

MEMORANDUM OF UNDERSTANDING (MOU)

Financial and Operational Memorandum of Understanding
Between the San José Unified School District
and ACE Inspire Academy Charter School

1. PARTIES

This document constitutes an agreement between the San José Unified School District (District) and ACE Inspire Academy Charter School (Charter School).

2. BACKGROUND

The governing board of the San José Unified School District renewed a charter, for a term of five years beginning on July 1, 2018 and ending June 30, 2023, for ACE Inspire Academy Charter School on December 7, 2017 pursuant to the terms of the Charter Schools Act of 1992 (Education Code Section 47600 *et seq*). Education Code Section 47607.4 extended the term of the Charter School by two years, to June 30, 2025. Subsequently, on July 10, 2023, the Governor signed Senate Bill 114 (Stats. 2023, Ch.48, Sec. 43) which amended *EC* Section 47607.4 to extend the terms of charter schools who expire on or between January 1, 2024, and June 30, 2027, by one additional year, to June 30, 2026. District and Charter School may enter into a mutually agreeable memorandum of understanding regarding funding, to define the oversight and operational arrangements between the Charter School and the District, and to define and resolve other matters of mutual interest.

3. PURPOSE

This Memorandum of Understanding (Agreement) defines and describes the operational relationship between the Charter School and the District and resolves additional matters of mutual interest.

4. TERM

This Agreement is effective for the renewal term, from July 1, 2026 through June 30, 2031, and is expected to be renegotiated and renewed in conjunction with future renewal terms. This Agreement is intended to be the basis for developing similar memoranda of understanding in future fiscal years and both parties agree to meet and discuss the terms of this and future agreements in good faith and in a timely fashion. This Agreement may be reviewed annually and may be amended or augmented by addendum at any time upon mutual agreement of the parties. In the event that the District Board approves a material revision to the Charter School's charter that requires a change to this Agreement, the parties shall amend this Agreement in writing to reflect the material revision. The future renewal of the Charter School's charter will be determined pursuant to applicable law. This Agreement shall automatically terminate in the event of the revocation, nonrenewal or termination of the charter, through the Charter School's administrative, non-judicial appeals under Education Code section 47607.

5. DEFINITIONS

"Average Daily Attendance" (ADA) means the attendance of charter school pupils while engaged in educational activities required of them by the Charter School, on days when school is actually taught in the Charter School, as defined in Education Code §47612.5(e), and in Section 11960 of Title 5 of the California Code of Regulations.

"Charter School Revenue" means the amount received in the current fiscal year from the local control funding formula calculated pursuant to Education Code Section 42238.02, as implemented by Education Code Section 42238.03 (Education Code Section 47613(f)).

"General-purpose entitlement," as defined in Education Code Section 47632(a), means an amount computed by the Local Control Funding Formula (LCFF) pursuant to Education Code Section 42238.02, as implemented by Education Code Section 42238.03.

“Categorical aid” means aid that consists of state or federally funded programs, or both, which are apportioned for specific purposes set forth in statute or regulation.

6. **RESPONSIBILITIES OF THE PARTIES**

6.1 **The Role of the District in Overseeing the Charter School**

The District is responsible for ensuring the Charter School is compliant with all applicable laws and the terms of its charter. Education Code Section 47604.3 specially requires a charter school to respond to reasonable requests for information from its chartering authority.

Education Code Section 47604.32 specifies the duties of a chartering authority as follows:

- Identify at least one staff member as a contact person for the charter school;
- Visit the charter school at least annually;
- Ensure that each charter school under its authority complies with all reports required of charter schools by law, including the local control and accountability plan and annual update to the local control and accountability plan required pursuant to Section 47606.5;
- Monitor the fiscal condition of each charter school under its authority;
- Provide timely notification to the California Department of Education if any of the following circumstances occur or will occur with regard to a charter school for which it is the chartering authority:
 - A renewal of the charter is granted or denied.
 - The charter is revoked.
 - The charter school will cease operation for any reason.

6.12 The cost of performing the duties required by this section shall be funded with supervisory oversight fees collected pursuant to Education Code Section 47613.

6.13 Pursuant to Education Code 47604(c), the District may appoint a single representative to the Charter School's board of directors.

6.2 **The Charter's Responsibilities**

6.21 **Funding Sources**

The Charter School will receive the state aid portion of the Charter School's total General-purpose entitlement and Categorical aid directly. External resources of the Charter will be considered in the Charter's financial records upon receipt.

Funding shortfalls will be the responsibility of the Charter School. The Charter School will pay the cost of any funds advanced to the Charter School at the Charter School's request through tax revenue anticipation notes or any other interest-bearing means of financing utilized by the District, though the District shall not be obligated to provide any such funds in the first instance.

6.22 **Supervisory Oversight Fee**

The Charter School will pay 1% of the Charter School's revenue as defined by *Education Code Section 47613* for the costs of supervisory oversight.

The Charter School and the District agree that the supervisory oversight fee shall not cover the following services, for which the Charter School may pay separately, and would be charged and billed separately to the Charter School:

- Payroll services for CalSTRS reporting and related activities
- Administrative services for California Assessment of Student Performance and Progress (CAASPP) Testing.
- Technology services for articulation between the Charter School and the District with regard to student information.

- Custodial services.
- School health services.
- Any fees for the use and occupation of District facilities.

6.23 **Other Services Fee**

The Charter School may opt to contract with the District for the above services or other services such as home-to-school student transportation, insurance, maintenance, or other services, on a fee-for-service basis.

6.24 **Employee Qualifications**

As required by Education Code Section 47605(l), all Charter School teachers must hold the Commission on Teacher Credentialing certificate, permit, or other document required for the teacher's certificated assignment. A person employed as a teacher in a charter school during the 2019-20 school year has until July 1, 2025, to obtain the certificate required for the assignment. Additionally, all Charter School teachers must hold a certificate of clearance and must satisfy the requirements for professional fitness specified in Education Code Sections 44339, 44340, 44341. The Charter School shall ensure timely compliance with these requirements and shall provide the District a copy of the certificate of clearance for any Charter School teachers prior to the beginning of the 2021-22 school year or prior to the teacher beginning his or her assignment at ACE.

6.25 **Governance Structure**

All business of the Charter School and its Board of Directors shall comply with all laws controlling non-profit corporations and charter schools. The Charter School, its Board of Directors, administrators, managers and employees, and any other committees of the Charter School, shall comply with all applicable federal and state law and nonprofit integrity standards regarding ethics and conflicts of interest, including, but not limited to Education Code Section 47604.1, the California Public Records Act (Government Code Section 6250, *et seq.*), the Political Reform Act of 1974 (Government Code Section 81000 *et seq.*), the Ralph M. Brown Act (Government Code Section 54950 *et seq.*), the applicable provisions of Government Code Section 1090 *et seq.* as set forth in Education Code Section 47604.1 and any attendant regulations as they may be amended from time to time, and any other applicable conflict of interest prohibitions, including prohibitions applicable to California nonprofit corporations. In the event that the applicable laws/rules/provisions of Government Code Section 1090 *et seq.* and the Political Reform Act of 1974 permit an action or means of taking action that is restricted or prohibited by the other applicable conflict of interest statute's laws/rules/provisions, the most restrictive law/rule/provisional shall control.

6.26 **Discouraging enrollment or dismissal from the Charter School**

The Charter School shall not discourage a pupil from enrolling or seeking to enroll in the Charter School for any reason, including but not limited to, academic performance of the pupil or because the pupil exhibits any of the characteristics described in Education Code Section 47605(e)(2)(B)(iii), which includes but is not necessarily limited to pupils with disabilities, academically low-achieving pupils, English learners, neglected or delinquent pupils, homeless pupils, or pupils who are economically disadvantaged, as determined by eligibility for any free or reduced-price meal program, foster youth, or any of the characteristics identified in Education Code Section 220 or any other characteristic protected by law, or association with persons with any of these characteristics.

The Charter School shall not encourage a pupil currently attending the Charter School to disenroll from the Charter School or to transfer to another school for any reason, including, but not limited to, academic performance of the pupil or because the pupil exhibits any of the characteristics described in Education Code Section 47605(2)(B)(iii), or any of the characteristics identified in Education Code Section 220 or any other characteristic protected by law, or based on association with persons with any of these

characteristics. This paragraph shall not apply to actions taken by the Charter School pursuant to the procedures described in the charter describing the procedures regarding suspension, expulsion, or involuntary removal.

Should any student leave the Charter School without graduating or completing the school year, per Education Code 47605(e)(3) the Charter School will notify the District superintendent of the pupil's last known address within 30 days. Notification shall be sent via email to the District contact person for the charter school.

The Charter School shall not request a pupil's records or require a parent, guardian, or pupil to submit the pupil's records to the Charter School before enrollment.

6.27 Distribution of In-lieu taxes and Payment of Fees

In accordance with Education Code Section 47635(b), the District will distribute funding in-lieu of property taxes to the Charter School on a monthly basis, no later than the 15th of each month, according to the schedule identified in Education Code Section 47635(b)(1). In-lieu tax payments will be reduced by the oversight fees described in Paragraph 6.22, above, and all other service fees agreed to by the parties. All payments and reductions will be supported by fee calculations, costs of supervisorial oversight, work orders, and/or invoice copies.

Fees will be based on estimates and deducted proportionately from monthly in-lieu tax payments. These estimates will be trued up on an annual basis no later than July 15 following the current school year with supporting documentation provided to the Charter School of all District reductions and payments. The District shall provide the Charter School any additional information requested by the Charter School as required by the Charter School to complete its annual independent fiscal audit. Additional services will be deducted monthly based on actual invoices. Nothing herein shall be deemed a waiver of the right of the Charter School to challenge a deduction. Any dispute over a District deduction shall be handled in accordance with the dispute resolution provisions of the approved charter.

6.28 Data Reporting

Average Daily Attendance

The Charter School will develop an attendance-reporting calendar and maintain a system to record and account for ADA that meets the requirements of law. The Charter School will report ADA to the Santa Clara County Office of Education (County) on a timely basis (with a copy sent to the District), adhering to the deadlines below set forth by the County. Reporting attendance for County to review is necessary to enable the Charter School to receive the funding specified in this Agreement.

Reporting Requirement	Due to COE
<u>P1 ADA</u> Cumulative ADA starting the first day of school through full attendance month ending by December 31**	January 4
<u>P2 ADA</u> Cumulative ADA starting the first day of school through full attendance month ending by April 15**	April 19
** EC 37201 defines an attendance month as four weeks (Monday through Friday) totaling 20 days – including holidays, other non-service	

California Longitudinal Pupil Achievement Data System

The California Longitudinal Pupil Achievement Data System (CALPADS) is an electronic statewide school information system, which is designed to facilitate the exchange of student data between school districts and the reporting of student information by school

districts to the CDE. The Charter School certifies that its Student Information System, currently PowerSchool, meets CALPADS requirements to maintain data on its students, staff and institution. The Charter School will fill in and maintain the required elements in the database system according to CALPADS system requirements. The Charter School will report CALPADS information directly to the CDE through the CALPADS system.

Employee Retirement Systems

The Charter School will calculate its monthly contributions to the California Teachers' Retirement System (CalSTRS). This information, together with a check covering the CalSTRS contribution amounts, will be remitted to County on or before the 10th of each month. Failure to do so will result in CalSTRS automatically assessing interest charges on the total amount outstanding from the date the contributions were due to the date they were actually received.

6.3 **Budget and Finance**

Each fiscal year will run from July 1-June 30 ("Fiscal Year"). The Charter School will provide to the District an adopted budget for the upcoming Fiscal Year showing estimated revenues and expenditures based upon identified and reasonable assumptions by June 30 of the prior Fiscal Year. The budget shall include:

- Signed Budget Certification
- Budget Report
- Multi-Year Projections with supporting Assumptions
- Attendance Summary
- General-purpose entitlement (including LCFF rate) calculation
- Object Code 5800 Budgeted/Expended Report
- Balance Sheet
- Cashflow Projections
- Debt Multi-Year Commitment Schedule

The Charter School shall prepare and submit the following reports (with supporting assumptions and comments) to the District and the County in compliance with Education Code Section 47604.33 unless otherwise waived by temporary or permanent change in statute or regulation. The Charter School shall be responsible for confirming on an annual basis the due date for the submission of the following reports and providing the submission to the District at least five (5) calendar days prior to the due date.

- Annual Adopted Budget (by July 1)
- Local Control and Accountability Plan (LCAP) and an annual update to the local control and accountability plan required pursuant to Section 47606.5 (by July 1);
- Past Year's Unaudited Actuals by September 15
- Annual 1st Interim (July 1 thru October 31) by December 15
- LCFF budget overview for parents required pursuant to Section 52064.1 (by July 1)
- Annual 2nd Interim (July 1 thru January 31) by March 15

6.31 **Audit**

The annual independent audit of the Charter School required by Education Code Section 47605(m) shall be performed by the Charter School at no charge to the District. Any negative findings or deficiencies shall be resolved to the satisfaction of the District.

The Charter School shall submit copies of the annual independent audit report for each fiscal year to the District, the County, State Controller, and the CDE no later than December 15.

6.32 **Indemnity**

The Charter School shall, to the fullest extent permitted by law, indemnify, defend, and hold harmless the District, its officers, directors, and employees, attorneys, agents, representatives, volunteers, successors and assigns (collectively hereinafter "District and District Personnel") from and against any and all actions, suits, claims, demands, losses, costs, penalties, obligations, errors, omissions, or liabilities, including legal costs, attorneys fees, and expert witness fees, whether or not suit is actually filed, and/or any judgment rendered against District and/or District Personnel, that may be asserted or claimed by any person, firm or entity arising out of, or in connection with, the performance of the Charter School, or any acts or errors or omissions by the Charter School, its board of directors, administrators, employees, agents representatives, volunteers, successors and assigns. This indemnity and hold harmless provision shall exclude actions brought by third persons against the District arising out of acts of misconduct or the sole negligence of the District.

The District shall, to the fullest extent permitted by law, indemnify, defend, and hold harmless the Charter School, its officers, directors, and employees, attorneys, agents, representatives, volunteers, successors and assigns (collectively hereinafter "Charter School and Charter School Personnel") from and against any and all actions, suits, claims, demands, losses, costs, penalties, obligations, errors, omissions, or liabilities, including legal costs, attorneys fees, and expert witness fees, whether or not suit is actually filed, and/or any judgment rendered against Charter School and/or Charter School Personnel, that may be asserted or claimed by any person, firm or entity arising out of, or in connection with, the performance of the District, or any acts or errors or omissions by the District, its board of directors, administrators, employees, agents representatives, volunteers, successors and assigns. This indemnity and hold harmless provision shall exclude actions brought by third persons against the Charter School arising out of acts of misconduct or the sole negligence of the Charter School.

The limits of liability applicable to the policies of insurance and/or memoranda of coverage required by 6.27 of this Agreement shall not reduce or limit the obligation(s) of the Charter School to defend, indemnify, and hold harmless the District and the District Personnel in accordance with this Section.

6.33 **Insurance**

The Charter School shall maintain liability insurance coverage of no less than the per occurrence limits set forth below, and in the "Certificate of Liability Insurance" attached as Exhibit A. The coverage shall include all risks necessary to indemnify the District, its officers, employees, and agents, as described in the Indemnity Agreement contained in the charter, and shall include at a minimum, but not be limited to, the coverage described in Education Code Section 35208. Charter School shall maintain liability insurance coverage of no less than the following:

- General Liability: \$3,000,000 Aggregate Limit + \$15,000,000 Excess Limit (Multi-Layers) = \$18,000,000 Total Aggregate Limit
- Sexual Molestation (Multi-Layers): \$15,000,000 Total Aggregate Limit
- Auto Liability: \$1,000,000 Aggregate Limit + \$5,000,000 Excess Limit = \$6,000,000 Total Aggregate Limit
- Educators Legal Liability (E&O): \$3,000,000 Aggregate Limit + \$5,000,000 Excess Limit = \$8,000,000 Total Aggregate Limit
- Educators Legal Liability (EPL): \$3,000,000 Aggregate Limit + \$5,000,000 Excess Limit = \$8,000,000 Total Aggregate Limit
- Workers Compensation: \$1,000,000 each accident; excess as required by statute

6.34 **Contracts**

The Charter School shall not have the authority to enter into a contract that would bind the District, nor to extend the credit of the District to any third person or party. The Charter School shall clearly indicate to vendors and other entities and individuals outside the District with which or with whom the Charter School enters into an agreement or contract for goods or services that the obligations of the Charter School under such agreement or contract are solely the responsibility of the Charter School and are not the responsibility of the District.

The Charter School agrees that all loans or other financial commitments by Charter School shall be the sole responsibility of Charter School and the District shall have no obligation for repayment. Charter School shall provide District with not less than 30 days' notice of its intent to incur debt of any kind over \$1,000,000, including debt incurred by any party on behalf of, or for the benefit of Charter School. Such notice shall set forth the amount of debt, the lender, and the general terms of the agreement. Charter School shall ensure that all vendors, creditors, etc., are aware that the Charter School is independent of the District and the District has no responsibility for debts or obligations of the Charter School.

7. **OTHER CONDITIONS**

The Charter School shall receive and implement advice and assistance from the California Collaborative for Educational Excellence (CCEE) in accordance with Education Code section 47607.3.

8. **CONSTRUCTION AND SEVERABILITY**

8.1 **Amendments**

This agreement may be amended or modified, in whole or in part, only by an agreement in writing developed in the same manner as this agreement

8.2 If the terms of this Agreement conflict with the terms of the Charter, this Agreement shall control the handling or resolution of the particular issue in question. The parties will meet to consider the Charter as modified by this Agreement to reach consistency, if the inconsistency is material to the terms of the Charter. In addition, if the Charter, read alone without incorporating this Agreement, is silent on an issue addressed by this Agreement, this Agreement shall control. Any disputes over the interpretation of the terms of this Agreement shall be handled in accordance with the dispute resolution provisions of the approved Charter.

8.3 **Severability**

If any provision or any part of this agreement is, for any reason, held to be invalid or unenforceable or contrary to public policy, law, or statute and/or ordinance, the remainder of this agreement shall not be affected thereby and shall remain valid and fully enforceable.

8.4 **Notifications**


All notices, requests, and other communications under this agreement shall be in writing and mailed to the proper addresses as follows:

To the District at: 855 Lenzen Avenue, Room 217A, San José, CA 95126

To the Charter at: 1100 Shasta Avenue, Unit #250, San José, 95126


IN WITNESS WHEREOF, the parties to this agreement have duly executed it on the day and year set forth below:

ACE INSPIRE ACADEMY CHARTER SCHOOL

By:  Mar 4, 2026
Signing Time: Mar 04, 2026, 10:33:51:624 a.m. (PST)
box SIGN 4Q3R3VZW-156RZ33W

Kennedy Hilario, Chief Executive Officer Date

SAN JOSÉ UNIFIED SCHOOL DISTRICT

By:  Mar 4, 2026
Signing Time: Mar 04, 2026, 11:04:10:843 a.m. (PST)
box SIGN 13KV6J98-156RZ33W

Seth Reddy, Chief Business Officer Date

EXHIBIT A

Certificate of Liability Insurance



ADDITIONAL REMARKS SCHEDULE

AGENCY NFP Property & Casualty Services, Inc.		NAMED INSURED ACE Charter Schools 1100 Shasta Avenue San Jose, CA 95126	
POLICY NUMBER SEE PAGE 1			
CARRIER SEE PAGE 1	NAIC CODE SEE P 1	EFFECTIVE DATE: SEE PAGE 1	

ADDITIONAL REMARKS

THIS ADDITIONAL REMARKS FORM IS A SCHEDULE TO ACORD FORM,
FORM NUMBER: ACORD 25 FORM TITLE: Certificate of Liability Insurance

CONTRACTUAL INSURANCE REQUIREMENTS

The attached Certificate of Insurance is provided as part of our service to our client, the Insured. If special endorsements have been provided, they also are indicated attached. You may find that these documents do not comply with all the terms and conditions of the underlying contract between the Certificate Holder and the Insured due to the insurance company's insuring conditions, limitations, exclusions and other terms.

If you have any questions, please contact the undersigned.

NFP Property & Casualty Insurance Services, Inc.
CA LICENSE #0F15715
3979 FREEDOM CIRCLE, SUITE 620
SANTA CLARA, CA 95054
TELEPHONE: (408) 792-5400
FAX: (408) 792-3670

ADDITIONAL COVERAGES:

SEXUAL ABUSE AND MOLESTATION COVERAGES:

- Sexual Abuse Molestation (Primary) - Limits: Each Victim / All Victims: \$2,000,000 / Each Victim Retention: \$150,000 - Policy # D39F41250101 (Term: 7/1/2025 - 7/1/2026) Carrier: Beazley Excess and Surplus Insurance
- Sexual Abuse Molestation (2nd Layer) - Limits: Each Victim / All Victims: \$3,000,000 / Each Victim Retention: \$100,000 - Policy # MR25ADNI (Term: 10/9/2025 - 7/1/2026) - Carrier: Lloyds of London
- Sexual Abuse Molestation (3rd Layer) - Limits: Each Victim / All Victims: \$5,000,000 / Each Victim Retention: \$100,000 - Policy # MR25ADNP (Term: 10/9/2025 - 7/1/2026) - Carrier: Lloyds of London
- Sexual Abuse Molestation (4th Layer) - Limits: Each Victim / All Victims: \$5,000,000 - Policy # B621PACEC00102 - (Term: 10/9/2025 - 7/1/2026) - Carrier: Lloyds of London

Excess Liability - 2nd Layer

Limits - Each Occurrence: \$5,000,000 / Aggregate: \$5,000,000 (Quota Share limits)
Policy Number: MKLV5EUE104442 - Policy Period: 10/9/2025 to 7/1/2026 - Carrier: Evanston Insurance Company

Excess Liability - 2nd Layer

Limits - Each Occurrence: \$5,000,000 / Aggregate: \$5,000,000 (Quota Share limits)
Policy Number: UX000002089-01 - Policy Period: 10/9/2025 to 7/1/2026 - Carrier: Admiral Insurance Company

Educators Legal Liability

Limits - Each Wrongful Act or Offense: \$1,000,000 / Aggregate: \$3,000,000 / Deductible: \$25,000
Policy Number: 7NA6CP0002364-00 - Policy Period: 7/01/2025 to 7/1/2026 - Carrier: American Southern Home Insurance Company

Counseling Professional Liability Coverage

Limits - Each Occurrence: \$1,000,000 / Aggregate Limit: \$3,000,000
Policy Number: 7NA6CP0002364-00 - Policy Period: 7/01/2025 to 7/1/2026 - Carrier: American Southern Home Insurance Company

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

HONOR ROLL ELITE GENERAL LIABILITY ENHANCEMENT

This endorsement modifies insurance provided under the following:

GENERAL LIABILITY COVERAGE FORM

The following coverages and extensions are added to this policy as detailed below. As respects any coverage provided by this endorsement, if higher limits are provided on any other schedule, declarations or endorsement attached to this policy, then the limits and coverage provided by this endorsement would not apply for that coverage.

SCHEDULE

Limited Product Withdrawal Expense	\$10,000 All Product Withdrawal Expenses
Limited Pollution Coverage	Included
Watercraft	
Non-Owned	Increased To 51 Feet Long
Non-Motorized	Less Than 76 Feet Long
Non-Owned Aircraft	If Rented Or Loaned With A Paid Crew
Property Damage To Borrowed Equipment	\$10,000 Each Occurrence
Property Damage To Customers' Goods	\$10,000 Each Occurrence
Property Damage From Elevator Use	Included
Personal And Advertising Injury	
From Televised Or Videotaped Material	Included
For Insureds In Media And Internet Type Businesses	Included
From Electronic Chatrooms or Bulletin Boards	Included
Supplementary Payments	
Bail Bonds	Up To \$5,000
Loss Of Earnings	Up To \$500 A Day
Legal And Media Expense	\$10,000 Each Event / \$50,000 Annual Aggregate
Broadened Definition Of Insured	Included
Automatic Additional Insureds	
When Required By Contract Or Agreement	Included
Managers Or Lessors Of Premises	Included
Mortgagees, Assignees Or Receivers	Included
Vendors	Included
Each Location And Each Project Aggregates	Equal To The General Aggregate Limit
Duties In The Event Of Occurrence, Offense, Claim Or Suit	Included
Unintentional Failure To Disclose All Hazards	Included
Waiver Of Transfer Of Rights Of Recovery Against Others To Us	Included
Expanded Coverage Territory	Included
Liberalization	Included
Mental Anguish Resulting From Bodily Injury	Included
Broadened Definition Of Mobile Equipment	Included
Products Liability Redefined	Included
Broadened Liability Coverage for Restraint or Removal of Students	Included

LIMITED PRODUCT WITHDRAWAL EXPENSE

THIS COVERAGE ONLY PROVIDES REIMBURSEMENT TO YOU FOR EXPENSES INCURRED BECAUSE OF A COVERED "PRODUCT WITHDRAWAL". THIS COVERAGE DOES NOT PROVIDE ANY LIABILITY COVERAGE OR COVERAGE FOR THE COST OR EXPENSE OF DEFENDING ANY CLAIM OR "SUIT".

1. The following is added to Section I – Coverages:

LIMITED PRODUCT WITHDRAWAL EXPENSE COVERAGE

Insuring Agreement

- a. We will reimburse you for "product withdrawal expenses" incurred by you because of a "product withdrawal" to which this insurance applies.

The amount of such reimbursement is limited as described in Section III – Limits Of Insurance, as amended by this endorsement. No other obligation or liability to pay sums or perform acts or services is covered.

- b. This insurance applies to a "product withdrawal" only if the "product withdrawal" is initiated in the "coverage territory" during the policy period because:

- (1) You determine that the "product withdrawal" is necessary; or
- (2) An authorized government entity has ordered you to conduct a "product withdrawal".

- c. We will reimburse "product withdrawal expenses" only if:

- (1) The expenses are incurred within one year of the date the "product withdrawal" was initiated;
- (2) The expenses are reported to us within one year of the date the expenses were incurred; and
- (3) The product that is the subject of the "product withdrawal" was produced during the policy period.

- d. The initiation of a "product withdrawal" will be deemed to have been made only at the earliest of the following times:

- (1) When you first announced, in any manner, to the general public, your vendors or to your "employees" (other than those "employees" directly involved in making the determination) your decision to conduct or participate in a "product withdrawal". This applies regardless of whether the determination to conduct a "product withdrawal" is made by you or is requested by a third party; or
- (2) When you first received, either orally or in writing, notification of an order from an authorized government entity to conduct a "product withdrawal".

- e. "Product withdrawal expenses" incurred to withdraw "your products" which contain the same or substantially similar "defects" will be deemed to have arisen out of the same "product withdrawal".

Exclusions

This insurance does not apply to "product withdrawal expenses" arising out of:

- a. **Breach Of Warranty And Failure To Conform To Intended Purpose**

Any "product withdrawal" initiated due to the failure of "your product" to accomplish its intended purpose, including any breach of warranty of fitness, whether written or implied. This exclusion does not apply if such failure has caused or is reasonably expected to cause "bodily injury" or physical damage to tangible property other than "your product".

- b. **Infringement Of Copyright, Patent, Trade Secret, Trade Dress Or Trademark**

Any "product withdrawal" initiated due to copyright, patent, trade secret, trade dress or trademark infringements.

- c. **Chemical Transformation, Deterioration Or Decomposition**

Any "product withdrawal" initiated due to transformation of a chemical nature, deterioration or decomposition of "your product". This exclusion does not apply if transformation of a chemical nature, deterioration or decomposition is caused by:

- (1) An error in manufacturing, design or processing;

(2) Transportation of “your product”; or

(3) “Product tampering”.

d. Goodwill, Market Share, Revenue, Profit Or Redesign

The costs of goodwill, market share, revenue or “profit” or the costs of redesigning “your product”.

e. Expiration Of Shelf Life

Any “product withdrawal” initiated due to expiration of the designated shelf life of “your product”.

f. Known Defect

A “product withdrawal” initiated because of a “defect” in “your product” known to exist by the Named Insured or the Named Insured’s “executive officers” prior to the policy period or the time “your product” leaves your control or possession.

g. Otherwise Excluded Products

A recall of any specific products for which “bodily injury” or “property damage” is excluded under Coverage A – Bodily Injury And Property Damage Liability.

h. Governmental Ban

A recall when “your product” or a component contained within “your product” has been:

(1) Banned from the market by an authorized government entity prior to the policy period; or

(2) Distributed or sold by you subsequent to any governmental ban.

i. Defense Of Claim

The defense of a claim or “suit” against you for liability arising out of a “product withdrawal”.

j. Third Party Damages, Fines And Penalties

Any compensatory damages, fines, penalties, punitive or exemplary or other non-compensatory damages imposed upon the insured. Exemplary or punitive damages are only excluded in jurisdictions where allowable by statute.

k. Pollution-Related Expenses

Any loss, cost or expense due to any:

(1) Request, demand, order, statutory or regulatory requirement that any insured or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to or assess the effects of, “pollutants”; or

(2) Claim or “suit” by or on behalf of a governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to or assessing the effects of, “pollutants”.

2. Exclusion 2.f. Electronic Chatrooms or Bulletin Boards of Section I – Coverages, Coverage B -Personal And Advertising Injury Liability is deleted.

3. The following is added to Section III – Limits Of Insurance:

The most that we will reimburse you for the sum of all “product withdrawal expenses” incurred for all “product withdrawals” initiated during the policy period is the amount shown in the Schedule of this endorsement, regardless of the number of:

a. Insureds;

b. “Product withdrawals” initiated; or

c. “Your products” withdrawn.

4. Section IV –Conditions is amended as follows:

a. Paragraph 2. Duties In The Event Of Occurrence, Offense, Claim Or Suit is replaced by the following:

2. Duties In The Event Of A Defect Or A Product Withdrawal

- a. You must see to it that we are notified as soon as practicable of any actual, suspected or threatened “defect” in “your product”, or any governmental investigation, that may result in a “product withdrawal”. To the extent possible, notice should include:
 - (1) How, when and where the “defect” was discovered;
 - (2) The names and addresses of any injured persons and witnesses; and
 - (3) The nature, location and circumstances of any injury or damage arising out of use or consumption of “your product”.

Your obligation to notify us as soon as practicable is satisfied if you send us written notice as soon as practicable after any of your "executive officers", directors, partners, insurance managers or legal representatives become aware of or should have become aware of such actual, suspected or threatened “defect” in “your product”, or any governmental investigation, that may result in a “product withdrawal”.

- b. If a “product withdrawal” is initiated, you must:
 - (1) Immediately record the specifics of the “product withdrawal” and the date where it was initiated; and
 - (2) Notify us as soon as practicable.

You must see to it that we receive written notice of the “product withdrawal” as soon as practicable.

- c. You must promptly take all reasonable steps to mitigate the expenses associated with a “product withdrawal”. Any “profit” that you receive from mitigating the expenses will be deducted from the amount of reimbursement that you will receive for “product withdrawal expenses”.
- d. You and any other involved insured must:
 - (1) Immediately send us copies of pertinent correspondence received in connection with the “product withdrawal”;
 - (2) Authorize us to obtain records and other information; and
 - (3) Cooperate with us in our investigation of the “product withdrawal”.

- b. The following Conditions are added:

Concealment Or Fraud

We will not provide “product withdrawal expense” coverage to you or any other insured who, at any time:

- a. Engaged in fraudulent conduct; or
- b. Intentionally concealed or misrepresented a material fact concerning a “product withdrawal” or “product withdrawal expenses” incurred by you.

Product Tampering Limitation

When “product tampering” is known, suspected or threatened, a “product withdrawal” will be limited to those batches of “your product” which are known or suspected to have been tampered with.

- 5. The following definitions are added:

- a. “Defect” means a flaw, deficiency or inadequacy that creates a dangerous condition.
- b. “Product tampering” means an act of intentional alteration of “your product” which has caused or is reasonably expected to cause “bodily injury” or physical injury to tangible property other than “your product”.

For purposes of this insurance, electronic data is not tangible property.

As used in this definition, electronic data means information, facts or programs stored as or on, created or used on, or transmitted to or from computer software, including systems and application software, hard or floppy disks, CD-ROMs, tapes, drives, cells, data processing devices or any other media which are used with electronically controlled equipment.

- c. “Product withdrawal” means the recall or withdrawal:

- (1) From the market; or

(2) From use by any other person or organization;

of “your products” or products which contain “your products”, because of known or suspected “defects” in “your product” or known or suspected “product tampering” which has caused or is reasonably expected to cause “bodily injury” or physical injury to tangible property other than “your product”.

For purposes of this insurance, electronic data is not tangible property.

As used in this definition, electronic data means information, facts or programs stored as or on, created or used on, or transmitted to or from computer software, including systems and applications software, hard or floppy disks, CD-ROMs, tapes, drives, cells, data processing devices, or any other media which are used with electronically controlled equipment.

d. “Product withdrawal expenses” means those reasonable and necessary extra expenses, listed below, paid and directly related to a “product withdrawal”:

(1) Costs of notification;

(2) Costs of stationery, envelopes, production of announcements and postage or facsimiles;

(3) Costs of overtime paid to your regular non-salary “employees” and costs incurred by your “employees”, including costs of transportation and accommodations;

(4) Costs of computer time;

(5) Costs of hiring independent contractors and other temporary employees;

(6) Costs of transportation, shipping or packaging;

(7) Costs of warehouse or storage space; or

(8) Costs of proper disposal of “your products” or products that contain “your products” that cannot be reused, not exceeding your purchase price or your costs to produce the products.

e. “Profit” means the positive gain from business operation after subtracting all expenses.

B. LIMITED POLLUTION COVERAGE

Exclusion **2.t.** Pollution, Paragraph **(1)(a)** of Section **I – Coverages, Coverage A – Bodily Injury And Property Damage Liability** does not apply to:

1. Materials used by an insured as part of an educational curriculum or educational program;
2. The use and storage of swimming pool chemicals by your “employees”, provided the use and storage of such swimming pool chemicals comply with all applicable statutes, ordinances, regulations or license requirements of any federal, state or local government which apply; or
3. The application or use of pesticides or herbicides by your “employees” who are licensed or certified, provided the application of such pesticide or herbicide complies with all applicable statutes, ordinances, regulations or license requirements of any federal, state or local government which apply.

C. WATERCRAFT AND NON-OWNED AIRCRAFT

Exclusion **2.a.** Aircraft, Auto Or Watercraft under Section **I – Coverages, Coverage A – Bodily Injury And Property Damage Liability** is amended as follows:

1. Transportation Of Students

With respect to the transportation of your students, this exclusion also applies to any aircraft, “auto” or watercraft that is hired by an insured, including claims against the insured that allege negligence or other wrongdoing in the supervision, hiring, employment, training or monitoring of others by that insured, if the “occurrence” which caused the “bodily injury” or “property damage” involved any aircraft, “auto” or watercraft that is hired by the insured.

For the purpose of this exclusion, the word hired includes any contract to furnish transportation of your students to and from schools.

2. Non-Owned Watercraft

Paragraph **(2)** is replaced by the following:

(2) A watercraft you do not own that is:

- (a)** Less than 51 feet long; and
- (b)** Not being used by You to carry persons or property for a charge.

3. Non-Motorized Watercraft And Non-Owned Aircraft

The following is added:

This exclusion also does not apply to:

- (a)** A non-motorized watercraft that is:
 - (i)** Less than 76 feet long; and
 - (ii)** Not being used to carry persons or property for a charge.
 - (b)** Aircraft not owned by any insured that is rented or loaned to you with a paid crew.
4. If other insurance applies to a loss because of “property damage” to non-owned watercraft or aircraft as described in Paragraphs **2.** or **3.** above, the insurance provided by this endorsement does not apply, whether the other insurance is primary, excess, contingent or issued on any other basis.

D. PROPERTY DAMAGE TO BORROWED EQUIPMENT

1. The following is added to Exclusion **2.g.** Damage To Property under Section **I** – Coverages, Coverage **A** – Bodily Injury And Property Damage Liability:

Paragraph **(4)** of this exclusion does not apply to “property damage” to borrowed equipment while that equipment is:

- a.** Not being used to perform operations; and
- b.** Away from an insured’s premises.

2. The following is added to Section **III** – Limits Of Insurance:

Subject to the General Aggregate limit, the most we will pay for “property damage” to borrowed equipment is the amount shown in the Schedule of this endorsement for each “occurrence”.

3. The insurance afforded by Paragraph **1.** above is excess over any valid and collectible property insurance (including any deductible) available to the insured, whether primary, excess, contingent or issued on any other basis.

E. PROPERTY DAMAGE TO CUSTOMERS’ GOODS

1. The following is added to Exclusion **2.j.** Damage To Property under Section **I** – Coverages, Coverage **A** – Bodily Injury And Property Damage Liability:

Paragraphs **(3)**, **(4)** and **(6)** of this exclusion do not apply to “property damage” to “customers’ goods” while on your premises.

2. The following is added to Section **III** – Limits Of Insurance:

Subject to the General Aggregate limit, the most we will pay for “property damage” to “customers’ goods” is the amount shown in the Schedule of this endorsement for each “occurrence”.

3. The insurance afforded by Paragraph **1.** above is excess over any valid and collectible property insurance (including any deductible) available to the insured, whether primary, excess, contingent or issued on any other basis.

4. The following definition is added:

“Customers’ goods” means tangible personal property belonging to your customers and left with you for storage, service or repair. “Customers’ goods” does not include:

- a. Accounts, bills, currency, deeds, food stamps or other evidences of debt, money, notes or securities. Lottery tickets held for sale are not securities;
- b. Animals;
- c. Contraband, or property in the course of illegal transportation or trade;
- d. Personal property while airborne or waterborne;
- e. Property that is covered under another coverage form of this or any other policy in which it is more specifically described, except for the excess of the amount due (whether you can collect on it or not) from that other insurance;
- f. Vehicles or self-propelled machines that are licensed for use on public roads; aircraft; or watercraft;

This paragraph does not apply to:

- (1) Vehicles or self-propelled machines, other than “autos”, you hold for sale; or
 - (2) Rowboats or canoes out of water at your premises; or
- g. The following property while outside of buildings:
 - (1) Grain, hay, straw or other crops; and
 - (2) Fences, radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers, trees, shrubs or plants (other than trees, shrubs or plants held for sale).

F. PROPERTY DAMAGE FROM ELEVATOR USE

1. The following is added to Exclusion **2.g.** Damage To Property under Section **I – Coverages, Coverage A – Bodily Injury And Property Damage Liability**:

Paragraphs **(3)**, **(4)** and **(6)** of this exclusion do not apply if such “property damage” arises out of the use of elevators at premises you own, rent, lease or occupy.
2. The insurance afforded by Paragraph **1.** above is excess over any other valid and collectible insurance which applies to a loss because of “property damage” arising out of the use of elevators, whether such other insurance is primary, excess, contingent or issued on any other basis.

G. PERSONAL AND ADVERTISING INJURY FROM TELEVISED OR VIDEOTAPED MATERIAL

- (1) Exclusions **2.n.** and **2.o.** under Section **I – Coverages, Coverage B – Personal And Advertising Injury Liability** are replaced by the following:

n. Material Published Prior To Policy Period

“Personal and advertising injury” arising out of oral, written or professionally produced televised or videotaped publication, in any manner, of material whose first publication took place before the beginning of the policy period.

o. Material Published With Knowledge Of Falsity

“Personal and advertising injury” arising out of oral, written or professionally produced televised or videotaped publication, in any manner, of material, if done by or at the direction of the insured with knowledge of its falsity.

- (2) Paragraphs **d.** and **e.** of the definition of “personal and advertising injury” are replaced by the following:

d. Oral, written or professionally produced televised or videotaped publication, in any manner, of material that slanders or libels a person or organization, or disparages a person’s or organization’s goods, products or services;

e. Oral, written or professionally produced televised or videotaped publication, in any manner, of material that violates a person’s right to privacy;

H. PERSONAL AND ADVERTISING INJURY FOR INSURED IN MEDIA AND INTERNET TYPE BUSINESSES

Exclusion **2.j.** under Section **I – Coverages, Coverage B – Personal And Advertising Injury Liability** is amended to include the following:

However, paragraph (1) does not apply to advertising, broadcasting, publishing or telecasting within the scope of the Named Insured's activities as an educational institution.

I. SUPPLEMENTARY PAYMENTS – BAIL BONDS, LOSS OF EARNINGS, LEGAL AND MEDIA EXPENSE

Section I – Coverages, Supplementary Payments – Coverages **A** And **B** is amended as follows:

(1) Paragraphs **1.b.** and **1.d.** are replaced by the following:

b. Up to the amount shown in the Schedule of this endorsement for cost of bail bonds required because of accidents or traffic law violations arising out of the use of any vehicle to which Bodily Injury Liability Coverage applies. We do not have to furnish these bonds.

d. All reasonable expenses incurred by the insured at our request to assist us in the investigation or defense of the claim or "suit", including actual loss of earnings up to the amount shown in the Schedule of this endorsement because of time off from work.

(2) The following is added:

Legal And Media Expense

a. We will reimburse you for "legal and media expense" you actually incurred and paid because of a "legal or media event" during the policy period. However:

(1) We will have no liability to reimburse you for fines, penalties, assessments of costs or other financial awards associated with any such "legal or media event"; and

(2) We will only reimburse you for "legal and media expense" actually incurred and paid within 90 days of the "legal or media event".

b. The maximum we will reimburse you is:

(1) The Each Event amount shown in the Schedule of this endorsement for any one "legal or media event"; and

(2) The Annual Aggregate amount shown in the Schedule of this endorsement for the sum of all "legal or media events" during the policy period.

c. If any other coverage provides reimbursement of similar legal expenses or medical expenses, the coverage provided by this endorsement will apply as excess over such other coverage.

d. The following definitions are added:

(1) "Legal or media event" means any criminal investigation, criminal complaint, indictment, administrative hearing, licensing hearing or regulatory agency proceeding relating to the alleged violation or infringement of one or more state or federal statutes or regulations regarding:

(a) Child abuse;

(b) Premises contamination at your facility;

(c) Closure of your facility by order of the Board of Health due to discovery or suspicion of contaminated food that has been served to your clients;

(d) An actual, attempted, or threatened violent act committed on your premises that results in physical injury or death, including sexual assault, kidnapping, criminal use of weapons on your premises, and stalking of your clients;

(e) An actual incident occurring at your premises involving an explosion, fire, construction accident, or equipment failure; or

(f) Your operations intended to protect the rights or safety of children and/or children in child care facilities.

"Legal or media event" includes significant adverse local, regional or national news media coverage of you relating to the adverse "legal or media event".

However, "legal or media event" does not include any actual or threatened "suit" or claim.

(2) "Legal and media expense" means reasonable fees and necessary costs incurred by you for:

- (a) Attorneys, experts, and consultants used in your investigation or defense of a “legal or media event”; and
- (b) Media consultants and management of public relations used in your investigation or defense of a “legal or media event”.

“Legal and media expense” does not include:

- (a) Damages;
- (b) Fines, taxes, sanctions, or penalties;
- (c) Any uninsurable amount;
- (d) Any expense reimbursed or covered by any other entity or carrier or for which another entity is liable or obligated to pay; or
- (e) Any of your remuneration, salaries, overhead, fees, loss of earning reimbursement, or benefit expenses.

J. BROADENED DEFINITION OF INSURED

Section II – Who Is An Insured is amended as follows:

1. Paragraph 1.b is replaced by the following:

- b. A partnership or joint venture, you are an insured. Your members, your partners, and their spouses are also insureds, but only with respect to the conduct of your business. However, if you are a public entity, you are insured as a partner in a partnership or as a joint venturer in a joint venture, but only if the partnership or joint venture is between you and another governmental organization or non-profit entity. Coverage does not extend to a partnership or joint venture that operates, controls, or funds a hospital or medical clinic, nursing home, airport, port, public housing, or a gas or electric generation facility. For the purpose of this paragraph 1.b an “educational organization: is not a public entity.

2. Paragraph 1.e is replaced by the following:

- e. A public entity, you are an insured. Your operating authorities, boards, commissions, districts or any other governmental units are insureds, provided that you operate, control, and fund the authority, board, commission, district, or other governmental unit. Coverage does not extend to an authority, board, commission, district, or other governmental unit that operates, controls, or funds a hospital or medical clinic, nursing home, airport, port, public housing, or a gas or electric generation facility. For the purpose of this paragraph 1.e an “educational organization” is not a public entity.

3. Paragraph 2. is replaced by the following:

2. Each of the following is also an insured:

- a. Your "volunteer workers" only while performing duties related to the conduct of your business, or your "employees", other than either your “executive officers” (if you are an organization other than a partnership, joint venture or limited liability company), or your managers (if you are a limited liability company), at the supervisory level or above, your "executive officers" (if you are an organization other than a limited liability company) or your managers (if you are a limited liability company), but only for acts within the scope of their employment by you or while performing duties related to the conduct of your business. However, none of these "employees" or "volunteer workers" are insureds for:

(1) "Bodily injury" or "personal and advertising injury":

- (a) To you, to your partners or members (if you are a partnership or joint venture), or to your members (if you are a limited liability company);
- (b) For which there is any obligation to share damages with or repay someone else who must pay damages because of the injury described in Paragraph (1)(a) above; or
- (c) Arising out of his or her providing or failing to provide professional health care services, provided that this subparagraph does not apply to any person who is employed or contracted by the Named Insured as a registered nurse, licensed practical nurse, or licensed or certified athletic trainer providing healthcare services on your behalf at:
 - i. A dispensary, clinic, infirmary, student health center, athletic facility or other similar facility maintained by the Named Insured principally for the use of its students or “employees”; or

ii. Any other incidental location that is not a medical emergency facility, in the event of a medical emergency.

(2) "Property damage" to property:

(a) Owned, occupied or used by;

(b) Rented to, in the care, custody or control of, or over which physical control is being exercised for any purpose by; you, any of your "employees", "volunteer workers", any partner or member (if you are a partnership or joint venture), or any member (if you are a limited liability company).

b. Any person (other than your "employee" or "volunteer worker"), or any organization while acting as your real estate manager.

c. Any person or organization having proper temporary custody of your property if you die, but only:

(1) With respect to liability arising out of the maintenance or use of that property; and

(2) Until your legal representative has been appointed.

d. Your legal representative if you die, but only with respect to duties as such. That representative will have all your rights and duties under this Coverage Part.

e. Any student body or parent-teacher organizations authorized by the Named Insured, but only while:

(1) Under the supervision required by your governing board; and

(2) Performing services or activities authorized by you.

f. Any student teacher while teaching as part of their educational requirements and acting within the scope of their duties.

g. Spouses of your directors and trustees, but only to the extent that they are involved in a claim or "suit" solely because of their status as a spouse and such claim or "suit" seeks to recover from marital community property, jointly held property or property transferred from an insured to the spouse. No coverage is provided for any "occurrence" or offense caused or committed by a spouse.

h. Any affiliated organizations, boards, commissions, foundations or endowments, or any other current or former controlled organization or subsidiary, provided the Named Insured owns or controls at least 51% of such entity.

This insurance shall not apply to any entity that is already insured under any other insurance provided by any company or that would be an insured but for the exhaustion of its limits of insurance.

4. Paragraph 3.a. is replaced by the following:

a. Coverage for your newly acquired or formed organization shall be:

(1) Effective on the date of acquisition or formation; and

(2) Afforded until the end of the policy period of this Coverage Form.

K. AUTOMATIC ADDITIONAL INSUREDS

The following paragraphs are added to Section II – Who Is An Insured:

1. The following are also insureds under this policy, subject to the following provisions:

a. When Required By Contract Or Agreement

Any person or organization to whom you are required by written contract, agreement, permit or authorization to provide insurance, but only if the contract, agreement, permit or authorization is in effect during the policy period shown in the Declarations and was executed prior to the "bodily injury", "property damage" or "personal and advertising injury". However:

(1) The person or organization is an insured only to the extent you are held liable due to:

(a) The ownership, maintenance or use of that part of premises you own, rent, lease or occupy, subject to the following additional provisions:

(i) This insurance does not apply to any "occurrence" which takes place after you cease to be a tenant in any premises leased to or rented to you; and

- (ii) This insurance does not apply to any structural alterations, new construction or demolition operations performed by or on behalf of the person or organization;
- (b) Your ongoing operations for that insured, whether the work is performed by you or for you;
- (c) The maintenance, operation or use by you of equipment leased to you by such person or organization, subject to the following additional provisions:
 - (i) This insurance does not apply to any “occurrence” which takes place after the equipment lease expires or you cease to lease that equipment; and
 - (ii) This insurance does not apply to “bodily injury” or “property damage” arising out of the sole negligence of such person or organization;
- (d) Permits or authorizations issued by any state or political subdivision with respect to operations performed by you or on your behalf, subject to the following additional provision:

This insurance does not apply to “bodily injury”, “property damage” or “personal and advertising injury” arising out of operations performed for that state or municipality.
- (2) The insurance with respect to any architect, engineer or surveyor does not apply to “bodily injury”, “property damage” or “personal and advertising injury” arising out of the rendering of or failure to render any professional services by or for you, including:
 - (a) The preparing, approving or failure to prepare or approve maps, drawings, opinions, reports, surveys, change orders, designs or specifications; and
 - (b) Supervisory, inspection or engineering services.
- (3) This insurance does not apply to “bodily injury” or “property damage” included within the “products-completed operations hazard”.
- (4) This insurance does not apply to “bodily injury”, “property damage” or “personal and advertising injury” arising out of the rendering of or failure to render any professional services.
- (5) This insurance does not apply to any insured person or organization if the loss, cost, injury or damage is otherwise excluded from coverage under this insurance, including any endorsements made a part of this policy.
- (6) A person’s or organization’s status as an insured under this endorsement ends when your operations for that insured are completed.
- (7) This insurance does not apply to any person or organization included as an insured by an endorsement issued by us or otherwise made part of this insurance.
- (8) No coverage will be provided if, in the absence of this endorsement, no liability will be imposed by law on you. Coverage will be limited to the extent of your negligence or fault according to the applicable principles of comparative fault.

This Additional Insured provision does not apply to managers or lessors of premises; mortgagees, assignees or receivers; or vendors.

b. Managers Or Lessors Of Premises

Any person or organization who leases to you or manages property you rent or lease, but only with respect to liability for “bodily injury”, “property damage” or “personal and advertising injury” caused, in whole or in part, by your acts or omissions or the acts or omissions of those acting on your behalf in connection with that part of the premises leased or rented to you and shown on the Declarations.

The following additional exclusions apply to such managers or lessors of premises:

This insurance does not apply to:

- (1) Any “occurrence” which takes place after you cease to be a tenant in that premises.
- (2) Structural alterations, new construction or demolition operations performed by or on behalf of the person(s) or organization(s) who leases to you or manages property you rent or lease.

c. Mortgagees, Assignees Or Receivers

Any person or organization with respect to their liability as mortgagee, assignee or receiver and arising out of the ownership, maintenance or use of premises by you. However, this insurance does not apply to structural alterations, new construction or demolition operations performed by or for that person or organization.

d. Vendors

Any vendor with whom you have agreed in a written contract or agreement to provide insurance, but only if the contract or agreement is in effect during the policy period shown in the Declarations and was executed prior to the “bodily injury” or “property damage”, and only with respect to “bodily injury” or “property damage” arising out of “your products” which are distributed or sold in the regular course of the vendor’s business.

(1) The following additional exclusions apply to such vendors:

This insurance does not apply to:

- (a)** “Bodily injury” or “property damage” for which the vendor is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages that the vendor would have in the absence of the contract or agreement;
- (b)** Any express warranty unauthorized by you;
- (c)** Any physical or chemical change in the product made intentionally by the vendor;
- (d)** Repackaging, except when unpacked solely for the purpose of inspection, demonstration, testing or the substitution of parts under instructions from the manufacturer, and then repackaged in the original container;
- (e)** Any failure to make such inspections, adjustments, tests or servicing as the vendor has agreed to make or normally undertakes to make in the usual course of business, in connection with the distribution or sale of the products;
- (f)** Demonstration, installation, servicing or repair operations, except such operations performed at the vendor’s premises in connection with the sale of the product;
- (g)** Products which, after distribution or sale by you, have been labeled or relabeled or used as a container, part or ingredient of any other thing or substance by or for the vendor;
- (h)** Any failure to maintain the product in a merchantable condition; or
- (i)** “Bodily injury” or “property damage” arising out of the sole negligence of the vendor for its own acts or omissions or those of its employees or anyone else acting on its behalf. However, this exclusion does not apply to:
 - (i)** The exceptions contained in subparagraphs **(d)** or **(f)**; or
 - (ii)** Such inspections, adjustments, tests or servicing as the vendor has agreed to make or normally undertakes to make in the usual course of business, in connection with the distribution or sale of the products.

(2) This insurance does not apply to any insured person or organization from whom you have acquired such products, or any ingredient, part or container entering into, accompanying or containing such products.

(3) This insurance does not apply to any vendor included as an insured by an endorsement issued by us or otherwise made a part of this insurance.

(4) This insurance does not apply if “bodily injury” or “property damage” included in the “products-completed operations hazard” is excluded either by the provisions of this insurance or by endorsement.

2. The insurance provided to such automatic additional insureds:

- a. Only applies to the extent permitted by law; and
- b. Will not be broader than that which you are required by the contract or agreement to provide for such additional insureds.

3. With respect to the insurance afforded to such automatic additional insureds, the following is added to Section III – Limits Of Insurance:

If coverage provided to the additional insured is required by a contract or agreement, the most we will pay on behalf of the additional insured is the amount of insurance:

- a. Required by the contract or agreement; or
- b. Available under the applicable limits of insurance shown in the Declarations, whichever is less.

The insurance afforded to the additional insured does not increase the applicable limits of insurance shown in the Declarations.

L. EACH LOCATION AND EACH PROJECT AGGREGATES

The following is added to Section III – Limits Of Insurance:

1. For all sums which the insured becomes legally obligated to pay as damages caused by “occurrences” under Coverage A, and for all medical expenses caused by accidents under Coverage C, which can be attributed only to operations at a single designated covered “location” or covered construction project:
 - a. A separate Each Location or Each Project Aggregate limit applies to each covered “location” or covered construction project, and that limit is equal to the General Aggregate limit shown in the Declarations.
 - b. The Each Location or Each Project Aggregate limit is the most we will pay for the sum of all damages under Coverage A, except damages because of “bodily injury” or “property damage” included in the “products-completed operations hazard”, and for medical expenses under Coverage C, regardless of the number of:
 - (1) Insureds;
 - (2) Claims made or “suits” brought; or
 - (3) Persons or organizations making claims or bringing “suits”.
 - c. Any payments made under Coverage A for damages or under Coverage C for medical expenses shall reduce the Each Location or Each Project Aggregate limit for each covered “location” or covered project for which payment is made. Such payments shall not reduce the General Aggregate limit shown in the Declarations nor shall they reduce any other covered “location” or covered project’s general aggregate.
 - d. The limits shown in the Declarations for Each Occurrence, Damage To Premises Rented To You and Medical Expense continue to apply. However, instead of being subject to the General Aggregate limit shown in the Declarations, such limits will be subject to the applicable Each Location or Each Project Aggregate limit.
2. For all sums which the insured becomes legally obligated to pay as damages caused by “occurrences” under Coverage A, and for all medical expenses caused by accidents under Coverage C, which cannot be attributed only to ongoing operations at a covered “location” or covered project:
 - a. Any payments made under Coverage A for damages or under Coverage C for medical expenses shall reduce the amount available under the General Aggregate limit or the Products-Completed Operations Aggregate limit, whichever is applicable; and
 - b. Such payments shall not reduce any Each Location or Each Project Aggregate limit.
3. When coverage for liability arising out of the “products-completed operations hazard” is provided, any payments for damages because of “bodily injury” or “property damage” included in the “products-completed operations hazard” will reduce the Products-Completed Operations Aggregate limit, and not reduce the General Aggregate limit nor the Each Location or Each Project Aggregate limit.
4. If the applicable covered construction project has been abandoned, delayed, or abandoned and then restarted, or if the authorized contracting parties deviate from plans, blueprints, designs, specifications or timetables, the project will still be deemed to be the same construction project.
5. For the purposes of this section of this endorsement, “location” means premises involving the same or connecting lots, or premises whose connection is interrupted only by a street, roadway, waterway or right-of-way of a railroad.
6. The provisions of Section III – Limits Of Insurance not otherwise modified by this endorsement shall continue to apply as stipulated.

M. DUTIES IN THE EVENT OF OCCURRENCE, OFFENSE, CLAIM OR SUIT

The following is added to Condition 2. Duties In The Event Of Occurrence, Offense, Claim Or Suit under Section IV –Conditions:

Your obligation to notify us as soon as practicable of an “occurrence”, offense, claim or “suit” is satisfied if you send us written notice as soon as practicable after any of your “executive officers”, directors, partners, insurance managers or legal representatives become aware of or should have become aware of such “occurrence”, offense, claim or “suit”.

N. UNINTENTIONAL FAILURE TO DISCLOSE ALL HAZARDS

The following is added to Condition 5.. Representations under Section IV –Conditions:

If you unintentionally fail to disclose all hazards prior to the beginning of the policy period of the Coverage Form, we shall not deny coverage under this Coverage Form because of such failure.

O. WAIVER OF TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US

The following is added to Condition 7. Transfer Of Rights Of Recovery Against Others To Us under Section IV – Conditions:

We waive any right of recovery we may have against any person or organization because of payments we make for injury or damage arising out of your ongoing operations or “your work” done under a contract with that person or organization and included in the “products-completed operations hazard”. This waiver applies only to the person or organization with whom you have agreed in a written contract prior to an “occurrence” to waive such rights.

P. EXPANDED COVERAGE TERRITORY

1. The following is added to Section IV –Conditions

Expanded Coverage Territory

- a. If a “suit” is brought in a part of the “coverage territory” that is outside the United States of America (including its territories and possessions), Puerto Rico or Canada, and we are prevented by law, or otherwise, from defending the insured, the insured will initiate a defense of the “suit”. We will reimburse the insured, under Supplementary Payments, for any reasonable and necessary expenses incurred for the defense of a “suit” seeking damages to which this insurance applies, that we would have paid had we been able to exercise our right and duty to defend.

If the insured becomes legally obligated to pay sums because of damages to which this insurance applies in a part of the “coverage territory” that is outside the United States of America (including its territories and possessions), Puerto Rico or Canada, and we are prevented by law, or otherwise, from paying such sums on the insured’s behalf, we will reimburse the insured for such sums.

- b. All payments or reimbursement we make for damages because of judgments or settlements will be made in United States currency at the prevailing exchange rate at the time the insured became legally obligated to pay such sums. All payments or reimbursements we make for expenses under Supplementary Payments will be made in United States currency at the prevailing exchange rate at the time the expenses were incurred.
- c. Any disputes between you and us as to whether there is coverage under this policy must be filed in the courts of the United States of America (including its territories and possessions), Puerto Rico or Canada.
- d. The insured must fully maintain any coverage required by law, regulation or other governmental authority during the policy period, except for the reduction of the aggregate limits due to payments of claims, judgments or settlements. Failure to maintain such coverage required by law, regulation or other governmental authority will not invalidate this insurance. However, this insurance will apply as if the required coverage by law, regulation or other government authority was in full effect.
- e. This insurance is excess over any other insurance, whether primary, excess, contingent or on any other basis:
 - (1) If the insured’s liability to pay damages is determined in a “suit” brought outside the United States of America (including its territories and possessions), Puerto Rico or Canada; or
 - (2) That is coverage required by law, regulation or other governmental authority in a part of the “coverage territory” that is outside the United States of America (including its territories and possessions), Puerto Rico or Canada.

2. Definition 5. “Coverage territory” in Section V- Definitions is replaced with the following:

- 5. “Coverage territory” means any part of the world with the exception of any country or jurisdiction which is subject to trade or other economic sanction or embargo by the United States of America.

Q. LIBERALIZATION CLAUSE

The following is added to Section IV –Conditions:

Liberalization Clause

If we adopt any revision that would broaden coverage under this Coverage Form without additional premium, the broadened coverage will immediately apply to this Coverage Form as of the day the revision is effective in your state.

R. MENTAL ANGUISH RESULTING FROM BODILY INJURY

Definition 4. “bodily injury” is replaced by the following:

4. Bodily injury” means:

- a. Bodily injury, sickness or disease sustained by a person, including mental anguish or emotional distress resulting from any of these; and
- b. Death resulting from bodily injury, sickness or disease.

S. BROADENED DEFINITION OF MOBILE EQUIPMENT

The following is added to Paragraph **f.(1)** of Definition 20. “mobile equipment”:

This shall not apply to self-propelled vehicles of less than 1,000 pounds gross vehicle weight.

T. The following definition is added:

“Educational organization” means the entity or association shown as a Named Insured in the Declarations of the policy to which this endorsement is attached.

U. PRODUCTS COMPLETED OPERATIONS

With respect to "bodily injury" or "property damage" arising out of "your products" manufactured, sold, handled or distributed:

- 1. On, from or in connection with the use of any insured premises; or
- 2. In connection with the conduct of any insured operation, when conducted by you or on your behalf, Paragraph a. of the definition of “Products-completed operations hazard” is replaced by the following:

“Products-completed operations hazard”

- a. Includes all “bodily injury” and “property damage” that arises out of “your products” if the “bodily injury” or “property damage” occurs after you have relinquished possession of those products.

V. The following is added to Exclusion **2.n.** Expected Or Intended Injury under Section **I – Coverages, Coverage A – Bodily Injury And Property Damage Liability**:

This exclusion also does not apply to “bodily injury” resulting from the use of reasonable force to restrain or remove a student whose behavior is interfering with the orderly exercise and performance of your functions, duties and powers, if that student has refused to comply with a request to refrain from further disruptive acts.

All other terms and conditions remain unchanged.