

BAILEES CUSTOMERS COVERAGE FORM

Various provisions in this Policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this Policy, the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we", "us" and "our" refer to the Company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section **F. Definitions**.

A. Coverage

We will pay for direct physical loss of or damage to Covered Property from any of the Covered Causes of Loss.

1. Covered Property

Covered Property, as used in this Coverage Form, means personal property of others including "Finished Stock", "Finished CBD Stock", "Stock In-Process", and "Harvested Cannabis Material" that is in your care, custody, or control.

2. Property Not Covered

Covered Property does not include:

- a. Accounts, bills, currency, cash, documents, records, deeds, evidences of debt, money, notes, securities or stamps;
- b. Animals, birds or fish;
- c. Automobiles, motor trucks, trailers or other vehicles that are licensed for use on public roads and are used to transport persons or property;
- d. Aircraft or watercraft;
- e. Furs, fur garments or garments trimmed with fur;
- f. Jewelry, watches, precious or semiprecious stones, bullion, gold, silver, platinum or other precious metals or alloys"
- g. Property while in the custody of other bailees unless the property is:
 - (1) At a premises described in the Declarations; or
 - (2) In the custody of a carrier for hire;
- h. Property while waterborne except while on ferries operating on the navigable waters of the Continental United States other than to and from Alaska;
- i. Property that you have accepted for storage or which you have issued a storage certificate. But if a Limit of Insurance is shown in the Declarations for storage, property that you have accepted

for storage is covered at the described premises, if you have issued a storage certificate for such property;

- j. Property shipped by mail; or
- k. Contraband, or property in the course of illegal transportation or trade;
- l. "Seeds", "Seedlings", "Vegetative Plants", or "Flowering Plants".

3. Covered Causes of Loss

Covered Causes of Loss means Direct Physical Loss or Damage to Covered Property except those causes of loss listed in the Exclusions.

4. Additional Coverages

a. Misidentification of Property

We will pay for loss or damage resulting from misidentification of the Covered Property caused by a Covered Cause of Loss.

This Additional Coverage does not increase the Limit of Insurance.

b. Debris Removal

- (1) We will pay your expenses to remove debris of Covered Property caused by or resulting from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the date of direct physical loss or damage.
- (2) The most we will pay under this Additional Coverage is 25% of:
 - (a) The amount we pay for the direct physical loss or damage to Covered Property; plus
 - (b) The deductible in this Policy applicable to that loss or damage.
- (3) Payment under this Additional Coverage will not increase the applicable Limit of Insurance, but if:
 - (a) The sum of direct physical loss or damage and debris removal

expense exceeds the Limit of Insurance; or

- (b) The debris removal expense exceeds the amount payable under the 25% limitation;

We will pay up to an additional \$5,000 in any one occurrence under this Additional Coverage.

- (4) This Additional Coverage does not apply to costs to:

- (a) Extract "pollutants" from land or water; or
- (b) Remove, restore or replace polluted land or water.

c. Pollutant Cleanup and Removal

We will pay your expense to extract "pollutants" from land or water if the discharge, dispersal, seepage, migration, release or escape of the "pollutants" is caused by or results from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the date on which the Covered Cause of Loss occurs.

This Additional Coverage does not apply to costs to test for, monitor or assess the existence, concentration or effects of "pollutants". But we will pay for testing which is performed in the course of extracting the "pollutants" from the land or water.

The most we will pay under this Additional Coverage is \$10,000 for the sum of all covered expenses arising out of Covered Causes of Loss occurring during each separate 12-month period of this Policy.

The limit for this Additional Coverage is in addition to the Limit of Insurance.

d. Preservation of Property

If it is necessary to move Covered Property from the described premises to preserve it from loss or damage by a Covered Cause of Loss, we will pay for any direct physical loss or damage to that property:

- (1) While it is being moved or while temporarily stored at another location; and
- (2) Only if the loss or damage occurs within 30 days after the property is first moved.

This Additional Coverage does not increase the Limit of Insurance.

B. Exclusions

- 1. We will not pay for loss or damage caused directly or indirectly by any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss or damage.

a. Ordinance or Law

- (1) The enforcement of or compliance with any ordinance or law:

- (a) Regulating the construction, use or repair of any property; or
- (b) Requiring the tearing down of any property, including the cost of removing its debris.

- (2) This exclusion applies whether the loss or damage results from:

- (a) An ordinance or law that is enforced even if the property has not been damaged; or
- (b) The increased costs incurred to comply with an ordinance or law in the course of construction, repair, renovation, remodeling or demolition of property, or removal of its debris, following a physical loss or damage to that property.

b. Governmental Action

Seizure or destruction of property by order of governmental authority.

But we will pay for loss or damage caused by or resulting from 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 this Coverage Form.

c. Nuclear Hazard

Nuclear reaction or radiation, or radioactive contamination, however caused.

But if nuclear reaction or radiation, or radioactive contamination results in fire, we will pay for the direct loss or damage caused by that fire if the fire would be covered under this Coverage Form.

d. War and Military Action

- (1) War, including undeclared or civil war;
- (2) Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or

- (3) Insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.

Exclusions **B.1.a** through **B.1.d.** apply whether or not the loss event results in widespread damage or affects a substantial area.

2. We will not pay for loss or damage caused by or resulting from any of the following:

- a. Theft from any vehicle that is left unattended, whether or not the vehicle was locked or secured, other than when the vehicle is inside a locked and secure building.
- b. Theft from any vehicle carrying "Finished Stock", "Finished CBD Stock", "Stock In-Process", or "Harvested Cannabis Material" displaying any verbiage or imagery relating to cannabis or marijuana on the outside of the vehicle.
- c. Delay, loss of use, loss of market or any other consequential loss.
- d. Unexplained disappearance.
- e. Shortage found upon taking inventory.
- f. Dishonest or criminal act (including theft) committed by:
- (1) You, any of your partners, employees (including temporary employees and leased workers), officers, directors, trustees, or authorized representatives;
- (2) A manager or a member if you are a limited liability company; or
- (3) Anyone else with an interest in the property, or their employees (including temporary employees and leased workers) or authorized representatives;
- whether acting alone or in collusion with each other or with any other party.

This exclusion applies whether or not an act occurs during your normal hours of operation.

This exclusion does not apply to acts of destruction by your employees (including temporary employees and leased workers) or authorized representatives; but theft by your employees (including temporary employees and leased workers) or authorized representatives is not covered.

- g. Pollution

Discharge, dispersal, seepage, migration, release or escape of "pollutants" unless the discharge, dispersal, seepage, migration, release or escape is itself caused by any of the "specified causes of loss". But if loss or damage by the "specified causes of loss" results, we will pay for the resulting damage, caused by the "specified causes of loss".

- h. Processing or work upon the property.
But if processing or work upon the property results in a fire or explosion, we will pay for the direct loss or damage caused by that fire or explosion if the fire or explosion would be covered under this Coverage Form.
- i. Artificially generated electrical, magnetic or electromagnetic energy that damages, disturbs, disrupts or otherwise interferes with any:

- (1) Electrical or electronic wire, device, appliance, system or network; or
- (2) Device appliance, system or network utilizing cellular or satellite technology; creating a short circuit or other electric disturbance within an article covered under this Coverage Form.

For the purpose of this exclusion, electrical, magnetic or electromagnetic energy includes but is not limited to, electrical current, including arcing; electrical charge produced or conducted by a magnetic or electromagnetic field; pulse of electromagnetic energy; electromagnetic waves or microwaves.

But if artificially generated electrical, magnetic or electromagnetic energy, as described above, results in fire or explosion, we will pay for the direct loss or damage caused by that fire or explosion if the fire or explosion would be covered under this Coverage Form.

This exclusion only applies to loss or damage to that article in which the disturbance occurs.

- j. Voluntary parting with any property by you or anyone entrusted with the property if induced to do so by any fraudulent scheme, trick, device or false pretense.
- k. Unauthorized instructions to transfer property to any person or to any place.

- l. Neglect of an insured to use all reasonable means to save and preserve property from further damage at and after the time of loss.
- m. The cost to research, replace or restore converted data, programs or instructions used in any data processing operations, including the materials on which the data is recorded.
- n. Theft by any person to whom you entrust the property for any purpose, whether acting alone or in collusion with any other party.

This exclusion applies whether or not an act occurs during your normal hours of operation.

- 3. We will not pay for loss or damage caused by or resulting from any of the following. But if loss or damage by a Covered Cause of Loss results, we will pay for the loss or damage caused by that Covered Cause of Loss.
 - a. Weather conditions. But this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in Paragraph 1. to produce the loss or damage.
 - b. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.
 - c. Wear and tear.
 - d. Any quality in the property that causes it to damage or destroy itself, hidden or latent defect, gradual deterioration.
 - e. Mechanical breakdown.
 - f. Insects, vermin, rodents.

C. Limits of Insurance

The most we will pay for loss or damage in any one occurrence is the applicable Limit of Insurance shown in the Declarations.

The most we will pay for loss or damage in any one occurrence for "Perishable Cannabis Inventory" is \$50,000. This sublimit falls within the limit shown for either "Finished Stock" or "Finished CBD Stock" in the Declarations.

D. Deductible

We will not pay for loss or damage in any one occurrence until the amount of the adjusted loss or damage before applying the applicable Limit of Insurance exceeds the Deductible shown in the Declarations. We will then pay the amount of the adjusted loss or damage in excess of the Deductible, up to the applicable Limit of Insurance.

E. Additional Conditions

- 1. The **Valuation** General Condition in the Commercial Inland Marine Conditions is replaced by the following:

The value of Covered Property will be the least of the following amounts:

- a. Actual Cash Value of the lost or damaged property;
- b. Cost of reasonably restoring the property to its condition immediately before the loss; or
- c. Cost of replacing the lost or damaged property with substantially identical property.

- 2. The following conditions apply in addition to the Commercial Inland Marine Conditions and the Common Policy Conditions:

- a. Coverage Territory

(1) We cover property wherever located within:

- (a) The United States of America (including its territories and possessions).

- b. Adjustment of Loss By You

When the total loss or damage covered by this Coverage Form is not more than \$500 in any one occurrence, you may settle and pay the loss or damage with the owners of that property.

You will have additional duties when you settle under this provision. You must:

- (1) Fully comply with all provisions of this Policy in your settlement; and
- (2) Promptly send us the properly completed statements of loss on the forms we have supplied to you.

We will reimburse you for any payment you make under this provision. We will do this within 30 days after we have received the statements of loss that we require.

F. Definitions

- 1. "Pollutants" means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapour, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

2. "Specified Causes of Loss" means the following:
Fire; lightning; explosion; windstorm or hail; smoke, aircraft or vehicles; riot or civil commotion; vandalism; leakage from fire extinguishing equipment; sinkhole collapse; volcanic action; falling objects; weight of snow, ice or sleet; "water damage".
 - a. Sinkhole collapse means 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:
 - (1) The cost of filling sinkholes; or
 - (2) Sinking or collapse of land into man-made underground cavities.
 - b. Falling objects does not include loss or damage to:
 - (1) Personal property in the open; or
 - (2) The interior of a building or structure, or property inside a building or structure, unless the roof or an outside wall of the building or structure is first damaged by a falling object.
3. "Water Damage" means accidental discharge or leakage of water or steam as the direct result of the breaking or cracking of any part of a system or appliance containing water or steam.
4. "Finished Stock" means finished cannabis stock and products containing cannabis and/or its derivatives with a tetrahydrocannabinol (THC) concentration greater than 0.3% that is a finalized product ready for sale. "Finished Stock" does not include "Harvested Cannabis Material" or "Stock In-Process". Further, "Finished Stock" does not include "Finished CBD Stock".
5. "Finished CBD Stock" means finished cannabis stock and products containing cannabis and/or its derivatives with a tetrahydrocannabinol (THC) concentration less than or equal to 0.3% that is a finalized product ready for sale. "Finished CBD Stock" does not include "Harvested Cannabis Material" or "Stock In-Process". Further, "Finished CBD Stock" does not include "Finished Stock".
6. "Harvested Cannabis Material" means mature cannabis plant material no longer in the growing medium, which is in the process of being dried. Further, it includes raw cannabis

materials that have completed the drying process, and is retained by you for further processing, extracting, refining, or manufacturing operations. "Harvested Cannabis Material" does not include "Stock In-Process", "Finished Stock" or "Finished CBD Stock".

7. "Stock In-Process" means partially finished cannabis goods or materials awaiting completion that are no longer "Harvested Cannabis Material" and are not yet "Finished Stock" or "Finished CBD Stock".
8. "Seeds" means an embryonic plant enclosed in a protective outer covering called the seed coat.
9. "Seedlings" means a young living cannabis plant no more than 4 inches in height or length.
10. "Vegetative Plants" means a young living plant that is not a "Flowering Plant".
11. "Flowering Plants" means a living plant that has started to flower but is not yet harvested.
12. "Cash in Transit" means bills, currency, cash, or money in transit.
13. "Perishable Cannabis Inventory" means "Finished Stock" or "Finished CBD Stock" that is required to be refrigerated or otherwise maintained under controlled conditions for its preservation and which is susceptible to loss or damage if the controlled conditions change.