



Intact Insurance Company

Soft Costs Coverage Endorsement

Attached to and forming part of the Builders Risk Broad Form (BF03):

This Form extends coverage under the policy to provide Soft Costs as described below. Soft Costs are additional expenses over and above the projected cost of the construction project described in the "Declaration Page(s)". Soft Costs must result from a direct physical loss that is insured under the Builders Risk Broad Form BF03, which delays the project beyond the project completion date.

Soft Costs

This policy shall cover the actual loss sustained by the Insured for those expenses or reduction in Gross Rent or Rental Value related directly to the construction project, necessarily incurred for the completion date and as a direct consequence of loss or damage to the project. These soft costs shall be limited to:

1. Financial Costs
2. Additional Interest Expenses
3. Leasing and Marketing Expenses
4. Legal and Accounting Expenses
5. Miscellaneous Carrying Costs
6. Gross Rent or Rental Value
7. Interest Income (that would have been earned on the closing(s) of the sold property)

The length of time for which the Insurer shall be liable shall commence from the date that the property would have been tenantable had no direct physical loss or damage occurred and shall terminate on the date that the construction is completed or the period of indemnity as set out in this Form, whichever first occurs.

Limit of Liability

The Insurer shall not be liable for more than the amount specified on the "Declaration Page(s)" for loss covered by this endorsement for the following:

- (a) Items number 1 to 5 (above) inclusive
- (b) Item number 6 (above)
- (c) Item number 7 (above)

The measure of recovery in the event of loss under this Form shall be the reduction of "gross rental or rental value" less charges and expenses which do not necessarily continue during the period the building(s) is so untenable, but not exceeding the actual loss sustained by the Insured resulting from the building(s) being untenable.

Deductible and Period of Indemnity

It is a condition of this insurance that no liability shall exist under this Form for any loss of Soft Costs and Rents applicable to the "project site" unless the delay exceeds 24 hours and then liability shall exist only for such part of the loss that is for the determined period of delay in excess of the first 24 hours. The length of time of delay applicable to the insurance under this Form shall not be limited by the date of expiration of this policy, but recovery is limited to and not exceeding 12 months.

Civil Authority

The coverage provided by this Form extends to include the period of time, not exceeding two (2) weeks, while access to the "project site" is prohibited by order of civil authority, but only when such order is given as a direct result of loss or damage caused to the insured property by an insured peril.

Off-Premises Utility Interruption

The coverage provided by this Form is extended to include loss arising from the interruption of construction by reason of damage or destruction, by an insured peril, to any off-premises electric power, gas, water and/or fuel facility furnishing or transmitting electric power, gas, water or fuel to the "project site". This extension does not increase the limit of liability insured by this Form.

Additional Exclusions and Limitations

- (a) The Insurer shall not be liable for more than the amount specified under the limit of liability as set out in this Form nor by the suspension, lapse or cancellation of any license, contract or order, nor for delay of occupancy or use due to interference by strikers or other persons with the transportation of property, the construction of the project described in this policy, or with the rebuilding, repairing or replacing of property insured at the "project site" or with the occupancy and use of the premises.
- (b) If the construction contract contains a penalty clause providing for payments to the Insured for a delay caused by the perils insured against the completion of construction, any portion of such penalty insuring to the benefit of the Insured shall reduce the amount of loss which otherwise could be payable under this endorsement.
- (c) The Insurer shall not be liable for any other consequential loss or remote loss.
- (d) Due Diligence: In the event of loss or damage under this endorsement the Insurer shall only be liable for loss during such period of time that would be required with due diligence and dispatch to rebuild or restore the damaged premises with like kind and quality. The Insured shall do everything reasonably possible to minimize the loss.
- (e) The limit of liability as specified applicable to this Form shall be the total limit and shall not increase the percentage of loss payable by any of the subscribing Insurers in any one loss.

Definitions

- 1. "Financial Costs" shall include Commitment Fees, Standby Fees, Letters of Credit, Land Rent and Construction Loan Fees and Cost of Agreed Allowances to Tenants under new leases negotiated to replace those that have been cancelled as the result of an occurrence covered under this policy. Construction Loan Fees are defined as the additional costs that may be incurred to rearrange loans necessary for the completion of construction.
- 2. "Additional Interest Expense" means the additional interest that may be charged by lenders for the extension or renewal of interim financing necessary for the completion of the project, including interest necessarily incurred on loans to finance reconstruction or repair.
- 3. "Leasing and Marketing Expenses" means the costs incurred by the Insured for the re-leasing and remarketing of the premises due to the loss of tenants due to the delay in the opening date of the project.
- 4. "Legal and Accounting Expenses" means the costs that may be incurred by the Insured in arranging re-financing, accounting work that may be necessary in restructuring the financing, and legal work that may be necessary in preparing new documents.
- 5. "Miscellaneous Carrying Costs" means property taxes, insurance premiums, building permits and other miscellaneous costs.
- 6. "Gross Rent and Rental Value" means the sum of:
 - (a) the money paid or payable to the Insured by tenants in respect of the rental of premises, including but not limited to basic rent, percentage rent, tenants' share of costs for common areas;
 - (b) the estimated annual rental value of the unoccupied portion or portions of the building(s); and
 - (c) including income derived from parking facilities, custodial services and other revenues.

All other terms and conditions remain unchanged.

