SOFT COSTS ENDORSEMENT (DELAYED OPENING)

Applicable to Builders Risk Insurance (Broad Form)

In the event of direct physical loss or damage insured against under this policy and subject to all of the conditions of this policy, coverage is hereby extended to include SOFT COSTS, as specified below, arising out of the resulting delay in completion of the project described in the Declarations of this policy as a result of direct physical loss or damage to the construction project due to a peril insured against.

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 from a peril insured against. 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.

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 herein, whichever first occurs.

LIMIT OF LIABILITY As stated in the Declaration Page of this Policy.

\$ Included

DEDUCTIBLE AND PERIOD OF INDEMNITY:

It is a condition of this insurance that no liability shall exist under this policy for any loss of Soft Costs and Rents at the property insured hereunder unless the delay exceeds fifteen (15) days 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 fifteen (15) days. The length of time of delay insured hereunder shall not be limited by the date of expiration of this policy, but recovery is limited to and not exceeding twenty-four (24) months.

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 endorsement nor for any increase of loss which may be occasioned by any local or provincial ordinance or law regulating constructions or repairs of buildings or structures, nor by the suspension, lapse or cancellation of any lease or license, contract or order, nor for delay of occupancy or use due to interference by strikers or other persons involved with the transportation of property, the construction of the project described herein, or with the rebuilding, repairing or replacing of property covered hereunder 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 incurring 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. It is agreed that limit of liability as specified herein 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:

- Financial Costs shall include Commitment Fees, Standby Fees, Letters of Credit, Land Rent, and Construction Loan Fees. 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 is defined as the additional interest that may be charged by lenders for the extension or renewal of interim financing necessary for the completion of the project.
- 3) Leasing and Marketing Expenses are defined as the costs incurred by the Insured for the re-leasing and re-marketing 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 are defined as the costs that may be incurred in arranging, refinancing, accounting work that may be necessary in restructuring the financing, legal work that may be necessary in preparing new documents.
- 5) Miscellaneous Carrying Costs shall include property taxes, insurance premiums and building permits and other miscellaneous costs.
- 6) Gross Rent and Rental Value is defined as the sum of:
 - a) The money paid or payable to the Insured by tenants in respect to 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(s) of the building(s); and
 - c) Including income derived from parking facilities, custodial services, and other revenues

MEASURE OF RECOVERY:

The measure of recovery in the event of loss hereunder shall be the reduction of "Gross Rental and Rental Value" less charges and expenses which do not necessarily continue during the period the building(s) is untenantable, but not exceeding the actual cost.