;
4. The increase in loss, including, but not limited to, Business Interruption, Extra Expense, Rental Value, Leasehold Interest or Royalties or extensions thereof arising out of the additional time required to comply with said law, ordinance and/or governmental directive.

**G. Expediting Expense**

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

**H. Fines and Penalties**

This policy is extended to insure such Fines or Penalties as may be imposed on the **Insured** for the breach of contract either in respect of goods and services delayed or not delivered, or in respect of the **Insured's** failure or delay to take delivery of goods and services ordered, as a direct result of a cause of physical loss not otherwise excluded herein to Real and Personal property covered under this policy. For the purposes of this clause, liquidated damages shall also be considered fines and penalties.

**I. Fire Brigade Charges and Extinguishing Expenses**

This policy insures the following expenses resulting from:

1. fire brigade charges and other extinguishing expenses for which the Insured may be assessed;
2. loss of fire extinguishing materials expended.

**J. Land and Water Clean Up Expense**

This policy insures the reasonable and necessary cost or expense of decontamination or removal or disposal of land and water on or under the premises of the Insured

It is a condition precedent to recovery under this clause that the **Insurer** shall have paid, or agreed to pay for, loss or damage to the property insured hereunder unless such payment is precluded solely by the operation of any deductible.

It is also a condition precedent to recovery under this clause that the Insured shall give written notice to the **Insurer** of intent to claim for decontamination and clean up expense not later than one hundred-eighty (180) days after the date of such loss or damage

**K. Professional Fees**

This policy insures the reasonable fees and expenses incurred by the Insured, or by the Insured's representatives for assessing, preparing and/or certifying details of a claim resulting from a loss which would be payable under this policy. The reasonable fees and expenses of Aon Property Risk Consulting, Inc. qualify for this coverage extension. However, this policy does not insure the expenses of Public Adjustors or attorneys. However, the reasonable fees and expenses of Aon Property Risk Consulting, Inc. qualify for this coverage extension.

**L. Protection and Preservation of Property – Property Damage**

In case of actual or imminent loss or damage of the type insured against by this policy, the expenses incurred by the Insured in taking reasonable and necessary actions for the temporary protection and preservation of insured property, shall be recoverable under the policy and be subject to the applicable deductible, and without increase in the limit provisions contained in this policy.

**M. Tax Treatment of Profits**

This policy insures the additional loss sustained by the Insured resulting from loss or damage insured by this policy in the event the tax treatment of:

- A. the profit portion of a loss recovery involving finished stock manufactured or purchased by the Insured; and/or
- B. the profit portion of business interruption loss proceeds;

differs from the tax treatment of profits that would have been incurred had no loss occurred.

**N. Temporary Removal of Property**

This policy insures property temporarily removed from a location for the purposes of being repaired or serviced, or in order to avoid loss or damage insured by this policy. However, this coverage does not apply to property removed for normal storage.

**O. Transit**

This policy insures loss or damage not otherwise excluded, to insured property in **transit** including resulting loss as afforded under Time Element Coverages provided under this policy.

- 1) This insurance is extended to insure loss or damage to property:
  - (a) sold and shipped by the Insured 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) at the Insured's option, which is incoming to the Insured.

2) This policy also insures loss or damage:

- (a) 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;
- (b) occasioned by the acceptance by the Insured, by its agents, or by its customers of fraudulent bills of lading, shipping and delivery orders, or similar documents.

## 5. TIME ELEMENT COVERAGE

This policy is extended to cover Time Element loss as described below resulting from insured loss or damage not otherwise excluded. The Insured has the option at any time during the loss adjustment to choose whether to calculate its claim in accordance with the Gross Earnings provision (5.A) and applicable extensions or the Loss of Profits provision (5.B) and applicable extensions. This election may be made at any time before final payment of claim.

### A. Gross Earnings

- 1) Loss due to the necessary interruption of business conducted by the Insured, whether total or partial, including all interdependencies between or among companies owned or operated by the Insured, resulting from physical loss or damage insured herein and occurring during the term of this policy to property insured herein.
- 2) Such loss shall be adjusted on the basis of the actual loss sustained by the Insured, consisting of the net profit which is prevented from being earned including **ordinary payroll** and payroll;

**and**

all charges and other expenses (including **soft costs**) to the extent that these must necessarily continue during the interruption of business, but only to the extent to which such charges and expenses would have been incurred had no loss occurred.

- 3) In determining the amount of net profit, charges, and expenses insured hereunder for the purposes of ascertaining the amount of the actual loss sustained, due consideration shall be given to the experience of the business before the date of the loss or damage and to the probable experience thereafter had no loss occurred.
- 4) As respects Time Element Coverage - Gross Earnings, the **Insurer** shall not be liable under this section for any loss resulting from loss or damage to **finished stock** nor for the time required to reproduce said **finished stock** or stock in process.

**B. Loss of Profits**

Coverage under this clause applies where the Insured elects Loss of Profits coverage under this policy. Such election may be exercised at any time prior to loss settlement as outlined elsewhere in this policy. If such claim involves more than one location, including interdependency, the entire claim will be adjusted using a single coverage (Gross Earnings or Loss of Profits).

1. Loss of gross profit as hereinafter defined, resulting from interruption of or interference with the business and caused by physical loss or damage to real or personal property as insured herein.
2. Indemnity: The amount of loss of gross profit shall be based on REDUCTION IN TURNOVER and on INCREASE IN COST OF WORKING, and the amount payable as indemnity thereunder shall be:

- (a) In respect to REDUCTION IN TURNOVER: The sum produced by applying the rate of gross profit to the amount by which the turnover during the indemnity period shall, in consequence of the damage, fall short of the standard turnover;
- (b) In respect to INCREASE IN COST OF WORKING: The additional expenditure necessarily and reasonably incurred for the sole purpose of avoiding or diminishing the reduction in turnover which but for that expenditure would have taken place during the indemnity period in consequence of the damage, but not exceeding the sum produced by applying the rate of gross profit to the amount of the reduction thereby avoided;
- (c) In respect to auditors fees, the reasonable charges payable by the Insured to their auditors for producing and certifying any particulars or details in the Insured's books of account or other books or documents or such other profits, information or evidence as may be required by the **Insurer**;

less any sum saved during the indemnity period in respect of such of the standing charges of the business payable out of gross profit as may cease or be reduced in consequence of the damage.

3. Definitions applicable to Loss of Profits:
  - (a) Gross Profit: The sum produced by adding to the net profit the amount of all the standing charges of the business, including **soft costs** or if there be no net profit the amount of said standing charges less the amount of any net trading loss. Standing charges shall include, but not be limited to, wages and depreciation on property.
  - (b) Net Profit: The net trading profit (exclusive of all capital receipts and accretions and all outlay properly chargeable to capital) resulting from the business of the Insured after due provision has been made for all standing and other charges including depreciation but before the deduction of any taxation chargeable on profits.

- (c) Wages: The remuneration (including where applicable: bonuses, overtime, living allowance (if any), national insurance contribution, holiday pay or other payments pertaining to wages) of all employees other than those whose remuneration is treated as salaries in the Insured's books of account.
- (d) Turnover: The money (less discounts allowed) paid or payable to the Insured for goods sold and delivered and for services rendered in course of the business.
- (e) Indemnity Period: The period beginning with the **occurrence** of the damage and ending not later than the period of indemnity stipulated under the primary insurance, twenty-four (24) months or as described in the Supplemental Declarations of this policy, whichever is greater, during which period of time the results of the business shall be affected in consequence of the damage.
- (f) Rate of Gross Profit: The rate of gross profit earned on the turnover during the financial year immediately before the date of the damage.
- (g) Annual Turnover: The turnover during that period in the 12 months immediately before the date of the damage.
- (h) Standard Turnover: The turnover during that period in the 12 months immediately before the date of the damage which corresponds with the indemnity period.

With respect to subparagraphs f-Rate of Gross Profit, g- Annual Turnover and h- Standard Turnover as described above, such adjustments shall be made as may be necessary to provide for the trend of the business and for variations in or special circumstances affecting the business either before or after the damage or which would have affected the business had the damage not occurred, so that the figures thus adjusted shall represent as nearly as reasonably practicable the results which but for the damage would have been obtained during the relative period after the damage.

4. Memoranda:

MEMO 1: If during the indemnity period goods shall be sold or services shall be rendered elsewhere other than at the damaged premises for the benefit of the business either by the Insured or by others on its behalf, the money paid or payable in respect of such sales or services shall be brought into account in arriving at the turnover during the indemnity period.

MEMO 2: In adjusting any loss, account shall be taken and an equitable allowance made if any shortage in turnover due to the damage is postponed by reason of the turnover being temporarily maintained from accumulated stocks of finished goods in warehouses and/or depots.

MEMO 3: In the event of a loss or damage to property insured herein, which results in an interruption of research and development activities which in themselves would not have produced gross profit during the indemnity period, this policy shall insure the actual loss sustained of the continuing standing charges, including wages directly attributable to such research and development activities.

**C. Extra Expense**

This policy provides coverage for the reasonable and necessary Extra Expense (including **soft costs**) incurred by the Insured in order to continue as nearly as practicable the normal operation of the Insured's business following physical loss or damage insured to property insured herein occurring during the policy term.

**D. Leasehold Interest**

This policy provides coverage for the leasehold interest of the Insured as outlined below:

Pro rata proportion from the date of loss to expiration date of the lease (to be paid without discount) on the Insured's interest in:

- 1) The amount of bonus paid by the Insured for the acquisition of the lease not recoverable under the terms of the lease;
- 2) Improvements and betterments to real property which are not covered under any other section of this policy;
- 3) The amount of advance rental paid by the Insured and not recoverable under the terms of the lease;

when property is rendered wholly or partially untenable by any covered loss during the term of this policy and the lease is canceled by the party not the Insured under this policy in accordance with the conditions of the lease or by statutory requirements of the appropriate jurisdiction in which the damaged or destroyed property is located; and

"The Interest of the Insured as Lessee or Lessor" when property is rendered wholly or partially untenable by any covered loss during the term of this policy and the lease is canceled by the party not the Insured by this policy in accordance with the conditions of the lease or by statutory requirements of the appropriate jurisdiction in which the damaged or destroyed property is located.

"The Interest of the Insured as Lessee or Lessor" 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.

Definitions applicable to Leasehold Interest:

- 1) "The Interest of the Insured as Lessee" is 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; and

- 2) the rental income earned by the Insured from sublease agreements, to the extent not covered under any other section of this policy, over and above the rental expenses specified in the lease between the Insured and the lessor.
- 3) "The Interest of the Insured as Lessor" is the difference between the rents payable to the lessor under the terms of the lease in effect at the time of loss and the actual rent collectible by the lessor during the unexpired term of the lease provided the lease is canceled by the lessee, to the extent not covered under any other section of this policy.
- 4) "Net Lease Interest" is that sum, which placed at 6% interest compounded annually will be equivalent to the "The Interest of the Insured as Lessee or Lessor."

It is understood and agreed that in the event loss or damage insured results in both loss of Rental Income and/or Rental Value and loss of the Interest of the Insured as Lessor, the provisions and limit of liability of the Rental Income and Rental Value coverage will be applied first in accordance with the applicable period of recovery. The coverage provided by the Leasehold Interest provisions and limit of liability shall be applied and commence at the cessation of the Rental Income and Rental Value coverage and continue until the expiration of the lease.

**E. Rental Value and Rental Income**

- 1) This policy provides coverage for Loss of Rental Income and/or Loss of Rental Value of the Insured caused by physical loss or damage insured herein occurring during the term of this policy to property and/or premises rented, leased or occupied by the Insured and/or rented or leased by the Insured to others.
- 2) Rental Income shall include the following:
  - a) The total anticipated gross rental income from tenant(s) of the Insured's building(s) and structure(s), and
  - b) The amount of all charges assumed by tenant(s) except those charges which do not continue, which would otherwise be obligations of the Insured, and
  - c) The fair rental reasonably expected from unrented portions of such property and the fair rental for that portion occupied by the Insured.
- 3) Rental Value shall include the following:
  - a) Rental Income Insurance in those situations where the Insured is required under a lease or rental agreement to maintain such insurance on behalf of any landlord.
  - b) Rental expenses incurred by the Insured in excess of the expenses which would have been incurred had a leased or rented premises not been damaged or destroyed by loss or damage insured herein. Such coverage



will apply for all additional expenses incurred during the period of untenability or if the lease cannot be terminated until its expiration.

**F. Royalties**

- 1) Loss of Royalties, Fees and Commissions which would have been earned under Royalties, Fees or Commission Agreements between the Insured and any concern(s), as a result of loss or damage to the property of such concern(s) caused by physical loss or damage to property of the type insured herein occurring during the term of this policy.
- 2) Such loss shall be adjusted on the basis of actual loss sustained of such income which would have been earned had no loss occurred.

**6. TIME ELEMENT EXTENSIONS**

The Time Element Extensions extend the coverages provided in Clauses 5.A, B, C, D, E, and F, above.

- A. This policy insures the actual loss sustained caused by or resulting from loss or damage of the type insured to:

1) **Attraction Property**

Property not owned or operated by the Insured, which attracts business or trade to the vicinity of the Insured's operations.

There is no liability for any loss or damage otherwise insured under the Contingent Business Interruption/Contingent Extra Expense clause below.

2) **Contingent Time Element**

Property, that impairs or prevents;

- a) Any **direct supplier(s)** of goods and/or services to the Insured, from rendering and/or delivering their goods and/or services, or
- b) Any **direct customer(s)** of goods and/or services from the Insured, from accepting the Insured's goods and/or services.

For the purposes of this coverage extension, such supplier or customer can be located anywhere in the world.

There is no liability for any loss or damage otherwise insured under the Service Interruption/Off Premises Power clause below.

3) **Service Interruption/Off Premises Power**

Property of service providers, including, but not limited to, electricity, water, gas, sewerage, steam, telephone, telecommunications, including voice/data, or their

respective transmission and distribution lines or utility plants which directly or indirectly provide incoming or outgoing services to the Insured situated on or outside of the Insured's premises.

Coverage provided in this section is extended to include any **accidental event** at the above provider of services.

There is no liability for any loss or damage otherwise insured under the Contingent Business Interruption/Contingent Extra Expense or Attraction Property clauses above.

4) **Impounded Water**

Dams, reservoirs, or equipment connected therewith when water, used as a raw material, for power or other manufacturing purpose, is stored behind or in such dams or reservoirs, is released from storage and impairs or prevents operations of the insured due to adequate water supply from such sources. This coverage is afforded for thirty (30) days from the date of initial loss or damage. The Insured shall use due diligence and dispatch to repair or replace the damaged dam, reservoir or connected equipment.

**B. Civil or Military Authority**

This policy is extended to cover the actual loss sustained by the insured during the period of time when access to covered property is impaired by order or action of civil or military authority issued as a result of loss or damage of the type insured against to property, other than property as described under Property Insured. The loss or damage that causes the action or order of civil or military authority must occur within the number of miles from the Insured Property as stated in the Supplemental Declarations section of this Policy.

This coverage is afforded for the number of days as stated in the Supplemental Declarations section of this Policy.

**C. Ingress/Egress**

This policy is extended to cover the actual loss sustained by the insured during the period of time when ingress to or egress from covered property is impaired as a result of loss or damage of the type insured against to property, other than property described under Property Insured. The damage that causes the ingress to or egress from to be impaired, must occur within the number of miles from the Insured Property as stated in the Supplemental Declarations section of this Policy.

This coverage is afforded for the number of days as stated in the Supplemental Declarations section of this Policy.

**D. Protection and Preservation of Property-Time Element**

The policy is extended to cover the actual loss sustained during the period of time, when the Insured takes reasonable and necessary actions for the temporary protection and preservation of property insured, to prevent impending loss or damage insured. Such coverage applies regardless of whether actual insured loss or damage occurs.

**E. Research and Development**

In the event of insured loss or damage to property insured herein which results in an interruption of research and development activities, which in themselves would not have produced income during the recovery period, this policy shall insure the actual loss sustained of the continuing charges and expenses, including **ordinary payroll**, and payroll, directly attributable to such research and development activities.

**F. Time to Replace Stock or Raw Material**

Notwithstanding the paragraph in the Business Interruption – Gross Earnings provision to the contrary, this policy is extended to cover the additional expenses incurred over and above normal, during the time required to replace raw materials, stock in process or finished goods to the inventory level which existed prior to the loss.

**G. Waterway Access**

This policy is extended to cover the actual loss sustained during the period of time, when the insured's business or operations are impaired fully or partially as a result of the inability to utilize waterways, when the inability is the result of physical loss or damage not otherwise excluded. Coverage is afforded for thirty (30) days from the date of initial actual loss sustained.

Contingent Time Element and Attraction Properties referenced in 6.A.1 and 6.A.2 will be considered as insured property for application of the following Time Element Extensions.

Service Interruption/Off Premises Power  
 Impounded Water  
 Civil or Military Authority  
 Ingress/Egress  
 Protection and Preservation of Property-Property Damage  
 Waterway Access

**7. TIME ELEMENT PROVISIONS**

The following apply to all Time Element Coverage and Time Element Extensions except Loss of Profits, unless otherwise stated therein:

**A. Period of Recovery**

The length of time for which loss may be claimed is referred to as the period of recovery and:

- 1) shall commence with the date of such loss or damage and shall not be limited by the date of expiration of this policy;
- 2) shall not exceed such length of time as would be required with the exercise of due diligence and dispatch to rebuild, repair, or replace the property that has been destroyed or damaged;

**and,**

- 3) such additional length of time to restore the Insured's business to the condition that would have existed had no loss occurred, commencing with the later of the following dates:
  - (a) the date on which the liability of the **Insurer** for loss or damage would otherwise terminate; or
  - (b) the date on which repair, replacement or rebuilding of the property that has been damaged is actually completed and the Insured has resumed normal operations.

but in no event for more than the number of days for Extended Period of Liability as stated in the Supplemental Declarations section of this policy;

- 4) With respect to loss or damage occurring to **property in the course of** construction, due consideration shall be given to the level of production or level of business operations that would reasonably have been achieved after completion of construction had no loss or damage occurred.
- 5) With respect to damage occurring to research and development activities, if there is a delay in planned product completion, release or offering, due consideration shall be given to the level of production or business operations that would reasonably have been achieved had no loss occurred. .
- 6) The Period of Recovery shall not include:
  - a) Any days which would coincide with a shutdown planned prior to loss,
  - b) Any increase of loss which may be occasioned by the suspension, lapse or cancellation of any lease or by the Insured exercising any option to cancel a lease unless the suspension, lapse or cancellation is due to the loss or damage covered by this policy.
  - c) Any additional loss due to fines, penalties or damages for breach of contract or non-delivery of goods.

**B.** If the Insured can reduce the loss resulting from the interruption of business:

- 1) by a complete or partial resumption of operations of the property insured, whether damaged or not; or
- 2) by making use of stock, merchandise, or other property insured herein;

Such reduction shall be taken into account in arriving at the amount of loss hereunder. However, when making use of stock, merchandise or other insured property the insured shall be reimbursed to replenish the stock or merchandise used to reduce the loss.

**C.** Expense to Reduce Loss: (not applicable to Extra Expense)

This policy also insures such expenses as are necessarily incurred for the purpose of reducing any loss under this policy, but in no event shall the aggregate of such expenses exceed the amount by which the loss under this coverage part is thereby reduced.

D. Experience of the Business:

In determining the amount of loss insured hereunder due consideration shall be given to the experience of the business before the date of loss or damage and to the probable experience thereafter had no loss or damage occurred.

### III. POLICY LOSS ADJUSTMENT AND SETTLEMENT

#### 1. NOTICE OF LOSS

The Insured shall report to the **Insurer** any loss or damage which may become a claim under this insurance policy as soon as may be practicable after it becomes known to the Director of the Risk Management Department (or the individual acting in a similar capacity) of the Insured.

#### 2. KNOWLEDGE OF OCCURRENCE

It is agreed that knowledge of an **occurrence** by an agent, servant or employee of the Insured shall not in itself constitute knowledge by the Insured. Knowledge is understood to occur only when the Director of the Risk Management Department (or the individual acting in a similar capacity) of the Insured shall have received notice from its agent, servant or employee.

#### 3. PROOF AND PAYMENT OF LOSS

A detailed Proof of Loss shall be filed with the **Insurer** as soon as practicable. Loss shall be adjusted with the Risk Management Department of the Insured or assigned representatives, and all adjusted claims shall be paid to the Insured or its order within thirty (30) days after filing and acceptance of a Proof of Loss.

#### 4. PARTIAL PAYMENT OF LOSS

It is understood and agreed that this **Insurer** will make partial payments of claims subject to the policy provisions and the normal policy adjustment provisions.

To obtain said partial claim payment, the Insured shall submit a partial Proof of Loss with supporting documentation. Upon receipt and approval of a partial Proof of Loss, the **Insurer** will make partial payments to the Insured within no more than fourteen (14) days to the Insured.

#### 5. LOSS PAYABLE

Loss, if any, shall be adjusted with and payable to the Insured or its order.

#### 6. SUBROGATION AND SUBROGATION WAIVER

A. It is agreed that upon payment of any loss, this **Insurer** is subrogated to all the rights of the Insured to the extent of such payment.

Any release or waiver of liability entered into by the Insured in the course of their business prior to loss (including but not limited to bills of lading and/or receipts from carriers, bailees, warehousemen, lightermen, processors, limiting or releasing their liability) hereunder shall not prejudice the Insured's rights of recovery under this policy.

B. The right of subrogation against the Insured's subsidiary, affiliated, or associated corporations or companies, joint ventures, partnerships or individuals, or any other party required to be insured, or any other corporations or companies associated with the Insured through ownership or management is waived.

C. In the event of any payment under this policy, except where subrogation rights have been

waived, the **Insurer** shall be subrogated to the extent of such payment to all the Insured's rights of recovery therefore. The Insured shall execute all papers required and shall take reasonable and necessary action to secure such subrogation rights. The **Insurer** will act in concert with all other interests concerned, such as the Insured and any other company(ies) 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, after deducting the costs of recovery, such amount shall be divided between the interests concerned in the proportion of their respective interests. If there should be no recovery, all costs and expenses shall be borne by the party instituting the proceedings.

## 7. **SALVAGE AND RECOVERIES**

Except as described elsewhere herein, after expenses incurred in salvage or recovery are deducted, any salvage or other recovery, except recovery through subrogation proceedings and/or from underlying and/or excess insurance as described herein, shall accrue entirely to the benefit of this **Insurer** until the sum paid by the **Insurer** has been recovered.

## 8. **VALUATION**

At time of loss, the basis of adjustment shall be as follows:

- A. On buildings and structures, at the replacement cost new; if not replaced, then at the actual cash value.
- B. On machinery, equipment, furniture, fixtures and improvements and betterments at the replacement cost new or the cost of repair, whichever is less. If not replaced, then at the actual cash value.
- C. The cost of architects', surveyors', inspectors' and/or engineers' plans, drawings, specifications, fees and charges including the cost for supervision of construction and repair of damages.
- D. **Valuable Papers and Records** and **Electronic Data Processing Media** at the value blank plus the cost of labor, service and/or supplies for actually reconstructing, researching, gathering information, reproducing, recreating, transcribing or copying such papers, records and **Electronic Data Processing Media**.
- E. **Fine Arts** owned by the Insured at the cost of reasonably restoring the property to its condition immediately prior to the loss, or in the event that the property cannot be restored at the appraised value prior to the loss. In absence of such appraisal, at the market value at the time of loss.  
  
**Fine Arts** which is the property of others, either at the Insured's contractual or legal liability.
- F. **Finished Stock** and other merchandise not manufactured by the Insured but held for sale, at the Insured's selling price less discounts to which the goods would have been subject had no loss occurred, and labor (internal or 3<sup>rd</sup> party) at the cost to restock. Any obsolete inventory is a deduction to the inventory at the time of loss only, and not a percentage applied to the total inventory loss.

- G. Property of others and property leased by the Insured, or for which the Insured has agreed to insure, at the Insured's contractual or legal liability for said damage.
- H. Stock in process (raw stock which has undergone any aging, seasoning, or other processing by the Insured, but which has not become finished stock) shall be valued at the Insured's selling price of finished stock at the time of the loss, less any manufacturing expense not incurred by the Insured and less any discounts, rebates and unincurred expense to which the sales price would have been subject.
- I. Contractor's equipment shall be valued at actual cash value, unless an agreed value applies or at the **Insured's** contractual or legal liability for said loss or damage.
- J. All other property, not otherwise mentioned above, at the replacement cost new; if not replaced, then at the actual cash value.

It is understood and agreed that as respects replacement cost new, the Insured shall have the option of replacing equipment having technological advantages and/or representing an improvement in function and/or forming part of a program of system enhancement provided that such replacement can be accomplished without increasing the **Insurer's** liability.

The Insured, using reasonable discretion, shall be the sole judge as to whether electrical and mechanical equipment are damaged and unusable. This **Insurer** shall be allowed to dispose of, as salvage, any non-proprietary property deemed unusable by the Insured.

As respects A., B. and J. above, the Insured may elect not to replace the property lost, damaged, or destroyed and obtain loss settlement on a replacement cost basis if the proceeds of such loss settlement are expended in any other capital expenditures related to the Insured's operations within the territorial limits of the policy.

## 9. CURRENCY

It is hereby understood and agreed that all amounts used herein are in United States currency and that premiums shall be paid and all losses shall be adjusted and paid in United States currency. In the event of a loss adjustment involving foreign currency, conversion into the currency of the United States of America shall be calculated as follows:

- A. As respects real and personal property, the cost of repair, replacement or reconditioning shall be converted, as of the date of repair, replacement or reconditioning based on the rate of exchange quoted in the Wall Street Journal.

If the property is not replaced or repaired, the conversion into the currency of the United States of America shall be at the rate of exchange quoted in the Wall Street Journal as of the date of loss.

- B. As respects all other coverages, currency shall be converted at the rate of exchange quoted in the Wall Street Journal and such rate of exchange shall be based on the average of the daily rate of exchange quoted in the Wall Street Journal for the period of loss.

## 10. COINSURANCE WAIVER

This policy is not subject to Coinsurance or Average Clause.



**11. SEVERABILITY OF INTEREST**

Each of the Insureds insured by this policy will have the same protection and obligations as if the policy has been issued individually to each of them, except as respects the obligations associated with the **Cancellation** clause. However, the inclusion of more than one Insured will not operate to increase the limit of liability of the **Insurer** beyond the limit of liability as stated in the Supplemental Declarations section.

**12. APPRAISAL**

In case the Insured and this **Insurer** shall fail to agree as to the amount of loss, then, on the written demand of either, each shall select a competent and disinterested appraiser and notify the other of the appraiser selected within Twenty (20) days of such demand. The appraisers shall select a competent and disinterested umpire; and, failing for Fifteen (15) days to agree upon such umpire, then on request of the Insured or the **Insurer**, such umpire shall be selected by a judge of a district court of a judicial district in accordance with the Jurisdiction and Suit clause of this policy. The appraisers shall then appraise the loss, separating the loss to each item; and, failing to agree, shall submit their differences only to the umpire. An award in writing, so itemized of any two when filed with the **Insurer**, shall determine the amount of loss. Each appraiser shall be paid by the party selecting each respective appraiser and the expenses of appraisal and umpire shall be paid by the parties equally.

**13. JURISDICTION AND SUIT**

It is hereby understood and agreed that in the event of the failure of the **Insurer** to pay an amount claimed to be due hereunder, at the direction of the Insured, the **Insurer** will submit to the jurisdiction of any court of competent jurisdiction within the United States and will comply with all requirements necessary to give such jurisdiction.

## IV GENERAL CONDITIONS

### 1. CERTIFICATES OF INSURANCE

All parties to whom a Certificate of Insurance has been issued are automatically added to this policy upon issuance of said certificates, either as Additional Insureds, Mortgagees or as Loss Payees, or both, in accordance with the terms and conditions of this policy unless otherwise agreed to by the **Insurer**. Permission is granted for Aon Risk Services to issue Certificates on the **Insurer's** behalf.

### 2. CANCELLATION

A. This policy may be canceled at any time at the request of the Insured, or it may be canceled by the **Insurer** by mailing via registered or certified mail to the **Insured** and with copies provided to Aon Risk Services, during the term of this policy, written notice stating when no less than Ninety (90) days thereafter, except Ten (10) days for nonpayment of premium, such cancellation shall be effective.

This insurance may be canceled at any time by the Insured by surrender of this policy to the **Insurer** or by mailing or delivery to the **Insurer** written notice stating when thereafter such cancellation shall take effect. Return premium shall be allowed the Insured on a pro rata basis if the **Insurer** cancels and also on a pro rata basis if the Insured cancels.

Payments or tender of any unearned premium by the **Insurer** shall not be a condition precedent to the effectiveness of cancellation, but such payment shall be made as soon as practicable.

B. The mailing of notice as described in A. above shall be sufficient proof of notice and the effective date and hour of cancellation stated in the notice shall become the end of the policy period. Delivery of such written notice either by the Insured or by this **Insurer** 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 safely delivered and accepted at place of final destination.

### 3. INSPECTION AND AUDIT

This **Insurer** shall be permitted, but not obligated, to inspect the Insured's property at any reasonable time. Neither the **Insurer's** right to make inspections, nor the making thereof, nor any report thereon, shall constitute an undertaking, on behalf of or for the benefit of the Insured or others, to determine or warrant that such property is safe.

### 4. LIBERALIZATION

If during the period that insurance is in force under this policy, any authorized endorsement or filed rules or regulations affecting the same are revised by statute or otherwise so as to broaden the insurance without additional premium charge, such extended or broadened insurance shall inure to the benefit of the Insured hereunder.

**5. MORTGAGE CLAUSE**

Loss or damage, if any, under this policy shall be payable to the mortgagee(s) (or trustee(s)) as interest(s) may appear, and this insurance, as to the interest(s) of the mortgagee(s) (or trustee(s)) only therein, shall not be invalidated by any act or neglect of the mortgagor or owner of the described property, nor by any foreclosure or other proceedings or notice of sale relating to the property, nor by any change in the title or ownership of the property, nor by the occupation of the premises for purposes more hazardous than are permitted by this policy provided that in case the mortgagor or owner shall neglect to pay any premium due under this policy, the mortgagee (or trustee) shall, on demand, pay the same.

This **Insurer** reserves the right to cancel this policy at any time as provided by its terms, but in such case this policy shall continue in force for the benefit only of the mortgagee (or trustee) for Ten (10) days after notice to the mortgagee (or trustee) of such cancellation and shall then cease and this **Insurer** shall have the right, on like notice, to cancel this agreement.

**6. OTHER INSURANCE**

Except as referred to in Contributing Insurance, Excess Insurance and Underlying Insurance clauses, this policy shall not insure to the extent of any other insurance, whether prior or subsequent hereto in date and whether directly or indirectly insuring the same property against the same loss or damage. This insurance shall be excess of and/or supplementary to the amount recoverable from such other collectible insurance. Notwithstanding this Other Insurance provision, this Policy will guarantee prompt payment in full of the amount of loss which would have been otherwise recoverable hereunder as if this clause did not exist and the Insured shall cooperate with the **Insurer** to pursue recovery of any Other Insurance.

**7. CONTRIBUTING INSURANCE**

Permission is granted for other policies written upon the same terms, conditions, and provisions irrespective of limit or attachment point as those contained in this policy. This policy shall contribute to the total of each loss otherwise payable herein to the extent of the participation of this policy in the total limit of liability stated herein.

**8. EXCESS INSURANCE**

Permission is granted for the Insured to have excess insurance over the limit of liability in this policy without prejudice to this policy and the existence of such insurance, if any, shall not reduce any liability under this policy.

**9. UNDERLYING INSURANCE**

Permission is granted for the Insured to purchase insurance on all or any part of the deductible and against all or any of the coverage provided by this policy. The existence of such underlying insurance shall not prejudice or affect any recovery otherwise payable under this policy.

**10. EXCESS CLAUSE**

This clause only applies in the event that there exists primary or underlying Policy(ies) providing coverage beneath the attachment point of this Policy. In the event of loss caused by or resulting from loss or damage not otherwise excluded, or to more than one location, for purposes of the

attachment point of this policy, this policy shall recognize that the limit of liability of the underlying coverage shall apply first to the perils, coverages and/or locations not insured under this policy and the remainder, if any, to the perils, coverages and/or locations insured hereunder. This policy shall recognize the erosion of the underlying policy limits by all perils, coverages or locations insured by the underlying policy. Upon exhaustion of the limit of liability of the underlying coverage, this **Insurer** shall then be liable for the loss uncollected only for those perils, coverages, and/or locations insured under this Policy, subject to the **Insurer's** limit of liability as specified herein.

In the event the aggregate limits (if any) provided for **Flood** and/or **Earthquake** in any underlying insurance are diminished or exhausted in any one Policy year, the coverage provided under this policy shall respond as excess of the remaining limits.

In such event, the applicable amount of the deductible provision of the underlying insurance shall apply to the combination of all policies.

#### **11. NON-REDUCTION OF LIMITS OF LIABILITY**

Any loss hereunder shall not reduce the limit(s) of liability under this policy except for aggregate limits as stated in the Supplemental Declarations section.

#### **12. ERRORS AND OMISSIONS**

No inadvertent error, inadvertent omission or inadvertent failure in making reports or other data hereunder shall prejudice the Insured's right of recovery, but shall be corrected when discovered. It is further understood and agreed that any error in description of locations, or values of projects insured or to be insured by this policy shall not invalidate or reduce the policy limit of liability, or otherwise prejudice any recovery under this policy.

#### **13. PERMITS**

Permission is hereby granted for any building(s) to be and remain vacant and unoccupied without limit of time and without prejudice to the Insured's right of recovery for claim under this policy.

Any change in occupancy or use of the premises or any increase in hazard shall not prejudice the Insured's right of recovery for claim under this policy.

#### **15. TITLES OF PARAGRAPHS**

The several titles of the various paragraphs of this policy (and of Endorsements and Supplemental Policies, if any, which are attached to this policy) are inserted solely for convenience or reference and shall not be deemed in any way to limit or affect the provisions to which they relate.

#### **16. DEFINITIONS**

##### **A. Accident**

1) **Accident** shall mean:

- a) Any condition or occurrence within boilers or fired or unfired vessels owned by, operated by, or under the control of the Insured and subject to pressure or vacuum

including piping or apparatus attached to and forming a part thereof, except that the words "any condition or occurrence" shall not include explosion, other than explosion of the parts of a steam boiler containing steam or water, steam piping, steam turbines, or steam engines;

- b) Mechanical breakdown of any machine or apparatus arising out of any condition or occurrence within such machine or apparatus;
- c) Electrical injury or disturbance to electrical appliances, devices, fixtures, wiring, or other electrical or electronic equipment caused by electrical currents artificially generated.

However, the term **Accident** does not include:

- a) Loss or damage from fire or from the use of water or other means to extinguish fire; and
- b) The normal operation of any safety or protective device;

**Accident** shall not mean:

- a) Depletion, deterioration, corrosion or erosion;
  - b) Wear and tear;
  - c) Leakage at any valve, fitting, shaft seal, gland packing, joint or connection.
- 2) The term **Accident** shall not apply to the following property:
- a) Property in **transit**;
  - b) Property while in the course of construction, erection, installation, or assembly;
  - c) Electronic data processing systems used for administrative, statistical, or accounting purposes;
  - d) Any sewer piping, any piping forming a part of a fire protective system, or any water piping other than:
  - e) Boiler feed water piping;
  - f) Boiler condensate return piping;
  - g) Water piping used in a heat transfer system for cooling, humidifying, or space heating purposes;
  - h) Any vehicle, aircraft, or self-propelled equipment or floating vessel;
  - i) Any elevator, crane, ladle or bucket, hoist, power shovel, drag line, excavator, scale, or conveyor, but not excluding any pressure vessel, gears, engines or electrical equipment used with a machine.

## **B. Accidental Event**

An unintended occurrence which results in an interruption of operations.

## **C. Architect Fees and Engineering Fees**

Any cost associated with the preparation of plans for the repair or reconstruction of the damaged property.

**D. Direct Customers and Direct Suppliers**

Customers and suppliers of the Insured that do business directly with the Insured. Direct Customers and Suppliers would include intermediaries or wholesale operations that do not materially modify or change property, as well as the original manufacturer or ultimate customer.

**E. Earthquake**

Quaking, vibratory or undulating movement of a portion of the earth's crust, produced by underground volcanic forces or by breaking and shifting of rock beneath the earth's crust. Whenever used in this Policy, the term "earthquake" shall be restricted exclusively to the actual, specific cracking, rupturing, shifting or toppling of property and shall not include ensuing loss or damage resulting from fire, explosion or sprinkler leakage.

**F. Electronic Data Processing Media**

All forms of data, converted data, electronically converted data and/or programs and/or applications and/or instructions and/or media vehicles employed.

**G. Fine Arts**

Fine Arts shall include, but not be limited to, bona fide works of art, works of rarity, works of historical value, works of artistic merit, photographs, (positives and negatives) lithographs, illustrations, galley proofs, and/or original records.

**H. Finished Stock**

Stock manufactured by the Insured which, in the ordinary course of the Insured's business, is ready for packing, shipment or sale.

**I. Fire Brigade Charges/Fire Extinguishing Materials and Expenses**

Fire fighting and/or containment charges and/or fire department service charges and other extinguishing expenses.

**J. Flood**

Waves, tide or tidal water, tsunamis, rapid accumulation of surface waters, or the rising (including overflowing or breaking of boundaries) of lakes, reservoirs, rivers, streams or other bodies of water. It is understood and agreed that, whenever used in this policy, **flood** shall not include ensuing loss or damage resulting from fire, explosion or sprinkler leakage.

**K. Fraudulent or Dishonest Acts**

Fraudulent or dishonest acts committed by the Insured or the Insured's employees with the manifest intent to:

1. cause the Insured to sustain loss; and

2. obtain financial benefit for the Insured, Insured's employee, or for any other person or organization intended by the Insured or the employee to receive such benefit for such fraudulent or dishonest act or acts.

**L. General Average and/or Salvage:**

1. General Average, Salvage and Special Charges, as per foreign custom, payable according to foreign statement, and/or per York-Antwerp Rules and/or in accordance with the contract of affreightment, if and as required; or, failing any provision in or there be no contract of affreightment, payable in accordance with the Laws and Usages of the Port of New York.
2. General Average Contributions, Salvage and Special Charges and Sue and Labor Charges will be payable in full, irrespective of insured and contributory values.

**M. High Hazard Earthquake**

All insured property situated in New Madrid Earthquake Counties as more fully defined in Endorsement #3 or Pacific Northwest Earthquake Counties as more fully defined in Endorsement #4.

**N. High Hazard Flood**

- a) Only that portion of property at the time of policy inception which is located in a Special Flood Hazard Zone (SFHA) and situated at or below the 100 year flood elevation level, as shown in the most recent documentation published by the Federal Emergency Management Agency (FEMA), or other qualified and recognized authority for flood information. and/or,

With respect to this definition, the following terms apply:

- a) Federal Emergency Management Agency (FEMA) – The U.S. Federal agency, which is part of the U.S. Department of Homeland Security, under which the National Flood Insurance Program (NFIP) is managed.
- b) Special Flood Hazard Area (SFHA) – The areas of a Flood insurance Rate Map (FIRM) identified as Zone(s): A, AO, AH, A1-A30, AE, A99, AR, AR/A, AR/AE, AR/A1-A30, AR/AH, AR/AO, V, V1-V30, VE or VO.

**O. Insurer**

Insurance Company or security providing insurance under this contract as stated in the Supplemental Declarations section.

**P. Named Windstorm**

**Named Windstorm** shall mean the direct action of the wind when such wind is associated with, or occurs in connection with a storm or weather condition which has been named by the U.S. National Weather Service or its global equivalent.

Such Named Windstorm shall include all loss which is attributable directly or indirectly to the Named Windstorm and shall include all damage by rain, flood, storm surge or any other water damage that results from the Named Storm.

**Q. Property While in the Course of Construction**

When there is a sub-limit provided for **Property While in the Course of Construction**, that sub-limit shall only apply to property in the course of construction which does not pertain to alterations, revamping, refurbishment, maintenance, or incidental extensions to existing property of the Insured. **Property While in the Course of Construction** does not include any existing property which is not part of the course of construction. Any loss or damage to existing property not part of the course of construction which results from a covered occurrence to **Property While in the Course of Construction** is not subject to the sub-limit of liability attributable to **Property While in the Course of Construction**.

**R. Object**

Any boiler, fired or unfired vessel subject to pressure or vacuum, including piping or apparatus attached thereto and forming a part thereof, and any mechanical or electrical machine or apparatus used for the generation, transmission or utilization of mechanical or electrical power.

**S. Occurrence**

Loss, or a series of losses or several losses, which are attributable directly or indirectly to one cause or disaster or to one series of similar causes or disasters arising from a single event. All such losses shall be added together and the total amount of such losses shall be treated as one **occurrence** irrespective of the period of time or area over which such losses occur.

When the term applies to **Named Windstorm**, it shall be defined as the sum total of all the **Insured's** losses arising out of or caused by the same atmospheric disturbance during any period of 72 consecutive hours. The Insured shall have the right to elect the moment from which the 72 hour period shall be deemed to have commenced, provided always that no elected period of 72 hours shall commence within the period of any previous **occurrence**.

When the term applies to **Earthquake**, it shall be defined as the sum total of all the Insured's losses sustained during any period of 168 consecutive hours by reason of one **Earthquake** or a series of **Earthquake** shocks. The Insured may elect the moment from which the 168 hour period shall be deemed to have commenced, provided always that no elected period of 168 hours shall commence within the period of any previous **occurrence**.

When the term applies to **flood**, it shall be defined as the sum total of all the **Insured's** losses sustained by reason of one **flood** or a series of **floods**.

When the term applies to theft, the sum total of all losses insured herein resulting directly from one or more acts committed by a person(s) acting alone or in collusion with others shall constitute one occurrence. All such losses shall be added together and the total



amount of such losses shall be treated as one **occurrence** irrespective of the period of time or area over which such losses occur.

**T. Ordinary Payroll**

The entire payroll expense for all employees of the Insured except officers, executives, department managers, employees under contract, and other critical or important employees as determined by the insured.

**U. Soft Costs**

Expenses related to the delay of completion of a project over and above those costs which would have been incurred, including, but not limited to, interest payments on financing under loan agreements and real estate taxes accruing during the period of delay.

**V. Transit**

Shipments within and between the territorial limits of this policy, 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 during deviation and delay, until safely delivered and accepted at place of final destination.

**W. Underlying Policy**

An insurance policy issued to the Insured which is similar as respects the terms and conditions of this policy and issued for limits below the attachment point or deductible of this policy.

**X. Valuable Papers and Records**

Written, printed or otherwise inscribed documents, and records including but not limited to books, maps, films, drawings, abstracts, deeds, mortgages, mortgage files, manuscripts and micro or electronically/magnetically inscribed documents, but not including the monetary value of monies and/or securities.

**17. WAIVER OF INSURANCE CONDITIONS**

The terms and conditions of this manuscript form are substituted for those of the **Insurer's** policy jacket and other preprinted **Insurer** forms and the **Insurer's** declaration page to which it is attached, any more restrictive terms and conditions of same being waived and superseded by this manuscript form except for any agreed endorsements noted in policy **Section I Supplemental Declarations, Clause 14. Additional Conditions.**

ENDORSEMENT: 1

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

## AMENDATORY ENDORSEMENT

### LOCATION ENDORSEMENT

Coverage under this policy applies to a **Location** or **Locations** as outlined below unless otherwise described or extended in the policy form.

**Location** or **Locations** as used in this policy refer to:

- 1) Listed on a schedule of **Locations** or property values attached to this policy,
- 2) Listed on a schedule of **Locations** or property values reported to or on file with the **insurer**,
- 3) Defined as a **Miscellaneous Unnamed Location** as described in this endorsement,
- 4) Defined under **Automatic Coverage** as described in this endorsement.

The term **location** means a building, yard, dock, wharf, pier or bulkhead or any group of the foregoing. The term **locations** means more than one **location**. In addition, for the purposes of this definition, a schedule of locations and/or schedule of property values represents the **locations** provided to the **Insurer** prior to program inception.

The following definitions are hereby added to the policy:

#### **Miscellaneous Unnamed Location**

A **location** at which the Insured has property of the type insured hereunder which has not been reported to the **Insurer** and not defined under the **Automatic Coverage** or Errors and Omissions definition/clause of this policy. **Miscellaneous Unnamed Location** includes property on exhibition, but does not include any property in **transit** covered herein, or any property excluded under this policy.

#### **Automatic Coverage**

Property of the type insured at any **location** rented, leased or purchased after the inception date of this policy, or which is property in the course construction. **Automatic Coverage** applies from the date of rental, lease, purchase, or commencement of construction, for the Sublimit of Liability and/or Time Limit listed in the Supplemental Declarations.

**Automatic Coverage** will apply until whichever of the following occurs first:

- 1) The **location** is reported to the Insurer; upon which the Policy Limit shall apply;
- 2) Agreement is reached that the **Location** will not be insured under this Policy;
- 3) The applicable Time Limit shown in the Supplement Declarations section of this Policy has been reached. After which, the limit of liability shall be no more than the Sublimit of Liability for a **Miscellaneous Unnamed Location**.

All other terms and conditions of this policy remain unchanged.

ENDORSEMENT: 2

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

## **AMENDATORY ENDORSEMENT**

### **NEW MADRID EARTHQUAKE COUNTIES**

#### **Arkansas**

Arkansas, Clay, Craighead, Crittenden, Cross, Fulton, Greene, Independence, Izard, Jackson, Lawrence, Lee, Lonoke, Mississippi, Monroe, Phillips, Poinsett, Prairie, Randolph, Sharp, St. Francis, White, Woodruff

#### **Illinois**

Alexander, Bond, Clay, Clinton, Crawford, Edwards, Effingham, Fayette, Franklin, Gallatin, Hamilton, Hardin, Jackson, Jasper, Jefferson, Johnson, Lawrence, Madison, Marion, Massac, Monroe, , Perry, Pope, Pulaski, Randolph, Richland, Saline, St. Clair, Union, Wabash, Washington, Wayne, White, Williamson

#### **Indiana**

Gibson, Knox, Pike, Posey, Vanderburgh, Warrick

#### **Kentucky**

Ballard, Caldwell, Calloway, Carlisle, Christian, Crittenden, Daviess, Fulton, Graves, Henderson, Hickman, Hopkins, Livingston, Lyon, Marshall, McCracken, McLean, Muhlenberg, Todd, Trigg, Union, Webster

#### **Mississippi**

Alcorn, Benton, Coahoma, De Soto, Lafayette, Marshall, Panola, Quitman, Tate, Tippah, Tunica

#### **Missouri**

Bollinger, Butler, Cape Girardeau, Carter, Dunklin, Iron, Jefferson, Madison, Mississippi, New Madrid, Oregon, Pemiscot, Perry, Reynolds, Ripley, Scott, Shannon, St. Charles, St. Francois, St. Louis, St. Louis City, Ste. Genevieve, Stoddard, Warren, Washington, Wayne

#### **Tennessee**

Benton, Carroll, Chester, Crockett, Decatur, Dyer, Fayette, Gibson, Hardeman, Hardin, Haywood, Henderson, Henry, , Houston, Humphreys, Lake, Lauderdale, Lawrence, Madison, McNairy, Montgomery, Obion, Perry, Shelby, Stewart, Tipton, Weakley

ENDORSEMENT: 3

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

**AMENDATORY ENDORSEMENT**

**PACIFIC NORTHWEST EARTHQUAKE COUNTIES**

**Oregon**

Benton, Clackamas, Clatsop, Columbia, Coos, Curry, Douglas, Jackson, Josephine, Lane, Lincoln, Linn, Marion, Multnomah, Polk, Tillamook, Washington, Yamhill

**Washington**

Clallam, Clark, Cowlitz, Grays Harbor, Island, Jefferson, King, Kitsap, Lewis, Mason, Pacific, Pierce, San Juan, Skagit, Skamania, Snohomish, Thurston, Wahkiakum, Whatcom

**British Columbia (includes Vancouver Island), Canada**

South of 50° N latitude and west of 120° W longitude

ENDORSEMENT: 4

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

**AMENDATORY ENDORSEMENT**

**TIER 1 WIND PARISHES/COUNTIES**

**Alabama**

Baldwin, Mobile

**Florida**

Entire State

**Georgia**

Bryan, Camden, Chatham, Glynn, Liberty, McIntosh

**Louisiana**

Assumption, Cameron, Iberia, Jefferson, Lafourche, Livingston, Orleans, Plaquemines, St. Bernard, St. Charles, St. James, St. John the Baptist, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Vermilion, Washington

**Maryland**

Somerset, Wicomico, Worcester

**Mississippi**

Hancock, Harrison, Jackson

**Puerto Rico**

Entire Commonwealth

**North Carolina**

Beaufort, Bertie, Brunswick, Camden, Carteret, Chowan, Currituck, Dare, Hyde, New Hanover, Onslow, Pamlico, Pasquotank, Pender, Perquimans, Tyrrell, Washington

**South Carolina**

Beaufort, Berkeley, Charleston, Colleton, Georgetown, Horry, Jasper

**Texas**

Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Harris, Jackson, Jefferson, Kenedy, Kleberg, Matagorda, Nueces, Orange, Refugio, San Patricio, Willacy

**Virginia**

Accomack, Harrison, Chesapeake (City,) Gloucester, Hampton (City,) Isle of Wight, James City, Lancaster, Mathews, Middlesex, Newport News (City,) Norfolk (City,) Northampton, Northumberland, Poquoson (City,) Suffolk (City,) Virginia Beach (City,) Williamsburg (City), York

ENDORSEMENT: 5

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

**AMENDATORY ENDORSEMENT**

**EXTENDED INCREASED COST OF CONSTRUCTION**

This policy also provides coverage for increased cost of construction due to the enforcement of any law, ordinance and/or governmental directive regulating the construction, repair or use of property that comes into force and effect within 12 months after the date of loss.

All other terms and conditions of this policy remain unchanged.

ENDORSEMENT: 6

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

## **AMENDATORY ENDORSEMENT**

### **SPECIAL PERILS BUSINESS INTERRUPTION EXTENSION – NON PHYSICAL DAMAGE BUSINESS INTERRUPTION INSURANCE**

1. It is hereby understood and agreed that this insurance is extended to include the actual loss sustained as insured under this insurance during the period of time described in 6. below caused by the closure of or restriction of access to INSURED PREMISES by any government or local authority directly as a result of any of the matters described in 1.1, 1.2 or 1.3 below:

1.1. NOTIFIABLE INFECTIOUS OR CONTAGIOUS DISEASE which is manifested by any person during the period of insurance whilst on or within any INSURED PREMISES.

1.2. NOTIFIABLE ILLNESS which is manifested by any person and which can be traced to injurious matter contained in food or drink supplied by the Insured and consumed by that person whilst that person is on the INSURED PREMISES during the period of insurance.

1.3. CRIME occurring during the period of insurance at the INSURED PREMISES.

2. NOTIFIABLE INFECTIOUS OR CONTAGIOUS DISEASE shall mean any disease which can be passed from human to human or from animal to human and which is required by law in the territory where the INSURED PREMISES are located to be notified to a government or local authority.

3. NOTIFIABLE ILLNESS shall mean any illness which is required by law in the territory where the INSURED PREMISES are located to be notified to a government or local authority.

4. INSURED PREMISES shall mean any premises which are insured hereunder and which are under the direct ownership or control of the Insured.

5. CRIME shall mean murder, suicide, attempted murder, attempted suicide or violent crime, including armed robbery.

6. Coverage under this Extension shall be for the period of time commencing with the date of the closure of or restriction of access to INSURED PREMISES by any government or local authority and ending no later than 30 days thereafter. Such period of time shall run concurrently with and not in addition to the period of time specified in any other provision of this insurance providing cover for closure or restriction of access, whether or not such other provision is providing cover for the matters described in 1.1, 1.2 or 1.3 above.

7. No cover shall be provided under this Extension for:

7.1. Loss of licence;

7.2. Fines or penalties of any kind;

7.3. Loss arising out of the enforcement of any law which is not in force at the time and place of the closure of or restriction of access to INSURED PREMISES by any government or local authority;

7.4. Loss arising from any disease, illness which has not been acknowledged by the appropriate government or local authority as being notifiable;

7.5. The cost or expense of inspection, investigation, product recall, decontamination or clean up or any other cost or expense associated with remediation except to the extent that such cost or expense reduces loss otherwise payable hereunder.

8. The maximum amount payable in respect of all losses under this Extension arising out of 1.1, 1.2 and 1.3 above combined shall not exceed USD 500,000 per occurrence and USD1,000,000 in the aggregate.

9. No loss shall be payable unless and until the period of time commencing with the date of the closure of or restriction of access to INSURED PREMISES by any government or local authority and ending no less than 24 hours shall have elapsed.

10. Nothing in this Extension shall operate to override any exclusion in this insurance including but not limited to exclusions for terrorism, sabotage, the actual or threatened malicious use of pathogenic or poisonous biological or chemical materials or nuclear or radioactive contamination.

LMA5221  
29 April 2015

All other terms and conditions of this policy remain unchanged.



ENDORSEMENT: 7

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

## AMENDATORY ENDORSEMENT

### HIGH HAZARD FLOOD LOCATIONS

For property insured under this policy at location addresses that are listed on the Schedule of Locations on file with the Company, the following location addresses have been agreed to be scheduled as being situated in High Hazard Flood Zones:

| Street Address               | City            | County             | State |
|------------------------------|-----------------|--------------------|-------|
| 1100 W. DALLAS               | CONROE          | MONTGOMERY COUNTY  | TX    |
| 2250 MACARTHUR               | ORANGE          | ORANGE COUNTY      | TX    |
| 509 A WEST COMMERCE STREET   | BROWNWOOD       | BROWN COUNTY       | TX    |
| 2711 61ST ST.                | GALVESTON       | GALVESTON COUNTY   | TX    |
| 2310 SW MILITARY DR.         | SAN ANTONIO     | BEXAR COUNTY       | TX    |
| 5300 N. SAN DARIO            | LAREDO          | WEBB COUNTY        | TX    |
| 4438 NORTH FRWY              | HOUSTON         | HARRIS COUNTY      | TX    |
| 726 MEYERLAND PLAZA          | HOUSTON         | HARRIS COUNTY      | TX    |
| 11251 FONDREN                | HOUSTON         | HARRIS COUNTY      | TX    |
| 209 US HWY 70 WEST           | RUIDOSO         | LINCOLN COUNTY     | NM    |
| 407 N ARKANSAS AVE           | RUSSELLVILLE    | POPE COUNTY        | AR    |
| 1814 MAIN ST                 | FRANKLIN        | ST. MARY PARISH    | LA    |
| 1622 NORTH PARKERSON AVENUE  | CROWLEY         | ACADIA PARISH      | LA    |
| 16255 EAST MAIN ST.          | CUT OFF         | LAFOURCHE PARISH   | LA    |
| 8400 W JUDGE PEREZ DR. STE C | CHALMETTE       | ST. BERNARD PARISH | LA    |
| 571 S. MAIN ST.              | SPRINGHILL      | WEBSTER PARISH     | LA    |
| 311 N GRAND COURT            | NOGALES         | SANTA CRUZ COUNTY  | AZ    |
| 2921 BOCA CHICA BLVD.        | BROWNSVILLE     | CAMERON COUNTY     | TX    |
| 118 W. RICE ST.              | FALFURRIAS      | BROOKS COUNTY      | TX    |
| 511 EAST UNIVERSITY          | EDINBURG        | HIDALGO COUNTY     | TX    |
| 4027 EAST HWY 83             | RIO GRANDE CITY | STARR COUNTY       | TX    |

|                              |                |                   |    |
|------------------------------|----------------|-------------------|----|
| 1515 E 8TH ST.               | ODESSA         | ECTOR COUNTY      | TX |
| 2150 HIGHWAY 180 E           | SILVER CITY    | GRANT COUNTY      | NM |
| 106 CALDWELL                 | BELEN          | VALENCIA COUNTY   | NM |
| 601 WEST 18TH ST.            | PORTALES       | ROOSEVELT COUNTY  | NM |
| 2356 SOUTH RANGE AVENUE      | DENHAM SPRINGS | LIVINGSTON PARISH | LA |
| 124-126 BURR AVENUE          | PAULS VALLEY   | GARVIN COUNTY     | OK |
| 1345 S. CARSON ST.           | CARSON CITY    | CARSON CITY       | NV |
| 1115 W MAIN ST               | STERLING       | LOGAN COUNTY      | CO |
| 450 PIKE STREET              | MARIETTA       | WASHINGTON COUNTY | OH |
| 18910 PARK AVENUE PLAZA      | MEADVILLE      | CRAWFORD COUNTY   | PA |
| 4095 NORTH MAYO TRAIL        | PIKEVILLE      | PIKE COUNTY       | KY |
| 110 TWIN CITY PLAZA          | CRYSTAL CITY   | JEFFERSON COUNTY  | MO |
| 657 PARK PLAZA DRIVE         | NEW ALBANY     | UNION COUNTY      | MS |
| 532 EAST MAIN STREET         | JACKSON        | JACKSON COUNTY    | OH |
| 89 BROOKLYN STREET           | CARBONDALE     | LACKAWANNA COUNTY | PA |
| 1142 W. 9TH STREET           | RUSSELLVILLE   | LOGAN COUNTY      | KY |
| 1436 SOUTH MAIN STREET       | MANSFIELD      | TIOGA COUNTY      | PA |
| 857 SOUTH ROCHESTER STREET   | MUKWONAGO      | WAUKESHA COUNTY   | WI |
| 941 N. MAIN ST.              | LANCASTER      | LANCASTER COUNTY  | SC |
| 141 TALMADGE DR.             | MOULTRIE       | COLQUITT COUNTY   | GA |
| 901 GREEN BLVD               | AURORA         | DEARBORN COUNTY   | IN |
| 437 E CHESTNUT               | JUNCTION CITY  | GEARY COUNTY      | KS |
| 301 NORTH 12TH STREET        | MIDDLESBORO    | BELL COUNTY       | KY |
| 1301 SCOTLAND CROSSING DRIVE | LAURINBURG     | SCOTLAND COUNTY   | NC |
| 140 HOCKING MALL             | LOGAN          | HOCKING COUNTY    | OH |
| 650 OLD WILLOW AVE.          | HONESDALE      | WAYNE COUNTY      | PA |
| 726 MEYERLAND PLAZA          | HOUSTON        | HARRIS COUNTY     | TX |
| 601 US HWY 71 N.             | MENA           | POLK COUNTY       | AR |
| 1150 S NEOSHO BLVD           | NEOSHO         | NEWTON COUNTY     | MO |
| 9701 FORD AVE                | RICHMOND HILL  | BRYAN COUNTY      | GA |
| 1121 S MAGNOLIA ST           | WOODVILLE      | TYLER COUNTY      | TX |
| 70 CANAL PLACE               | PHILADELPHIA   | NESHOBA COUNTY    | MS |

|                                 |                |                        |    |
|---------------------------------|----------------|------------------------|----|
| 1502 W EVERLY<br>BROTHERS BLVD  | CENTRAL CITY   | MUHLENBERG<br>COUNTY   | KY |
| 513 FISHER                      | OAKDALE        | ALLEN PARISH           | LA |
| 820 N. SEBASTIAN                | WEST HELENA    | PHILLIPS COUNTY        | AR |
| 700 QUINTARD DR.                | OXFORD         | CALHOUN COUNTY         | AL |
| 460 TRI-COUNTY LANE             | BELLE VERNON   | WESTMORELAND<br>COUNTY | PA |
| 112 S. TALLAHASSEE ST.<br>STE.8 | HAZLEHURST     | JEFF DAVIS<br>COUNTY   | GA |
| 262 OCILLA HWY                  | FITZGERALD     | BEN HILL COUNTY        | GA |
| 445 KY HIGHWAY 44<br>EAST       | SHEPHERDSVILLE | BULLITT COUNTY         | KY |
| 11427A COASTAL<br>HIGHWAY       | BERLIN         | WORCESTER<br>COUNTY    | MD |
| 1527 OHIO AVE S                 | LIVE OAK       | SUWANNEE<br>COUNTY     | FL |
| 1017 W WILL ROGERS<br>BLVD      | CLAREMORE      | ROGERS COUNTY          | OK |
| 2280 HIGHWAY 36 SOUTH           | SEALY          | AUSTIN COUNTY          | TX |
| 2385 YORK CROSSING DR           | HAYES          | GLOUCESTER<br>COUNTY   | VA |
| 23 OHIO RIVER PLAZA             | GALLIPOLIS     | GALLIA COUNTY          | OH |

All other terms and conditions of this policy remain unchanged.

ENDORSEMENT: 8

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

## **AMENDATORY ENDORSEMENT**

The High Hazard Flood definition is hereby deleted and replaced with the following:

### **N. High Hazard Flood**

For property insured under this policy at location addresses that are listed on the Schedule of Locations on file with the Company, refer to the list of locations on Endorsement 7.

For all other locations, the following applies:

- (a) Only that portion of property at the time of policy inception which is located in a Special Flood Hazard Zone (SFHA) and situated at or below the 100 year flood elevation level, as shown in the most recent documentation published by the Federal Emergency Management Agency (FEMA), or other qualified and recognized authority for flood information. and/or,

With respect to this definition, the following terms apply:

- a) Federal Emergency Management Agency (FEMA) – The U.S. Federal agency, which is part of the U.S. Department of Homeland Security, under which the National Flood Insurance Program (NFIP) is managed.
- b) Special Flood Hazard Area (SFHA) – The areas of a Flood insurance Rate Map (FIRM) identified as Zone(s): A, AO, AH, A1-A30, AE, A99, AR, AR/A, AR/AE, AR/A1-A30, AR/AH, AR/AO, V, V1-V30, VE or VO.

All other terms and conditions of this policy remain unchanged.

# Exhibit F



**John M. Harris**  
Executive General Adjuster  
Office (972) 419-4101  
Mobile (469) 502-8232

November 28, 2018

**Joan Lynch**  
**Director Risk Manager**  
**Stage Stores Inc.**  
**2425 West Loop South**  
**Houston, TX 77027**

**SENT BY E-MAIL TO: [jlynch@stage.com](mailto:jlynch@stage.com)**

|                       |                             |
|-----------------------|-----------------------------|
| Insured               | : <b>Stage Stores, Inc.</b> |
| Date of Loss          | : <b>August 25, 2017</b>    |
| Location of Loss      | : <b>Various Locations</b>  |
| VeriClaim File Number | : <b>DAL17389880</b>        |
| Loss Type             | : <b>Hurricane, Harvey</b>  |

Dear Ms. Lynch:

This correspondence is sent in follow up on the above captioned claim. In summary, this claim has been presented by Stage Stores Inc. as a result of damages resulting from Hurricane Harvey at locations identified in our investigation and continued claim review with Stage Stores.

Enclosed are copies of the November 1, 2018 HSNO loss schedules which reflect support provided to date by Stage on the loss and damage resulting from the above event.

We have reviewed the loss and damage details and estimate with your participating insurers. Sedgwick has been authorized by two (2) of your insurers to request Proof of Loss forms based on the following calculation:

|                     |                             |
|---------------------|-----------------------------|
| Inventory           | \$10,221,101.16             |
| FFE & I&B           | 3,426,960.61                |
| Business Income     | 158,386.00                  |
| Professional Fees   | <u>132,573.55</u>           |
| Sub-Total           | \$13,939,021.32             |
| Applied Deductibles | (671,911.29)                |
| Rent Abatement      | (25,000.00)                 |
| Salvage Proceeds    | (1,744,456.00)              |
| NFIP Recovery       | <u>-(1,000,000.00)</u>      |
| Advance Payments    | <u>(10,370,350.86)</u>      |
| <b>Total</b>        | <b><u>\$ 127,303.17</u></b> |

In addition to this value, Stage previously presented claim for Capital expenditure at the Dickinson and Pearland stores as follows (as they are not reopening):

|           |              |
|-----------|--------------|
| Dickinson | \$191,337.00 |
| Pearland  | 86,122.00    |

It is our understanding Stage is now also including Baytown in the capital expenditure claim. The above values are currently agreed for advance purposes on this portion of the replacement claim. In summary of the above items:

|                      |                            |
|----------------------|----------------------------|
| Total from above     | \$127,303.17               |
| Capital Expenditure  | <u>277,459.00</u>          |
| Supplemental Measure | <u><b>\$404,802.17</b></u> |

In addition to the above value, Aspen Specialty Insurance Company has agreed to issue payment of their 10% participation in the inventory discounts value presented by Stage. That value has been calculated by HSNO as follows:

|                            |                            |
|----------------------------|----------------------------|
| Agreed Inventory Measure   | \$10,221,100               |
| POS Store Discounts        | 2,864,579                  |
| Unincurred Selling Costs   | 108,710                    |
| Additional Shrinkage Value | <u>(5,139)</u>             |
| Net                        | \$13,189,250               |
| Measure to Date            | <u>(10,221,100)</u>        |
| Net                        | <u><b>\$ 2,968,149</b></u> |

In summary of the above information, I have enclosed two (2) Proof of Loss forms from Aspen and Everest Re as follows:

| Insurer    | Policy         | Participation | Net        | Discounts  | Total      |
|------------|----------------|---------------|------------|------------|------------|
| Brit       |                | 33.00%        | 133,584.72 |            |            |
| Aspen      | PRAGDKG17      | 10.00%        | 40,480.22  | 296,814.90 | 337,295.12 |
| QBE        | CFE3968001     | 20.00%        | 80,960.43  |            |            |
| Everest Re | CA3X001135-171 | 27.00%        | 109,296.59 |            | 109,296.59 |
| Interstate | AMW-151344     | 10.00%        | 40,480.22  |            |            |
|            | Totals         | 100.00%       |            | 296,814.90 | 446,591.70 |

Please fill in the forms completely, to include the **Occupancy, Title and Interest** and **Changes** fields. If you send me an incomplete form, I will be required to return it to you for completion. Please sign the documents in the presence of a notary and return to me at your earliest, by scan, fax, or mail. On receipt of the completed Proof of Loss forms, I will forward to Partner Re and Aspen in request of payments from each insurer.

As we receive additional response from remaining insurers, we will follow up with you on further payment.

As per our prior communication on payments, please confirm any loss payees or other parties with an interest in the subject property. We will request payments to be distributed as follows unless directed otherwise:

**Joan Lynch**  
**Director Risk Manager**

**Stage Stores Inc.**  
**2425 West Loop South**  
**Houston, TX 77027**

We continue in our review of most recent loss support provided to date by Stage and Aon and expect to follow up with you soon regarding revised loss calculations. We will plan to meet with you December 10, 2018 in your offices for further review of support provided to date by Stage.

If you have any questions or would like to discuss the Proof of Loss forms, or if you have any additional information which might assist in our investigation of the claim, please do not hesitate to contact me.

Sincerely,

John M. Harris  
Executive General Adjuster  
Sedgwick  
4004 Belt Line Rd. Suite 205  
Addison, Texas 75001

Cc: Jim Cyr/Beecher Carlson  
Brian Campbell/Aon

Attachments:

1. HSNO Stage Stores - Preliminary CAT 1734 11-1-18 - For discussion
2. Stage Harvey Proof Of Loss Aspen \$337,295.12
3. Stage Harvey Proof Of Loss Everest Re \$109,296.59

**NOTE:** Password is **STAGE** for the Aon HSNO Excel workbook.



# Exhibit G



**John M. Harris**  
 Executive General Adjuster  
 Office (972) 419-4101  
 Mobile (469) 502-8232

December 18, 2018

**Joan Lynch**  
**Director Risk Manager**  
**Stage Stores Inc.**  
**2425 West Loop South**  
**Houston, TX 77027**

**SENT BY E-MAIL TO: [jlynch@stage.com](mailto:jlynch@stage.com)**

|                       |                             |
|-----------------------|-----------------------------|
| Insured               | : <b>Stage Stores, Inc.</b> |
| Date of Loss          | : <b>August 25, 2017</b>    |
| Location of Loss      | : <b>Various Locations</b>  |
| VeriClaim File Number | : <b>DAL17389880</b>        |
| Loss Type             | : <b>Hurricane, Harvey</b>  |

Dear Ms. Lynch:

This correspondence is sent in follow up on the above captioned claim. In summary, this claim has been presented by Stage Stores Inc. as a result of damages resulting from Hurricane Harvey at locations identified in our investigation and continued claim review with Stage Stores.

We provided copies of the November 1, 2018 HSNO loss schedules which reflect support provided to date by Stage on the loss and damage resulting from the above event.

Subsequent to distribution of our November 28, 2018 letter, Sedgwick has been authorized by **Interstate Fire & Casualty Company** to request Proof of Loss forms (based on their 10% participation) based on the following calculation:

|                     |                             |
|---------------------|-----------------------------|
| Inventory           | \$10,221,101.16             |
| FFE & I&B           | 3,426,960.61                |
| Business Income     | 158,386.00                  |
| Professional Fees   | <u>132,573.55</u>           |
| Sub-Total           | \$13,939,021.32             |
| Applied Deductibles | (671,911.29)                |
| Rent Abatement      | (25,000.00)                 |
| Salvage Proceeds    | (1,744,456.00)              |
| NFIP Recovery       | <u>-(1,000,000.00)</u>      |
| Advance Payments    | (10,370,350.86)             |
| Capital Expenditure | <u>277,459.00</u>           |
| <b>Total</b>        | <b><u>\$ 404,802.17</u></b> |

In addition to the above value, **Interstate Fire & Casualty Company** has agreed to issue payment of their 10% participation in the inventory discounts value presented by Stage. That value has been calculated by HSNO as follows:

|                            |                            |
|----------------------------|----------------------------|
| Agreed Inventory Measure   | \$10,221,100               |
| POS Store Discounts        | 2,864,579                  |
| Unincurred Selling Costs   | 108,710                    |
| Additional Shrinkage Value | <u>(5,139)</u>             |
| Net                        | \$13,189,250               |
| Measure to Date            | <u>(10,221,100)</u>        |
| Net                        | <b><u>\$ 2,968,149</u></b> |

In summary of the above information and amounts paid to date to Stage, I have enclosed a Proof of Loss forms from Interstate Fire & Casualty Company as follows:

| Insurer    | Policy         | Participation | Net        | Discounts  | Total      | Comments        |
|------------|----------------|---------------|------------|------------|------------|-----------------|
| Brit       |                | 33.00%        | 133,584.72 | -          | -          |                 |
| Aspen      | PRAGDKG17      | 10.00%        | 40,480.22  | 296,814.90 | 337,295.12 | Paid            |
| QBE        | CFE3968001     | 20.00%        | 80,960.43  | -          | -          |                 |
| Everest Re | CA3X001135-171 | 27.00%        | 109,296.59 | -          | 109,296.59 | Paid            |
| Interstate | AMW-151344     | 10.00%        | 40,480.22  | 296,814.90 | 337,295.12 | Requested Proof |
|            | Totals         | 100.00%       | 404,802.17 | 593,629.80 | 783,886.82 |                 |

Please fill in the form completely, to include the **Occupancy, Title and Interest** and **Changes** fields. If you send me an incomplete form, I will be required to return it to you for completion. Please sign the documents in the presence of a notary and return to me at your earliest, by scan, fax, or mail. On receipt of the completed Proof of Loss forms, I will forward to Interstate Fire & Casualty Company in request of payment from each insurer.

As we receive additional response from remaining insurers, we will follow up with you on further payment.

As per our prior communication on payments, please confirm any loss payees or other parties with an interest in the subject property. We will request payments to be distributed as follows unless directed otherwise:

**Joan Lynch**  
**Director Risk Manager**  
**Stage Stores Inc.**  
**2425 West Loop South**  
**Houston, TX 77027**

We continue to work toward final updates to our loss calculations in follow up to our December 10, 2018 meeting at the corporate office. We plan on distribution of those schedules to you for review soon.

If you have any questions or would like to discuss the Proof of Loss forms, or if you have any additional information which might assist in our investigation of the claim, please do not hesitate to contact me.

Sincerely,

John M. Harris  
Executive General Adjuster  
Sedgwick  
4004 Belt Line Rd. Suite 205  
Addison, Texas 75001

Cc: Jim Cyr/Beecher Carlson  
Brian Campbell/Aon

Attachments:

1. Stage Harvey Proof Of Loss Interstate \$337,295.12

# Exhibit H



**John M. Harris**  
Executive General Adjuster  
Mobile (469) 502-8232

June 6, 2019

**Joan Lynch**  
**Director Risk Manager**  
**Stage Stores Inc.**  
**2425 West Loop South**  
**Houston, TX 77027**

**SENT BY E-MAIL TO: [jlynch@stage.com](mailto:jlynch@stage.com)**

|                       |                             |
|-----------------------|-----------------------------|
| Insured               | : <b>Stage Stores, Inc.</b> |
| Date of Loss          | : <b>August 25, 2017</b>    |
| Location of Loss      | : <b>Various Locations</b>  |
| VeriClaim File Number | : <b>DAL17389880</b>        |
| Loss Type             | : <b>Hurricane, Harvey</b>  |

Dear Ms. Lynch:

This correspondence is sent in follow up on the above captioned claim. In summary, this claim has been presented by Stage Stores Inc. as a result of damages resulting from Hurricane Harvey at locations identified in our investigation and continued claim review with Stage Stores.

Payments have been issued by carriers on the account based on an agreed loss measure as follows:

|                      |                               |
|----------------------|-------------------------------|
| Inventory            | \$10,221,101.16               |
| FFE & I&B            | 4,100,616.23                  |
| Capital Expenditures | 775,074.00                    |
| Business Income      | 158,387.34                    |
| Professional Fees    | <u>249,166.04</u>             |
| Sub-Total            | \$15,504,344.77               |
| Applied Deductibles  | (756,697.38)                  |
| Rent Abatement       | (24,000.00)                   |
| Salvage Proceeds     | (1,744,456.00)                |
| NFIP Recovery        | <u>(1,000,000.00)</u>         |
| Net Loss             | <b><u>\$11,979,191.39</u></b> |

We prior provided you a copy of the HSNO loss schedule which reflects support provided to date by Stage and their consultant Aon on the loss and damage resulting from the above event. If you would like another copy of the HSNO Excel workbook, please advise.

In addition to the payment of the above amount, Aspen Specialty Insurance Company and Interstate Fire & Casualty Company have paid you \$296,814.90 each (for a total of \$593,629.80) of the Point of Sale Discounts measure on the inventory loss at affected stores. This value is equal to 10% participation by each insurer (for a total of 20%) on the discounts value calculated as follows:

|                            |                               |
|----------------------------|-------------------------------|
| Agreed Inventory Measure   | \$10,221,100.16               |
| POS Store Discounts        | 2,864,578.78                  |
| Unincurred Selling Costs   | 108,710.02                    |
| Additional Shrinkage Value | <u>(5,139.00)</u>             |
| Net                        | \$13,189,249.96               |
| Measure to Date            | <u>(10,221,100.16)</u>        |
| Net                        | <u><b>\$ 2,968,149.80</b></u> |

Stage has asserted claim for this portion of the loss and claim based on valuation of inventory at retail at inception of the policy.

We have been in further communication with insurers regarding the Point of Sale Discounts. They are identified as follows:

|                                     |            |
|-------------------------------------|------------|
| <b>Brit Insurance Company</b>       | 33%        |
| <b>QBE Insurance Company</b>        | 20%        |
| <b>Everest Re Insurance Company</b> | <u>27%</u> |
| Total Participation                 | <u>80%</u> |

I would request your reference of the **VALUATION** section of the policies for the account as follows:

#### **VALUATION**

At time of loss, the basis of adjustment shall be as follows:

- A. On buildings and structures, at the replacement cost new; if not replaced, then at the actual cash value.
- B. On machinery, equipment, furniture, fixtures and improvements and betterments at the replacement cost new or the cost of repair, whichever is less. If not replaced, then at the actual cash value.
- C. The cost of architects', surveyors', inspectors' and/or engineers' plans, drawings, specifications, fees and charges including the cost for supervision of construction and repair of damages.
- D. **Valuable Papers and Records and Electronic Data Processing Media** at the value blank plus the cost of labor, service and/or supplies for actually reconstructing, researching, gathering information, reproducing, recreating, transcribing or copying such papers, records and **Electronic Data Processing Media**.
- E. **Fine Arts** owned by the Insured at the cost of reasonably restoring the property to its condition immediately prior to the loss, or in the event that the property cannot be restored at the appraised value prior to the loss. In absence of such appraisal, at the market value at the time of loss. **Fine Arts** which is the property of others, either at the Insured's contractual or legal liability.
- F. **Finished Stock** and other merchandise not manufactured by the Insured but held for sale, at the Insured's selling price less discounts to which the goods would have been subject had no loss occurred, and labor (internal or 3rd party) at the cost to restock. Any obsolete inventory is a deduction to the inventory at the time of loss only, and not a percentage applied to the total inventory loss.

.....

Based on the policy valuation paragraph above, Brit, QBE, and Everest Re do not agree to payment of the Point of Sale Discounts calculated by the Insured on the inventory loss. The insurers do agree with and have paid as per the inventory analysis completed by HSNO.

We have discussed this with you prior and ask that if you have any additional information which might assist in further review of this issue by your insurers, please provide it at your earliest to this adjuster or to the respective insurers.

Sincerely,

John M. Harris  
Executive General Adjuster  
Sedgwick Claim Services Management  
4004 Belt Line Rd. Suite 205  
Addison, Texas 75001

Cc: Jim Cyr/Beecher Carlson



**B1040 (FORM 1040) (12/15)**

| <b>ADVERSARY PROCEEDING COVER SHEET</b><br>(Instructions on Reverse)   |   | <b>ADVERSARY PROCEEDING NUMBER</b><br>(Court Use Only) |   |   |
|--|---|--|---|---|
| <b>PLAINTIFFS</b><br>STEVEN BALASIANO, AS PLAN ADMINISTRATOR OF<br>STAGE STORES, INC., et al   | <b>DEFENDANTS</b><br>CERTAIN UNDERWRITERS AT LLOYD'S LONDON<br>ET AL.   |  |   |   |
| <b>ATTORNEYS</b> (Firm Name, Address, and Telephone No.)<br>COLE SCHOTZ P.C., 901 Main Street, Suite 4120<br>Dallas, TX 75202  | <b>ATTORNEYS</b> (If Known)   |  |   |   |
| <b>PARTY</b> (Check One Box Only)<br><input checked="" type="checkbox"/> Debtor <input type="checkbox"/> U.S. Trustee/Bankruptcy Admin<br><input type="checkbox"/> Creditor <input type="checkbox"/> Other<br><input type="checkbox"/> Trustee   | <b>PARTY</b> (Check One Box Only)<br><input type="checkbox"/> Debtor <input type="checkbox"/> U.S. Trustee/Bankruptcy Admin<br><input type="checkbox"/> Creditor <input type="checkbox"/> Other<br><input type="checkbox"/> Trustee   |  |   |   |
| <b>CAUSE OF ACTION</b> (WRITE A BRIEF STATEMENT OF CAUSE OF ACTION, INCLUDING ALL U.S. STATUTES INVOLVED)<br>Declaratory Judgment, Breach of Contract, and Turnover  |   |  |   |   |
| <b>NATURE OF SUIT</b><br>(Number up to five (5) boxes starting with lead cause of action as 1, first alternative cause as 2, second alternative cause as 3, etc.)  |   |  |   |   |
| <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top; border: none;"> <b>FRBP 7001(1) – Recovery of Money/Property</b><br/> <input checked="" type="checkbox"/> 11-Recovery of money/property - §542 turnover of property<br/> <input type="checkbox"/> 12-Recovery of money/property - §547 preference<br/> <input type="checkbox"/> 13-Recovery of money/property - §548 fraudulent transfer<br/> <input checked="" type="checkbox"/> 14-Recovery of money/property - other<br/><br/> <b>FRBP 7001(2) – Validity, Priority or Extent of Lien</b><br/> <input type="checkbox"/> 21-Validity, priority or extent of lien or other interest in property<br/><br/> <b>FRBP 7001(3) – Approval of Sale of Property</b><br/> <input type="checkbox"/> 31-Approval of sale of property of estate and of a co-owner - §363(h)<br/><br/> <b>FRBP 7001(4) – Objection/Revocation of Discharge</b><br/> <input type="checkbox"/> 41-Objection / revocation of discharge - §727(c),(d),(e)<br/><br/> <b>FRBP 7001(5) – Revocation of Confirmation</b><br/> <input type="checkbox"/> 51-Revocation of confirmation<br/><br/> <b>FRBP 7001(6) – Dischargeability</b><br/> <input type="checkbox"/> 66-Dischargeability - §523(a)(1),(14),(14A) priority tax claims<br/> <input type="checkbox"/> 62-Dischargeability - §523(a)(2), false pretenses, false representation, actual fraud<br/> <input type="checkbox"/> 67-Dischargeability - §523(a)(4), fraud as fiduciary, embezzlement, larceny<br/> <div style="text-align: center;">(continued next column)</div> </td> <td style="width: 50%; vertical-align: top; border: none;"> <b>FRBP 7001(6) – Dischargeability (continued)</b><br/> <input type="checkbox"/> 61-Dischargeability - §523(a)(5), domestic support<br/> <input type="checkbox"/> 68-Dischargeability - §523(a)(6), willful and malicious injury<br/> <input type="checkbox"/> 63-Dischargeability - §523(a)(8), student loan<br/> <input type="checkbox"/> 64-Dischargeability - §523(a)(15), divorce or separation obligation (other than domestic support)<br/> <input type="checkbox"/> 65-Dischargeability - other<br/><br/> <b>FRBP 7001(7) – Injunctive Relief</b><br/> <input type="checkbox"/> 71-Injunctive relief – imposition of stay<br/> <input type="checkbox"/> 72-Injunctive relief – other<br/><br/> <b>FRBP 7001(8) Subordination of Claim or Interest</b><br/> <input type="checkbox"/> 81-Subordination of claim or interest<br/><br/> <b>FRBP 7001(9) Declaratory Judgment</b><br/> <input checked="" type="checkbox"/> 91-Declaratory judgment<br/><br/> <b>FRBP 7001(10) Determination of Removed Action</b><br/> <input type="checkbox"/> 01-Determination of removed claim or cause<br/><br/> <b>Other</b><br/> <input type="checkbox"/> SS-SIPA Case – 15 U.S.C. §§78aaa <i>et seq.</i><br/> <input type="checkbox"/> 02-Other (e.g. other actions that would have been brought in state court if unrelated to bankruptcy case)           </td> </tr> </table> |   |  | <b>FRBP 7001(1) – Recovery of Money/Property</b><br><input checked="" type="checkbox"/> 11-Recovery of money/property - §542 turnover of property<br><input type="checkbox"/> 12-Recovery of money/property - §547 preference<br><input type="checkbox"/> 13-Recovery of money/property - §548 fraudulent transfer<br><input checked="" type="checkbox"/> 14-Recovery of money/property - other<br><br><b>FRBP 7001(2) – Validity, Priority or Extent of Lien</b><br><input type="checkbox"/> 21-Validity, priority or extent of lien or other interest in property<br><br><b>FRBP 7001(3) – Approval of Sale of Property</b><br><input type="checkbox"/> 31-Approval of sale of property of estate and of a co-owner - §363(h)<br><br><b>FRBP 7001(4) – Objection/Revocation of Discharge</b><br><input type="checkbox"/> 41-Objection / revocation of discharge - §727(c),(d),(e)<br><br><b>FRBP 7001(5) – Revocation of Confirmation</b><br><input type="checkbox"/> 51-Revocation of confirmation<br><br><b>FRBP 7001(6) – Dischargeability</b><br><input type="checkbox"/> 66-Dischargeability - §523(a)(1),(14),(14A) priority tax claims<br><input type="checkbox"/> 62-Dischargeability - §523(a)(2), false pretenses, false representation, actual fraud<br><input type="checkbox"/> 67-Dischargeability - §523(a)(4), fraud as fiduciary, embezzlement, larceny<br><div style="text-align: center;">(continued next column)</div> | <b>FRBP 7001(6) – Dischargeability (continued)</b><br><input type="checkbox"/> 61-Dischargeability - §523(a)(5), domestic support<br><input type="checkbox"/> 68-Dischargeability - §523(a)(6), willful and malicious injury<br><input type="checkbox"/> 63-Dischargeability - §523(a)(8), student loan<br><input type="checkbox"/> 64-Dischargeability - §523(a)(15), divorce or separation obligation (other than domestic support)<br><input type="checkbox"/> 65-Dischargeability - other<br><br><b>FRBP 7001(7) – Injunctive Relief</b><br><input type="checkbox"/> 71-Injunctive relief – imposition of stay<br><input type="checkbox"/> 72-Injunctive relief – other<br><br><b>FRBP 7001(8) Subordination of Claim or Interest</b><br><input type="checkbox"/> 81-Subordination of claim or interest<br><br><b>FRBP 7001(9) Declaratory Judgment</b><br><input checked="" type="checkbox"/> 91-Declaratory judgment<br><br><b>FRBP 7001(10) Determination of Removed Action</b><br><input type="checkbox"/> 01-Determination of removed claim or cause<br><br><b>Other</b><br><input type="checkbox"/> SS-SIPA Case – 15 U.S.C. §§78aaa <i>et seq.</i><br><input type="checkbox"/> 02-Other (e.g. other actions that would have been brought in state court if unrelated to bankruptcy case) |
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| <input type="checkbox"/> Check if this case involves a substantive issue of state law  | <input type="checkbox"/> Check if this is asserted to be a class action under FRCP 23   |  |   |   |
| <input type="checkbox"/> Check if a jury trial is demanded in complaint  | Demand \$ 2,374,521.00  |  |   |   |
| Other Relief Sought<br>Damages for breach of contract  |   |  |   |   |

**B1040 (FORM 1040) (12/15)**

| <b>BANKRUPTCY CASE IN WHICH THIS ADVERSARY PROCEEDING ARISES</b> |  |                                       |                          |
|--|--|---------------------------------------|--------------------------|
| NAME OF DEBTOR STAGE STORES, INC., et al                         |  | BANKRUPTCY CASE NO. 20-32564          |                          |
| DISTRICT IN WHICH CASE IS PENDING SOUTHERN                       |  | DIVISION OFFICE HOUSTON               | NAME OF JUDGE            |
| <b>RELATED ADVERSARY PROCEEDING (IF ANY)</b>                     |  |                                       |                          |
| PLAINTIFF  |  | DEFENDANT                             | ADVERSARY PROCEEDING NO. |
| DISTRICT IN WHICH ADVERSARY IS PENDING                           |  | DIVISION OFFICE                       | NAME OF JUDGE            |
| SIGNATURE OF ATTORNEY (OR PLAINTIFF)                             |  |                                       |                          |
| DATE   |  | PRINT NAME OF ATTORNEY (OR PLAINTIFF) |                          |
| MAY 9, 2022  |  | /s/ James W. Walker                   |                          |

**INSTRUCTIONS**

The filing of a bankruptcy case creates an “estate” under the jurisdiction of the bankruptcy court which consists of all of the property of the debtor, wherever that property is located. Because the bankruptcy estate is so extensive and the jurisdiction of the court so broad, there may be lawsuits over the property or property rights of the estate. There also may be lawsuits concerning the debtor’s discharge. If such a lawsuit is filed in a bankruptcy court, it is called an adversary proceeding.

A party filing an adversary proceeding must also must complete and file Form 1040, the Adversary Proceeding Cover Sheet, unless the party files the adversary proceeding electronically through the court’s Case Management/Electronic Case Filing system (CM/ECF). (CM/ECF captures the information on Form 1040 as part of the filing process.) When completed, the cover sheet summarizes basic information on the adversary proceeding. The clerk of court needs the information to process the adversary proceeding and prepare required statistical reports on court activity.

The cover sheet and the information contained on it do not replace or supplement the filing and service of pleadings or other papers as required by law, the Bankruptcy Rules, or the local rules of court. The cover sheet, which is largely self-explanatory, must be completed by the plaintiff’s attorney (or by the plaintiff if the plaintiff is not represented by an attorney). A separate cover sheet must be submitted to the clerk for each complaint filed.

**Plaintiffs and Defendants.** Give the names of the plaintiffs and defendants exactly as they appear on the complaint.

**Attorneys.** Give the names and addresses of the attorneys, if known.

**Party.** Check the most appropriate box in the first column for the plaintiffs and the second column for the defendants.

**Demand.** Enter the dollar amount being demanded in the complaint.

**Signature.** This cover sheet must be signed by the attorney of record in the box on the second page of the form. If the plaintiff is represented by a law firm, a member of the firm must sign. If the plaintiff is pro se, that is, not represented by an attorney, the plaintiff must sign.