

Due Diligence Report for MCN Acquisition

Prepared for:

City of Fort Bragg and Mendocino Unified School District

Prepared by:



Level Up Office Pro LLC – Sage Statham

Date: May 1st, 2025

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Executive Summary

This report summarizes findings from the due diligence review of the proposed acquisition of Mendocino Community Network (MCN), currently operated by the Mendocino Unified School District. The acquisition supports the City of Fort Bragg’s strategic goal to build a municipally owned broadband network that delivers affordable, reliable, high-speed internet services to residents and businesses.

The analysis highlights MCN’s operational potential alongside its structural and financial vulnerabilities. Despite strong customer loyalty and digital service offerings, MCN has experienced consistent operating losses and declining net position.

From FY20-21 through FY22-23, MCN showed resilience and financial recovery following the COVID-19 pandemic—despite its ineligibility for federal PPP assistance. However, a significant decline in FY23-24, both in net position and operating margin, as well as projected current year totals signals a reversal in this trend. Coupled with limited internal financial reporting in recent years, underscore the need for careful transition planning and fiscal oversight under City ownership.

Transaction Background and Objectives

The Mendocino Unified School District has agreed to transfer MCN to the City of Fort Bragg for \$500,000, payable over ten years. The City’s objective is to modernize and expand broadband infrastructure, using MCN’s assets as a foundation for municipal fiber deployment. The agreement includes operational assets, customer relationships, and staff.

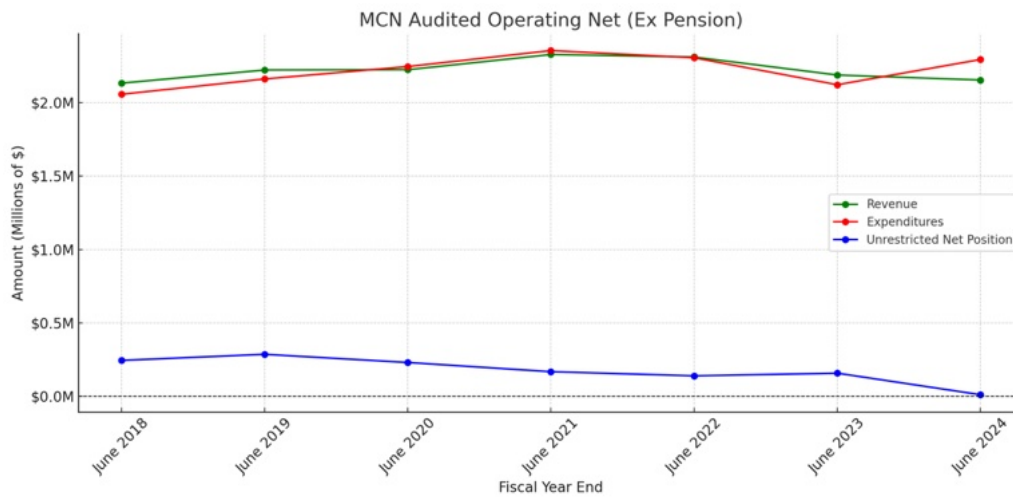
Financial Overview and Analysis

Revenue and Expense Trends

From FY17-18 through FY19-20, MCN had consistent financial performance, with operating revenue between \$2.1 million and \$2.3 million and modest year-end surpluses. During this time, the organization invested in fixed wireless infrastructure to support the launch of its Open Air service, which became operational in early FY20-21. These investments increased service and supply costs but were intended to transition MCN to a leaner, internally managed broadband model with stronger margins. In recent years operating losses became recurring, driven not by revenue decline but by a failure to scale down expenditures in line with the simplified Open Air service structure. By FY23-24, the organization recorded a \$167,531 loss and unrestricted net

position had fallen to just \$12,703, down from \$287,094 in FY18-19. These results reflect not only a structural imbalance between revenue and spending, but a lack of fiscal response to evolving business conditions.

In FY24–25 to date, actual monthly revenue has ranged from \$180K to \$193K, trailing the budgeted targets of \$210K+. Meanwhile, monthly expenses have consistently exceeded revenue, peaking near \$219K. This persistent gap has led to sustained monthly deficits and limits MCN’s financial resilience. While MCN has not produced formal cash flow forecasts, it has implemented a price increase in an effort to improve revenue. However, this measure also carries risk, as it may accelerate customer attrition, particularly among Fusion users. Some of the revenue from the price increase began in March and the rest in April so we do not yet have accurate numbers on how this has impacted their financial trend.

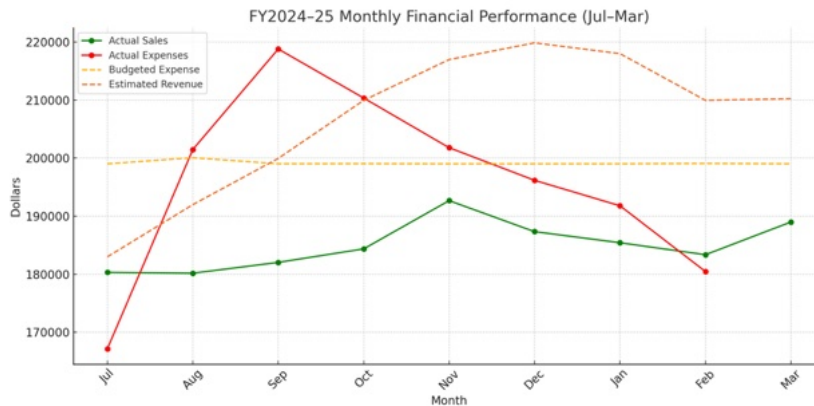


Source Data: Appendix A - MCN Audited Operating Net

Year-end data for FY23-24 shows that the Total Net Position (excluding pension) declined from \$198,111 in FY22-23 to just \$30,580—a drop of over \$167K. While the school district’s broader solvency supports the fund’s viability, this decline illustrates an unsustainable financial trajectory within the MCN operation itself.

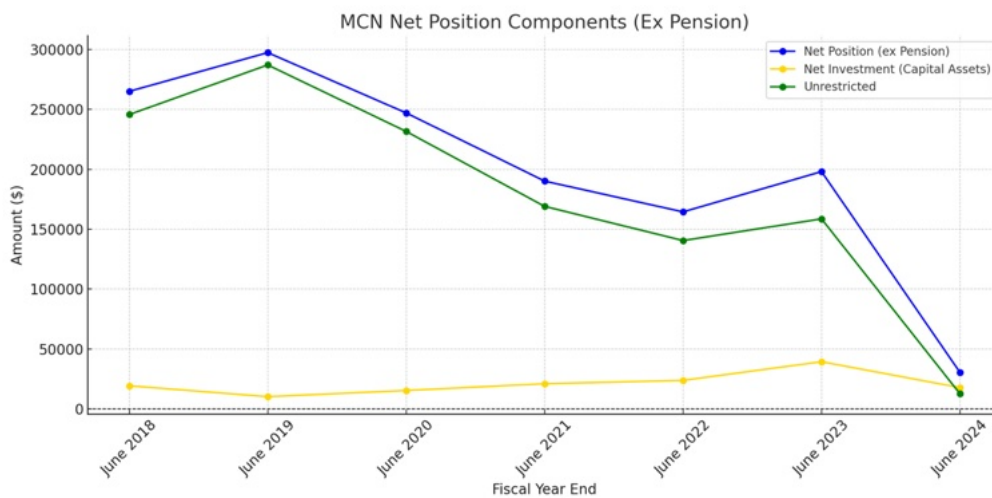
Q1 and Q2 of FY2025 further illustrate this trend:

Fiscal Quarter	Total Income	Total Expenses	Net Income
Q1 (Jul–Sep 2024)	\$540,650.33	\$570,087.00	–\$29,436.67
Q2 (Oct–Dec 2024)	\$564,725.92	\$616,766.00	–\$52,040.08
Q3 (Jan – Mar 2025)	\$557,766.54	-	



Net Position

The net position excluding pension for the period ending June 2024 was \$30,580—down significantly from \$198,111 in June 2023, marking a year-over-year decline of \$167,531. This shift followed three years of post-pandemic stabilization and signaled the beginning of a downward financial trend. That decline continued into FY24-25, with net losses of \$29,436.67 in Q1 and \$52,040.08 in Q2, resulting in a fully eroded net position and the fund now operating at a deficit. As operations transition from the school district to the City, this financial trajectory underscores the importance of a proactive stabilization strategy to ensure long-term sustainability under City management.



Source Data: Appendix B - MCN Audited Net Position

Valuation Estimate

The following valuation represents an updated estimate of MCN’s fair market value based on tangible assets, customer goodwill, and identified liabilities. While MCN holds meaningful operational assets and an active customer base, the current financial trajectory, infrastructure age, and operational liabilities reduce its net valuation.

Asset Category	Estimated Value	Notes
IPv4 Address Block (/20)	\$160,000	Based on current secondary market valuations
Capital Equipment	\$100,000	Includes wireless radios, firewalls, servers, switches, VOIP handsets
Office Equipment & Furniture	\$15,000	Includes desks, chairs, shelving, routers, phones, etc.
Goodwill / Customer Base	\$100,000 – \$125,000	Estimated based on recurring hosted service revenues and brand loyalty

Adjustments / Liabilities:

Category	Amount	Notes
Equipment Financing	–\$43,000	Outstanding lease/loan for capital equipment
Customer Credits	–\$55,092	Per FY2024 audit; transitional liability for pre-paid services
Risk Discount	–\$35,000 to –\$75,000	Accounts for aging Fusion infrastructure, end-of-life services, vacancies

After adjustments, this yields a revised valuation estimate of:
\$242,000 – \$327,000

This updated range reflects the actual net value of MCN as of early 2025, incorporating both asset potential and known financial risks.

Given that the proposed purchase price is \$500,000, the estimate indicates the offer exceeds current fair market value by approximately \$175K–\$260K

Human Resources and Personnel Review

Staffing

MCN currently employs seven full-time staff and one part-time employee, maintaining a staffing level just below the historical norm of eight FTEs. The team includes more technical personnel than in past years, positioning MCN to support infrastructure modernization such as fiber deployment. However, two key roles remain vacant, raising concerns about capacity and oversight.

Management

The MCN Manager brings strong technical expertise from his prior role as Operations Engineer and has been effective in maintaining core infrastructure. However, he was placed into a leadership role without a background in financial management or administrative oversight—and the support structures needed to bridge that gap were never fully established.

The Inside Operations Manager position, which historically provided key billing and financial support, has been vacant for several months. Even prior to that vacancy, the data suggests that the role had not been functioning effectively. The MCN Manager, with limited experience in financial administration, did not identify early indicators of performance issues, and concerns went largely unaddressed.

As a result, signs of deeper issues—reflected in the profit and loss statements and overall organizational performance—were not recognized until they had escalated and begun to impact broader operational stability. While technically capable, the Manager has not demonstrated the necessary capacity to oversee financial operations, enforce accountability, or implement timely corrective action. Strengthening administrative leadership and financial oversight will be essential to support a stable transition and future operational success.

Network Operations

A single Senior Network Administrator is responsible for maintaining MCN's entire infrastructure, including core servers, wireless links, virtual machines, and customer-facing systems. Historically, this responsibility was shared between two technical staff, allowing for coverage during absences and distributing the workload. Currently, the MCN Manager provides backup, which may not be sustainable long-term.

Looking ahead, network operations demand will increase significantly with the rollout of the new fiber infrastructure. The planning, configuration, testing, and deployment of fiber network equipment—including switches, routers, customer premise devices, and integration with existing systems—will require substantial engineering time and coordination. The current staffing level is not sufficient to meet these demands without risking service reliability or deployment delays. Reinstating a second technical operations position is strongly recommended.

Customer Support

The customer service team includes four full-time employees and one part-time technician. This team handles installations, phone/email support, and pre-sales technical inquiries. One employee

is bilingual—an asset to serving the region’s diverse population. Two team members have four or more years of experience; the remaining staff have less than three years.

This staffing level is likely appropriate to support the City’s planned rapid fiber deployment, especially given the increased customer onboarding and field service activity that will accompany infrastructure expansion. Maintaining or enhancing this team’s capacity will be critical to supporting service continuity and growth.

Billing

Two positions are designated to support billing operations: an Inside Operations Manager (currently vacant) and an Inside Operations Agent. The Agent handles customer-facing billing support and front-office responsibilities. In the absence of the Operations Manager, oversight of billing systems, reconciliation, and budget adherence may be lacking. Currently, the Mendocino Unified School District’s Chief Business Officer (CBO) provides assistance with higher-level financial oversight and support due to this vacancy.

Going forward, the City will want to keep a dedicated billing staff member, like the Inside Operations Agent, due to the high volume and technical nature of MCN’s billing processes, which include complex service tiers, VOIP, storage subscriptions, and other technical billing issues. However, broader financial reporting, budgeting, and oversight functions could be absorbed by the City’s existing finance department, assuming adequate coordination and knowledge transfer occur during transition.

Technology and Operations Assessment

Billing Systems

MCN uses Platypus ISP Billing Software, a specialized yet cost-effective platform for managing complex ISP billing requirements. The system supports dynamic service tiers, VOIP licenses, email storage, and tax applications, but requires experienced staff to maintain data integrity and accuracy.

Fusion

Fusion is a bundle of DSL internet and Plain Old Telephone Service (POTS). Fusion is a resold product provided by Sonic Telecom in Santa Rosa. Fusion currently is the largest budget item at MCN. Fusion customers can be transitioned to fiber and paired with MCN’s Digital Voice service. Fusion is offered in a single speed that is distance sensitive. Customers are connecting at between 1.5 Mb/s to 150 Mb/s depending on their distance from the central office. Fusion also includes POTS with unlimited local and long distance and the phone works when the power is out. Fusion is billed to customers with both the data and phone service included in the price. Sonic is no longer selling Fusion service to new customers so new customers are being directed to Open Air and customers are upgrading their service from Fusion to Open Air.

Fusion	Monthly
Fusion Res Single	\$93.73 (Including Taxes)
Fusion Res Bonded	\$158.51 (Including Taxes)
Fusion Bus Single	\$105.73 (Including Taxes)
Fusion Bus Bonded	\$171.51 (Including Taxes)

Fusion Rental Equipment	
Single	\$6.00
Wireless	\$8.00
Bonded	\$10.00

This product line is in rapid decline industry-wide and is considered end-of-life. Sonic has the right to terminate service with only 90 days' notice. Migrating Fusion customers to alternative platforms is a high priority to prevent service disruption and revenue loss.

Open Air

Open Air Internet is a fixed wireless internet connection operating in the 5 GHz wireless radio frequency (not to be confused with 5G cellular service). Open Air is a tiered service with speed offerings of 50 Mb/s -250 Mb/s and is data only. Customers transitioning from Fusion to Open Air can convert their POTS line to Digital Voice and are usually saving money in the process.

Open Air			
Residential 50Mb/s	\$54.95	Residential Long Range 6Mb/s	\$50.00
Residential 100Mb/s	\$74.95	Residential Long Range 12Mb/s	\$70.00
Residential 250 Mb/s	\$139.95	Residential Long Range 18Mb/s	\$90.00
Business 50Mb/s	\$64.95	Residential Long Range 25Mb/s	\$110.00
Business 100Mb/s	\$84.95	Business Long Range 6Mb/s	\$60.00
Business 250 Mb/s	\$159.95	Business Long Range 12Mb/s	\$80.00
Extenders	\$5.00	Business Long Range 18Mb/s	\$100.00
		Business Long Range 25Mb/s	\$120.00

Hosted Services

MCN provides standard hosting packages including Web Hosting, Domain Hosting, Domain Registration, Email, and Digital Voice phone service. Some of these items are currently bundled with connectivity services and all can be purchased separately. Hosted services provide nearly as much net revenue as connectivity services but are flat in sales other than Digital Voice.

Digital Voice	
Residential	\$20.00
Business	\$30.00

Fax To Email	\$6.00
Toll Free	\$6.00
Guest Ext	\$10.00

Web Services	
Domain Registration	\$19.95 (varies by TLD)
Domain Service	\$5.00
Web Hosting	\$5.00
MySQL Database	\$5.00
DNS Monthly Service	\$5.00

Email Storage	Bundled Account	Paid Account	Paid Account
Up to 250 MB	Included	Included	\$4.00
250 MB to 500 MB	\$1.00	Included	\$4.00
500 MB to 1 GB	\$2.00	Included	\$4.00
1 GB to 2 GB	\$3.50	\$1.00	\$5.00 total
2 GB to 5 GB	\$5.00	\$2.50	\$6.50 total
5 GB to 20 GB	\$8.95	\$6.50	\$10.50 total
20GB to 50GB	\$10.95	\$8.50	\$12.50 total
50GB to 80GB	\$12.95	\$10.50	\$14.50 total
80GB to 125GB	\$14.95	\$12.50	\$16.50 total

Customer Churn and Growth Rates

Service	YTD Churn	Previous Year Churn
DNS	3%	12%
Email	4%	0%
Fusion (DSL)	10%	11%
Open Air (Wireless)	-2%	-11%
VOIP	-14%	-11%

Customer trends reflect a clear divergence between legacy services and growth opportunities. Fusion, MCN's resold DSL product, shows consistent decline, with churn of 10–11% over both timeframes, reinforcing the urgency of transitioning customers to modern platforms before further erosion. Email services remain stable with only minor fluctuation, while DNS shows short-term growth but significant long-term decline, which may stem from service consolidation or changing customer behavior. In contrast, Open Air wireless and VOIP services have experienced net customer growth over the last one to two years, suggesting these product lines may represent scalable opportunities under City ownership. These trends support prioritizing investment in VOIP and wireless expansion while accelerating depreciation of Fusion.

Cybersecurity

MCN maintains firewalls at both its main office and its colocation facility, providing a strong perimeter defense for network traffic. Data is stored on multiple servers within the colocation environment, with built-in redundancy. A NetApp NAS device provides network-attached storage for daily operations and serves as a backup repository. These servers are firewalled, SSH key protected, and access is IP-restricted in accordance with best practices. While these safeguards offer meaningful protections, a full cybersecurity audit is recommended post-acquisition to evaluate current vulnerabilities, enhance monitoring protocols, and ensure systems remain up to date.

Risk Management and Compliance

Vendor Continuity

It is assumed that all major vendors (e.g., Sonic, TPX) will allow the City to assume existing service agreements. However, formal confirmations should be secured during contract review.

Customer Credits

MCN's 2024 audit identifies \$55,092 in customer credits, which should be accounted for as part of the City's transitional liability planning.

Service Transition

There is no anticipated service disruption during transfer, as equipment and infrastructure will remain at their current colocation facilities. IP space is actively in use, though a portion is available for expansion or reassignment under City control.

Insurance Risk Exposure

MCN currently maintains general liability insurance (Appendix D: Certificate of Insurance) and has also provided a copy of its professional liability policy, which includes cyber liability coverage (Appendix E: Professional Insurance). This coverage helps mitigate potential City exposure related to past network incidents, data breaches, or operational failures. However, to fully evaluate risk, the City should review both policies' terms, limits, exclusions, and any active or prior claims. Despite the presence of cyber and professional liability coverage, it remains prudent for the City to include indemnification clauses in the purchase agreement to protect against liabilities arising from pre-acquisition events that may fall outside the scope of coverage.

Regulatory Agencies

The City must register as a service provider with the Universal Service Administrative Company (USAC) and establish new accounts for E-rate participation and other relevant Universal Service Fund programs. The City will also need to register with the FCC and maintain compliance with 911 obligations, number portability, CALEA, and other VoIP-specific regulations.

Equipment and Asset Inventory

As part of the acquisition, the City of Fort Bragg will assume ownership of a broad inventory of equipment that supports MCN’s broadband, VOIP, and hosted service operations. This includes fixed wireless infrastructure at regional access points, long-range outdoor radios, customer premises equipment, VOIP handsets and adapters, and high-performance hardware such as Palo Alto firewalls, NetApp storage systems, and SuperMicro virtualization servers housed at MCN’s Sacramento colocation facility. The inventory also includes essential office hardware—routers, switches, battery backup systems, provisioning tools, and structured cabling—as well as all office furniture, shelving, and workstation equipment needed for day-to-day operations. While this document summarizes key categories of equipment, it is not intended to be exhaustive. The assumption guiding this transition is that all equipment and materials currently used or stored by MCN will be transferred to the City, unless the Mendocino Unified School District (MUSD) provides a specific exclusion list identifying items to be retained.

Wireless Access Point Equipment

Location	Key Equipment
MCN Office / Swithenbank	CRS310, A5C, Wave AP, RB40
PFI Chestnut / Main St	UB60, A5C, B24, BATT
Harbor Lite / Sports Club	WS12, N45X2, UB60LR, BATT
Colombi’s Market / Redwood	CCR, A5C, UB60LR, Wave AP
Mendo Litho / North Coast	N5360, A5X, UB60LR, C5X
RCSC Senior Center	CAB, WS12, UB60LR, Power Units
Bald Hill / Bruhel / Berger	N5X20, B5C, LITHBATT, TP Mounts

Open Air Inventory – Approximate Stock

Device	Qty
C5X Radio	26
C5C	4
C5	4
A5X	6
B24	3
Wave LR	2
UB60-LR	5
LiteBeamACXR	1
WiFrost CPE	5
PBE M5 620	2
Wave AP	3
Wave AP Micro	4
Wave Nano	4
Wave Pico	1
Nano Beam 5AC	4
Lite Beam 5AC	4
RB4011	3
RB5011	3
Mikrotik MDU	5
Mikrotik MDU PRO	5
Nano Station	8

N5X16 (Antenna)	3
N5X20 (Antenna)	16
N5X25 (Antenna)	12
Mimosa NID	14
J-Arm Small	20
J-Arm Medium	25
J-Arm Large	22

Open Air Long Range Equipment

Device	Qty
airFiber 5X	2
airFiber 5XHD	2
ISO Station 5AC	1
LiteAP GPS	1
LiteBeam 5AC Gen2	4
NanoBeam 5AC 16	2
NanoBeam 5AC Gen2	24
NanoBeam M5 16	3
NanoBridge M5	1
NanoStation 5AC loco	12
NanoStation loco M5	1
NanoStation loco M900	2
NanoStation M2	2
PowerBeam 5AC 400	1
PowerBeam 5AC 500	2
PowerBeam 5AC Gen2	10
PowerBeam 5AC ISO Gen2	3
PowerBeam M5 300	1
PowerBeam M5 400	6
Rocket 5AC Lite	1
Rocket M5	5
Rocket M900	2
Rocket Prism 5AC Gen2	1
RBD53iG-5HacD2HnD	3
RBD52G-5HacD2HnD	1
RB952Ui-5ac2nD	28
Netonix WS-6	1
Mikrotik Powerbox Pro	1
Rocket Dish 2' (to bruhel)	1
Rocket Dish 2' (to bald)	1
Mikrotik Hex-S	1
Netonix WS-12-250-DC	1
Meanwell NDR-480-24	1
100AH AGM Battery	2
Din fuse block	1
Din breakers	2
RF Ultradish TP-27	3
RF Elements Asym 30° Horn	1

Ubiquiti Edgerouter-X SFP	1
Tycon TP-DIN Voltage monitor	1
Tycon SCPOE-2424-HP	1
Ubiquiti 13dbi 5GHz Omni	1

Colocation Facility Equipment

Device	Qty
Palo Alto Edge Firewall	1
Mikrotik Router Edge Device	1
Cisco Switches	2
Cisco Router	1
PDU Strips	4
KVM w/ Monitor & Keyboard	1
NetApp Filer 2020	1
NetApp Filer 2552	1
NetApp Filer AFF250	1
NetApp Cluster Switches	2
SuperMicro 1U (VMWare)	3
SuperMicro Admin Server	1

Grandstream VOIP Inventory

Device	Qty
GRP2636	16
GRP2634	17
GRP2616	19
WP822	17
GRP611	27
GRP621W	7
GXP2130	8
GXP2170	2
GXP2200 EXT	1
HT802/1	22
HT814	10
DP750	5
DP720	2
TP Link SW	7
TP Link WiFi Adaptor	2

Office Equipment

Item	Qty
3-way Phone Splitters	25
Single Line Filters	142
Dual Line Filter	1
TP-Link Travel Router	3
TP-Link Switch	7
Power Strip	1
Cyber Power Battery	1

Assorted Ethernet Cables	200
Ethernet Surface Jack	40

Office Furniture

Item	Qty	Description	Condition
Computer Desk	12	Wood laminate, 5' wide, mixed sizes	Good
Standing Desk Mounts	8	Ergo Desktop Electric Kangaroo Elite	Good
Rolling Office Chair	13	Mixed brands and condition	Fair-Good
Misc. Table Piece	5	Wood laminate, mixed sizes	Good
Filing Cabinet	7	Wood laminate, mixed sizes	Good
Bookshelf	5	Wood laminate, mixed sizes	Good
Drafting Table	1	Wood laminate, table top only, 8' long	
Metro Shelving	7	Constructed shelving units, mixed sizes	

Appendices and Supporting Documentation

- **Appendix A** - MCN Audited Operating Net
- **Appendix B** - MCN Audited Net Position
- **Appendix C** - Fiscal Year 23-24 Audit Report
- **Appendix D** - Certificate of Insurance
- **Appendix E** - Professional Insurance

Appendix A - MCN Audited Operating Net

MCN Audited Operating Net (ex Pension)

Operating Net	June 2024	June 2023	June 2022	June 2021	June 2020	June 2019	June 2018
Operating Revenue	2,153,148	2,187,053	2,309,537	2,326,647	2,223,364	2,221,115	2,131,734
Total Revenue	2,153,148	2,187,053	2,309,537	2,326,647	2,223,364	2,221,115	2,131,734
Salary/Benefits (ex Pension)*	830,020	752,024	857,932	837,753	802,654	784,370	720,667
Supplies/Materials	128,520	104,946	96,195	78,909	107,186	65,690	53,954
Professional Services	1,294,820	1,224,747	1,324,755	1,410,855	1,327,318	1,288,884	1,260,011
Depreciation	39,328	39,328	25,730	25,730	7,719	21,242	21,243
Total Expenditures	2,292,688	2,121,045	2,304,612	2,353,247	2,244,877	2,160,186	2,055,875
Total Operating Income/(Loss)	(139,540)	66,008	4,925	(26,600)	(21,513)	60,929	75,859
Non-Operating Net							
Interest Income	2,990	(1,246)	271	532	2,817	2,689	1,532
Transfers in	9,019	8,866	9,094	9,194	8,365	8,729	8,753
Net donation to district	(40,000)	(40,000)	(40,000)	(40,000)	(40,000)	(40,000)	(40,000)
Total Non-Operating Rev/(Exp)	(27,991)	(32,380)	(30,635)	(30,274)	(28,818)	(28,582)	(29,715)
Operating Net (ex Pension) - Profit/(Loss)	(167,531)	33,628	(25,710)	(56,874)	(50,331)	32,347	46,144
Balance Sheet Net Position (ex Pension)	(167,531)	33,628	(25,710)	(56,874)	(50,331)	32,347	46,144
*Salary/Benefit Adjustmenf for Pension	17,146	(87,504)	68,646	(93,850)	(93,268)	(45,237)	(26,968)

Appendix B - MCN Audited Net Position

Net Position - ex Pension	June 2024	June 2023	June 2022	June 2021	June 2020	June 2019	June 2018
Current Assets	151,177	188,377	197,914	232,847	306,371	347,880	303,709
Non-Current Assets	81,963	121,291	54,032	79,762	15,439	23,158	44,400
Total Assets	233,140	309,668	251,946	312,609	321,810	371,038	348,109
Current Liabilities	109,287	33,765	75,220	60,083	43,520	47,329	43,207
Non-Current Liabilities	93,273	77,792	12,243	62,333	31,223	26,311	39,851
Total Liabilities	202,560	111,557	87,463	122,416	74,743	73,640	83,058
<i>excl Pension Costs</i>							
Net Position (ex Pension)	30,580	198,111	164,483	190,193	247,067	297,398	265,051
Change in Net Position (ex Pension)	(167,531)	33,628	(25,710)	(56,874)	(50,331)	32,347	46,144
Components of Net Position (ex Pension)							
Net Investment Capital Assets	17,877	39,438	23,908	21,097	15,439	10,304	19,346
Unrestricted	12,703	158,673	140,575	169,096	231,628	287,094	245,705

Appendix C - Fiscal Year 23-24 Audit Report

MENDOCINO COMMUNITY NETWORK
(A PROPRIETARY FUND OF THE
MENDOCINO UNIFIED SCHOOL DISTRICT)
MENDOCINO, CALIFORNIA

AUDIT REPORT
JUNE 30, 2024

**MENDOCINO COMMUNITY NETWORK
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JUNE 30, 2024**

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FINANCIAL SECTION

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTSIndependent Auditors' Report

Governing Board
Mendocino Community Network
Mendocino Unified School District
Mendocino, California

Report on the Audit of the Financial Statements***Opinion***

We have audited the accompanying Financial Statements of the Mendocino Community Network, a Proprietary Fund within the Mendocino Unified School District, for the year ended June 30, 2024, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Mendocino Community Network, as of June 30, 2024, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Mendocino Unified School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Mendocino Unified School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Mendocino Community Network's 2022-23 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 29, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Organization/Board of Education/Administration but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2025 on our consideration of the Mendocino Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters specific to the Mendocino Community Network. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Mendocino Unified School District internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mendocino Unified School District's internal control over financial reporting and compliance specific to the Mendocino Community Network.

Christy White, Inc.

San Diego, California
March 26, 2025

MENDOCINO COMMUNITY NETWORK
STATEMENT OF NET POSITION
JUNE 30, 2024
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2023)

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
ASSETS		
Current assets		
Cash and investments	\$ 135,481	\$ 165,469
Accounts receivable	11,977	18,414
Prepaid expenses	3,719	4,494
Total current assets	<u>151,177</u>	<u>188,377</u>
Non-current assets		
Capital assets, net of accumulated depreciation	81,963	121,291
Total non-current assets	<u>81,963</u>	<u>121,291</u>
Total Assets	<u>233,140</u>	<u>309,668</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	331,604	331,674
Total Deferred Outflows of Resources	<u>331,604</u>	<u>331,674</u>
LIABILITIES		
Current liabilities		
Accrued liabilities	34,740	2,289
Unearned revenue	55,092	13,709
Financed purchases, current portion	19,455	17,767
Total current liabilities	<u>109,287</u>	<u>33,765</u>
Non-current liabilities		
Net pension liability	1,114,437	1,135,712
Financed purchases, non-current portion	44,631	64,086
Compensated absences	48,642	13,706
Total non-current liabilities	<u>1,207,710</u>	<u>1,213,504</u>
Total Liabilities	<u>1,316,997</u>	<u>1,247,269</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	125,811	121,752
Total Deferred Inflows of Resources	<u>125,811</u>	<u>121,752</u>
NET POSITION		
Net investment in capital assets	17,877	39,438
Unrestricted	(895,941)	(767,117)
Total Net Position	<u>\$ (878,064)</u>	<u>\$ (727,679)</u>

The accompanying notes are an integral part of these financial statements.

**MENDOCINO COMMUNITY NETWORK
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2023)**

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
OPERATING REVENUE		
Charges for services	\$ 2,153,148	\$ 2,187,053
Total operating revenues	<u>2,153,148</u>	<u>2,187,053</u>
OPERATING EXPENSE		
Salaries and benefits	812,874	839,528
Supplies and materials	128,520	104,946
Professional services	1,294,820	1,224,747
Depreciation	39,328	39,328
Total operating expenses	<u>2,275,542</u>	<u>2,208,549</u>
Operating income/(loss)	<u>(122,394)</u>	<u>(21,496)</u>
NON-OPERATING REVENUES/(EXPENSES)		
Interest income	2,990	(1,246)
Transfers in from District	9,019	8,866
Net donation to District	(40,000)	(40,000)
Total non-operating revenues/(expenses)	<u>(27,991)</u>	<u>(32,380)</u>
CHANGE IN NET POSITION	(150,385)	(53,876)
Net Position - Beginning	<u>(727,679)</u>	<u>(673,803)</u>
Net Position - Ending	<u>\$ (878,064)</u>	<u>\$ (727,679)</u>

The accompanying notes are an integral part of these financial statements.

**MENDOCINO COMMUNITY NETWORK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2023)**

	June 30, 2024	June 30, 2023
Cash flows from operating activities		
Cash received from user charges	\$ 2,200,968	\$ 2,183,583
Cash payments for payroll, insurance, and operating costs	(2,185,198)	(2,113,846)
Net cash provided by (used for) operating activities	<u>15,770</u>	<u>69,737</u>
Cash flows from non-capital financing activities		
Interfund transfers in (out)	(30,981)	(31,134)
Net cash provided by (used for) non-capital financing activities	<u>(30,981)</u>	<u>(31,134)</u>
Cash flows from capital and related financing activities		
Financed purchase payments	(17,767)	(54,858)
Net cash provided by (used for) in capital and related financing activities	<u>(17,767)</u>	<u>(54,858)</u>
Cash flows from investing activities		
Interest received	2,990	(1,246)
Net cash provided by (used for) investing activities	<u>2,990</u>	<u>(1,246)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(29,988)</u>	<u>(17,501)</u>
 CASH AND CASH EQUIVALENTS		
Beginning of year	165,469	182,970
End of year	<u>\$ 135,481</u>	<u>\$ 165,469</u>
 Reconciliation of operating income (loss) to cash provided by (used for) operating activities		
Operating income (loss)	\$ (122,394)	\$ (21,496)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	39,328	39,328
Changes in assets, liabilities, deferred outflows, deferred inflows:		
(Increase) decrease in accounts receivable	6,437	(3,470)
(Increase) decrease in prepaid expenses	775	(4,494)
(Increase) decrease in deferred outflows of resources	70	(137,548)
Increase (decrease) in accrued liabilities	32,451	(26,359)
Increase (decrease) in unearned revenue	41,383	(2,739)
Increase (decrease) in compensated absences	34,936	1,463
Increase (decrease) in net pension liability	(21,275)	433,063
Increase (decrease) in deferred inflows of resources	4,059	(208,011)
Net cash provided by (used for) operating activities	<u>\$ 15,770</u>	<u>\$ 69,737</u>

The accompanying notes are an integral part of these financial statements.

**MENDOCINO COMMUNITY NETWORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Mendocino Community Network (MCN) was established by the Mendocino Unified School District (District) in 1994 to provide internet services to the school district and not-for-profit organizations within the community.

MCN has developed a solid customer base of analog dialup subscribers, DSL, web hosting, and local and long-distance phone service in the Mendocino and Fort Bragg areas. MCN is a proprietary fund of the District. The financial statements present only MCN and do not purport to, and do not, present fairly the financial position of the District as a whole.

B. Basis of Accounting – Measurement Focus

These statements are prepared on the accrual basis of accounting. Under this method, revenues from services and interest are recognized when earned and expenses are recognized when goods or services have been rendered.

The accounts of MCN are organized on the basis of funds, each of which is considered a separate accounting entity. MCN only maintains one fund, the Mendocino Community Network Fund. This fund is a proprietary fund type, which is a fund that is used to account for activities similar to those found in the private sector, where determination of net income is necessary or useful to sound financial administration.

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

Cash and Cash Equivalents

MCN's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Management considers all accounts receivable outstanding less than 60 days to be fully collectible. At June 30, 2024 and 2023 all accounts over 60 days old are excluded from the balance of accounts receivable.

Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. MCN maintains a capitalization threshold of \$5,000. MCN does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over 3 to 20 years depending on asset type:

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. Accumulated sick leave benefits are not recognized as liabilities of MCN. MCN's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

MENDOCINO COMMUNITY NETWORK
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position, (continued)

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, MCN will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, MCN will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plan (the Plan) of the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

D. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

E. Income Taxes

MCN is a political subdivision of the State of California and is not liable for Federal and State income taxes.

**MENDOCINO COMMUNITY NETWORK
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. New Accounting Pronouncements

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The statement addresses various practice issues, including: (a) clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives, (b) disclosures related to nonmonetary transactions; clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements, (c) terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and (d) terminology used in Statement 53 to refer to resource flows statements. A portion of this statement was effective upon issuance, while the remaining portions of this statement were effective for periods beginning after June 15, 2022 and for periods beginning after June 15, 2023. MCN has fully implemented this Statement as of June 30, 2024.

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for periods beginning after June 15, 2023. MCN has fully implemented this Statement as of June 30, 2024.

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for periods beginning after December 15, 2023. MCN has not yet determined the impact on the financial statements.

GASB Statement No. 102 – In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. This statement is effective for periods beginning after June 15, 2024. The MCN has not yet determined the impact on the financial statements.

GASB Statement No. 103 – In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues. The statement is effective for periods beginning after June 15, 2025. The MCN has not yet determined the impact on the financial statements.

**MENDOCINO COMMUNITY NETWORK
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024**

NOTE 2 – CASH AND INVESTMENTS

Cash and investments consisted of the following:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Investment in county treasury	\$ 69,151	\$ 73,535
Fair value adjustment	-	(1,340)
Cash on hand and in banks	51,330	78,274
Cash in revolving fund	15,000	15,000
Total cash and investments	<u>\$ 135,481</u>	<u>\$ 165,469</u>

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, MCN’s deposits may not be returned to it. MCN does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2024, MCN’s bank balance was not exposed to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. MCN manages its exposure to interest rate risk by investing in the County Treasury. MCN maintains a pooled investment with the County Treasury with an amortized cost of \$69,151 and a fair value of approximately \$68,986 at June 30, 2024. The average weighted maturity for this pool is 485 days.

**MENDOCINO COMMUNITY NETWORK
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2024**

NOTE 2 – CASH AND INVESTMENTS (continued)

Fair Value

MCN categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include MCN’s own data. MCN should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to MCN are not available to other market participants.

Uncategorized - Investments in the Mendocino County Treasury Investment Pool are not measured using the input levels above because MCN’s transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

MCN’s fair value measurements at June 30, 2024 were as follows:

	Uncategorized
Investment in county treasury	<u>\$ 68,986</u>
Total	<u>\$ 68,986</u>

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2024 and 2023 consisted of the following:

	June 30, 2024	June 30, 2023
Fees for service	<u>\$ 11,977</u>	<u>\$ 18,414</u>
Total	<u>\$ 11,977</u>	<u>\$ 18,414</u>

**MENDOCINO COMMUNITY NETWORK
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

	Balance July 01, 2023	Additions	Deletions	Balance June 30, 2024
Capital assets being depreciated				
Buildings & improvements	\$ 66,234	\$ -	\$ -	\$ 66,234
Furniture & equipment	341,930	-	-	341,930
Total Capital Assets Being Depreciated	408,164	-	-	408,164
Less Accumulated Depreciation				
Buildings & improvements	66,234	-	-	66,234
Furniture & equipment	220,639	39,328	-	259,967
Total Accumulated Depreciation	286,873	39,328	-	326,201
Capital Assets, net	\$ 121,291	\$ (39,328)	\$ -	\$ 81,963

NOTE 5 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2024 consisted of the following:

	Balance July 01, 2023	Additions	Deductions	Balance June 30, 2024	Balance Due In One Year
Financed purchases	\$ 81,853	\$ -	\$ 17,767	\$ 64,086	\$ 19,455
Compensated absences	13,706	34,936	-	48,642	-
Net pension liability	1,135,712	-	21,275	1,114,437	-
Total	\$ 1,231,271	\$ 34,936	\$ 39,042	\$ 1,227,165	\$ 19,455

Financed purchase

Mendocino Community Network entered into an agreement for networking and storage devices which provides for title to pass upon expiration of the agreement period. Future minimum payments at June 30, 2024 were as follows:

Year Ended June 30,	Payment
2025	\$ 25,543
2026	25,543
2027	25,543
Total minimum payments	76,629
Less amount representing interest	(12,543)
Present value of minimum payments	<u>\$ 64,086</u>

Compensated absences

Total unpaid employee compensated absences as of June 30, 2024 amounted to \$48,642.

Net pension liability

MCN's beginning net pension liability was \$1,135,712 and decreased by \$21,275 during the year ended June 30, 2024. The ending net pension liability at June 30, 2024 was \$1,114,437. See Note 8 for additional information regarding the net pension liability.

**MENDOCINO COMMUNITY NETWORK
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024**

NOTE 6 – UNEARNED REVENUE

Unearned revenue in the amount of \$55,092 and \$13,709 as of June 30, 2024 and 2023, respectively, consists of prepayments of service fees collected in advance.

NOTE 7 – DONATION TO THE DISTRICT/INTERFUND TRANSFERS

MCN made the following donations to the Mendocino Unified School District’s governmental operations:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Contribution to the District's General Fund	\$ 40,000	\$ 40,000
Total	<u>\$ 40,000</u>	<u>\$ 40,000</u>

Mendocino Unified School District transferred the following amounts from other District Funds to MCN for telephone services:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Transfer in from District	\$ 9,019	\$ 8,866
Total	<u>\$ 9,019</u>	<u>\$ 8,866</u>

NOTE 8 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Classified employees are members of the California Public Employees' Retirement System (CalPERS). MCN reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources as follows:

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
CalPERS	\$ 1,114,437	\$ 331,604	\$ 125,811	\$ 110,293
Total	<u>\$ 1,114,437</u>	<u>\$ 331,604</u>	<u>\$ 125,811</u>	<u>\$ 110,293</u>

**MENDOCINO COMMUNITY NETWORK
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024**

NOTE 8 – PENSION PLANS (continued)

California Public Employees' Retirement System (CalPERS)

Plan Description

MCN contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits Provided

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 7.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

MCN is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2024 was 26.68% of annual payroll. Contributions to the plan from MCN were \$127,439 for the year ended June 30, 2024.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2024, MCN reported a liability of \$1,114,437 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2022 and rolling forward the total pension liability to June 30, 2023. The MCN's proportion of the net pension liability was based on a projection of the MCN's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2023, the MCN's proportion was 0.003 percent, which did not change from its proportion measured as of June 30, 2022.

**MENDOCINO COMMUNITY NETWORK
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024**

NOTE 8 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

For the year ended June 30, 2024, MCN recognized pension expense of \$110,293. At June 30, 2024, MCN reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 111,151	\$ -
Differences between expected and actual experience	37,975	15,982
Changes in assumptions	47,940	-
Changes in proportion and differences between MCN contributions and proportionate share of contributions	7,099	109,829
MCN contributions subsequent to the measurement date	127,439	-
	<u>\$ 331,604</u>	<u>\$ 125,811</u>

The \$127,439 reported as deferred outflows of resources related to pensions resulting from MCN contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2025	\$ 62,487	\$ 31,606
2026	50,921	17,332
2027	85,434	8,981
2028	5,323	67,892
	<u>\$ 204,165</u>	<u>\$ 125,811</u>

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2022, and rolling forward the total pension liability to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Discount Rate	6.90%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 80% of scale MP 2020.

**MENDOCINO COMMUNITY NETWORK
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024**

NOTE 8 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Actuarial Assumptions (continued)

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from 2000 through 2019.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*
Global Equity – cap-weighted	30.0%	4.54%
Global Equity – non-cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed securities	5.0%	0.50%
Investment grade corporates	10.0%	1.56%
High yield	5.0%	2.27%
Emerging market debt	5.0%	2.48%
Private debt	5.0%	3.57%
Real assets	15.0%	3.21%
Leverage	(5.0)%	(0.59)%
	<u>100.0%</u>	

*An expected inflation of 2.30% used for this period. Figures are based on the 2021-22 CalPERS Asset Liability Management Study

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

**MENDOCINO COMMUNITY NETWORK
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024**

NOTE 8 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Sensitivity of MCN’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents MCN’s proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the MCN’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
MCN's proportionate share of the net pension liability	\$ 1,611,188	\$ 1,114,437	\$ 703,884

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 9 – CONTINGENT LIABILITIES AND SUBSEQUENT EVENTS

In November 2024, Mendocino Unified School District accepted a proposal from the City of Fort Bragg to purchase MCN for \$500,000, to be paid over ten years. Under the proposal, the City of Fort Bragg has stated it “would continue to service MCN customers, including those residing outside city limits, maintaining the same high-quality service MCN customers have come to rely on. Additionally, all current MCN staff members would become the City of Fort Bragg employees, ensuring continuity in operations and customer support, pending approval by the Fort Bragg City Council. The anticipated closing date of the sale is June 30, 2025.

There are no known material contingent liabilities or additional significant subsequent events relating to the Mendocino Community Network. Management has evaluated subsequent events through March 26, 2025, the date on which the financial statements were available to be issued.

OTHER INFORMATION

**MENDOCINO COMMUNITY NETWORK
 ORGANIZATION/BOARD OF EDUCATION/ADMINISTRATION
 JUNE 30, 2024**

The Mendocino Unified School District was established in 1964 and is comprised of an area of approximately 420 square miles located in Mendocino County. There were no changes in the boundaries of the District during the current year. The District operates three elementary schools, one high school, one continuation high school, one preschool and one alternative education K-12. Mendocino Community Network is a proprietary fund of the District.

GOVERNING BOARD

Member	Office	Term Expires
Emily Griffen	President	November 2026
Windspirit Aum	Clerk	November 2024
Lisa James	Member	November 2024
Mark Morton	Member	November 2024
Michael Schaeffer	Member	November 2024

DISTRICT ADMINISTRATORS

Jason Morse
Superintendent/Secretary to the Board

Meg Kailikole
Chief Business Officer

Rob Buch
MCN Manager

OTHER INDEPENDENT AUDITORS' REPORTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**Independent Auditors' Report

Governing Board
Mendocino Community Network
Mendocino Unified School District
Mendocino, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mendocino Community Network a proprietary fund of the Mendocino Unified School District (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Mendocino Community Network's basic financial statements, and have issued our report thereon dated March 26, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of the Mendocino Community Network, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mendocino Community Network's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
March 26, 2025

Appendix D - Certificate of Insurance

Appendix E - Professional Insurance

A seamless integrated insurance solution for professionals.

Please read this wording, together with any endorsements and the Declarations, very carefully. If anything is not correct, please notify **us** immediately. Please note the full extent of **your** and **our** rights and duties.

Our promise to you

In return for the premium **you** have paid, **we** agree to insure **you** in accordance with the terms and conditions of the policy.

Your policy documents**Declarations Page**

This contains a summary of policy information including the limits of liability and retention amounts **you** have selected.

General Terms and Conditions

This contains terms and conditions which apply to the entire policy.

Coverage Parts

This contains terms and conditions which apply only to the Coverage Part in which they appear.

Endorsements

These documents modify the Declarations page, General Terms and Conditions, and/or Coverage Parts.

Notices

These documents provide information that may affect **your** coverage as required by applicable law.

Complimentary training and risk management services

As a complimentary service that comes with this policy, **we** are pleased to provide a free confidential risk management and loss prevention service, consisting of an initial consultation and up to one hour of legal services to assist **you** in better understanding and minimizing risks that commonly lead to the types of **claims** covered under this policy. If **you** have a question about minimizing these types of liability risks in **your** business, please email **your** question to **us** at riskmanagement@hiscox.com, along with **your** policy number. A Hiscox representative will get back to **you** within one business day with a referral to a nationally recognized law firm with a practice specifically focused on **your** industry.

Additionally, **your** purchase of this policy qualifies **you** for complimentary access to the following:

- **Hiscox CyberClear Academy**, an online interactive suite of training modules designed to reduce the risk that your company will become victim of a cyber event. Training is tailored to each employee's experience and role, and covers existing and emerging threats. This government-certified training program is unique to Hiscox, and will help you meet the requirements of regulators and train your employees to be prepared to better understand cyber-related threats.

To access Hiscox CyberClear Academy: www.hiscoxcyberclearacademy.com.

- **Access to breach prevention services through eRisk Hub®** powered by NetDiligence®, a full suite of educational and technical resources that can assist in the prevention of cyber losses to your organization. Register at Hiscox eRisk Hub®: www.eriskhub.com/hiscox.php Use access code: 08663. Questions? Hiscox@eriskhub.com

- **A comprehensive panel of breach response resources**, featuring eRisk Hub® Breach Response Resource and Information Web Portal, powered by NetDiligence®, the industry standard of response and protection. Plus, public relations support, legal services, credit monitoring, extortion protection and more. These resources will help your clients comply with regulations and protect their reputation, should a breach occur.

For more information, visit <https://www.hiscox.com/risk-management-cyber>.

Reporting a claim

Please inform **us** immediately if you have a **claim** or loss to report and refer to the claim reporting provisions in each Coverage Part for further details.

Email: hiscoxclaims@hiscox.com



HISCOX INSURANCE COMPANY INC. (A Stock Company)

30 North LaSalle Street, Suite 1760, Chicago, IL 60602
(646) 452-2353

Insurance for Technology Professionals

DECLARATIONS

NOTICE: YOUR POLICY CONTAINS CLAIMS-MADE LIABILITY COVERAGE. CLAIMS-MADE COVERAGE APPLIES ONLY TO CLAIMS THAT ARE FIRST MADE DURING THE POLICY PERIOD OR DISCOVERY PERIOD, IF PURCHASED, AND REPORTED IN ACCORDANCE WITH THE TERMS OF THE POLICY.

THE LIMIT OF LIABILITY AVAILABLE TO PAY DAMAGES WILL BE REDUCED AND MAY BE EXHAUSTED BY CLAIMS EXPENSES. FURTHERMORE, CLAIMS EXPENSES WILL BE APPLIED AGAINST THE RETENTION.

PLEASE READ YOUR POLICY CAREFULLY AND CONSULT YOUR INSURANCE ADVISOR ABOUT ANY QUESTIONS YOU MIGHT HAVE.

Broker No.:	US 0000126	AmWINS Brokerage (Manhattan Beach, CA)
Policy No.:	MPL1790263.24	1600 Rosecrans Ave, Ste 100
Renewal of:	MPL1790263.23	Manhattan Beach, CA 90266-3708

1. Named Insured: Mendocino Unified School District dba Mendocino Community Network
Address: 10700 Ford St
Mendocino, CA 95460

2. Policy Period: **Inception Date: 08/08/2024** **Expiration Date: 08/08/2025**
Inception date shown shall be at 12:01 A.M. (Standard Time) to Expiration date shown above at 12:01 A.M. (Standard Time) at the address of the Named Insured.

3. General terms and conditions wording: PLP P0001 CW (07-19)
The General terms and conditions apply to this policy in conjunction with the specific wording detailed in each section below.

4. Endorsements: E6017.3 - Nuclear Incident Exclusion Clause-Liability-Direct (Broad) Endorsement, E6020.4 - War, Civil War, Cyberwarfare, and NCBR Exclusion Endorsement, E9003.2 - California Amendatory Endorsement, E6085.1 - Full Prior Acts Endorsement, E8511.3 - Cyber Crime & Cyber Deception Endorsement (DBPSL), E8627.1 - Intellectual Property Enhancement Endorsement, E8621.2 - Breach of Contract Enhancement Endorsement (Tech), E8530.1 - Telephone Toll Fraud Sublimit Endorsement, E8531.1 - Amend Personally Identifiable Information and Regulatory Action Endorsement (EU General Data Protection Regulation), E6314.2 - Coverage Enhancement Amendatory Endorsement, E9998.2 - TRIA Not Purchased Endorsement, E8673.2 - Cyber Incidents (Tech), and E6065.3 - Change of Mailing Address Endorsement

5. Optional Extension Period: Extended Reporting Period of 12/24/36 months at 75/150/225 percent of the annual premium.

6. Notification of claims to: Hiscox Claims
5 Concourse Parkway, Suite 2150



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(646) 452-2353

Insurance for Technology Professionals DECLARATIONS

Atlanta GA, 30328
Fax: 678-731-9501
Email: HiscoxClaims@Hiscox.com

Notification of cyber claims and events:

Hiscox Cyber Claims
5 Concourse Parkway, Suite 2150
Atlanta GA, 30328
Fax: 678-731-9501
Email: cyberclaimsUSA@Hiscox.com
If you experience a cyber **event**, please also contact the Breach Coach® at 1-855-HISCO-BR (1-855-447-2627). Provide your company name and any other companies/individuals involved.

Additional Notification requirements:

see Endorsement E8643 for additional notification requirements under the Cyber Enhancement Coverage Part

7. Policy Premium: \$ 4,464 Premium Allocated to TRIA: \$ 0 State Surcharge: N/A

8. Specified Terms for Cyber Coverage Part:

Your CyberClear policy includes complimentary access to our risk management and breach response services, including:

- **Cyber Training with Paladin Shield**, a powerful cybersecurity platform that is entirely free for Hiscox insureds. Paladin Shield provides software protections, live consultative services, and security training content including phishing simulations, all under one log-in. Nearly all cyber attacks are instigated by human error. Paladin's training teaches best practices on current security topics with engaging videos and interactive quizzes. Training includes topics such as data privacy, dangers in your inbox, incident preparedness and response, and online safety 101.

To access Paladin cyber training: hiscox.meetpaladin.com.

- **Access to breach prevention services through eRisk Hub®** powered by NetDiligence®, a full suite of educational and technical resources that can assist in the prevention of cyber losses to your organization.

To register at Hiscox eRisk Hub®, visit <https://eriskhub.com/hiscox> and use access code: 08663. Questions? Hiscox@eriskhub.com

- **A comprehensive panel of breach response resources**, including public relations support, legal services, credit monitoring, extortion protection, and more. These resources will help you address Extortion matters quickly, comply with regulations and protect your reputation, should an event occur.

For more information, visit www.hiscox.com/risk-management-cyber.

Technology Professional Liability Claims-Made and Reported Coverage Part: PLPTCH P0001 CW (01/20)



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Insurance for Technology Professionals

DECLARATIONS

Covered Professional Services:	Providing access to the internet, and Telecom Billing Services, for others for a fee.
Technology Professional Liability (TL):	\$ 1,000,000 Each Claim / \$ 1,000,000 Aggregate
Retroactive Date:	08/08/2003
Retention:	\$ 2,500
TL Premium:	\$ 2,658
Endorsements:	E9182.1 - California Amendatory Endorsement

Media Liability Claims-Made and Reported Coverage Part: PLP P0005 CW (06-14)

Covered Professional Services:	Providing access to the internet, and Telecom Billing Services, for others for a fee.
Media Liability (ML):	\$ 1,000,000 Each Claim / \$ 1,000,000 Aggregate
Retroactive Date:	Full Prior Acts
Retention:	\$ 2,500
ML Premium:	\$ 151
Endorsements:	E9122.1 - California Amendatory Endorsement

Data Breach and Privacy Security Liability Claims-Made/Breach Occurring Coverage Part: PLP P0004 CW (06-14)

Data Breach & Privacy Security Liability (DBPSL):	\$ 1,000,000 DBPSL Each Claim and/or Breach / \$ 1,000,000 Aggregate
Regulatory Action:	\$ 1,000,000 Aggregate
Regulatory Compensatory:	\$ 1,000,000 Aggregate
PCI Fine/Penalties:	\$ 1,000,000 Aggregate
PCI Assessments:	\$ 1,000,000 Aggregate
Computer Forensics Costs:	\$ 1,000,000 Aggregate
Notification Costs:	\$ 1,000,000 Aggregate
Credit or Identity Protection Costs:	\$ 1,000,000 Aggregate
Crisis Management & Public Relations Cost:	\$ 1,000,000 Aggregate
Retroactive Date:	Full Prior Acts
Retention:	\$ 2,500
DBPSL Premium:	\$ 1,505



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Insurance for Technology Professionals

DECLARATIONS

Endorsements: E9102.1 - California Amendatory Endorsement

Cyber Enhancement Loss Occurring and Discovered Coverage Part: PLP P0006 CW (06-14)

Cyber Business Interruption (CBI): \$ 1,000,000 Aggregate
Cyber Business Interruption Consulting Costs: \$ 50,000 Aggregate
Cyber Business Interruption Hourly Loss Amount: \$ 10,000 Minimum Per hour
Retention: 10 hours
CBI Premium: \$ 50

Cyber Extortion (CE): \$ 1,000,000 Aggregate
Retention: \$ 2,500
CE Premium: \$ 50

Hacker Damage (HD): \$ 1,000,000 Aggregate
Hacker Damage Consulting Costs: \$ 50,000 Aggregate
Retention: \$ 2,500
HD Premium: \$ 50

Endorsements: E8643.2 - Cyber Enhancements Notification Endorsement, and E8649.1 - Amend Definition of Business Interruption Costs (Remove Hourly Loss Amount)

IN WITNESS WHEREOF, the Insurer indicated above has caused this Policy to be signed by its President and Secretary, but this Policy shall not be effective unless also signed by the Insurer's duly authorized representative.



HISCOX INSURANCE COMPANY INC. (A Stock Company)

30 North LaSalle Street, Suite 1760, Chicago, IL 60602

(646) 452-2353

Insurance for Technology Professionals

DECLARATIONS

A handwritten signature in black ink, appearing to read "Kevin Kerridge".

President

A handwritten signature in black ink, appearing to read "Jeff Metzger".

Secretary

A handwritten signature in black ink, appearing to read "Kevin Kerridge".

Authorized Representative

Kevin Kerridge

July 15, 2024

Hiscox Inc.

General Terms and Conditions

-
- I. Our promise to you** In consideration of the premium charged, and in reliance on the statements made and information provided to **us**, **we** will pay **covered amounts** as defined in this policy, provided **you** properly notify **us** of **claims, breaches, events, or occurrences**, and meet **your** obligations to **us** in accordance with the terms of this policy.
-
- II. Limits of liability** Regardless of the number of Coverage Parts **you** have purchased, the maximum **we** will pay for all **covered amounts** will be as follows:
- A. Coverage part limit Each Coverage Part purchased will be subject to a **coverage part limit** (if one is stated in the Declarations), which is the maximum amount **we** will pay for all **covered amounts** under that Coverage Part, other than coverage enhancements or other items **we** have expressly agreed to pay in addition to the limit. The **coverage part limit** will be in excess of any applicable **retention**.
- B. Each claim limit The Each Claim Limit identified in the Declarations is the maximum amount **we** will pay for all **covered amounts** for each covered **claim**, unless a lower sublimit is specified, in which case the sublimit is the maximum amount **we** will pay for the type of covered **claim** to which the sublimit applies. The Each Claim Limit, or any sublimit, will be in excess of any applicable **retention** and will be a part of, and not in addition to, any applicable **coverage part limit**.
- C. Each breach limit The Each Breach Limit identified in the Declarations (if **you** have purchased a relevant Coverage Part) is the maximum amount **we** will pay for all **covered amounts** for each covered **breach**, unless a lower sublimit is specified, in which case the sublimit is the maximum amount **we** will pay for the type of covered **breach** or costs to which the sublimit applies. The Each Breach Limit, or any sublimit, will be in excess of any applicable **retention** and will be a part of, and not in addition to, any applicable **coverage part limit**.
- D. Each occurrence limit The Each Occurrence Limit identified in the Declarations (if **you** have purchased a relevant Coverage Part) is the maximum amount **we** will pay for all **covered amounts** for each covered **occurrence**, unless a lower sublimit is specified, in which case the sublimit is the maximum amount **we** will pay for the type of covered **occurrence** to which the sublimit applies. The Each Occurrence Limit, or any sublimit, will be in excess of any applicable **retention** and will be a part of, and not in addition to, any applicable **coverage part limit**.
- E. General liability coverage part limits If **you** have purchased a General Liability Coverage Part, additional rules for applying limits are contained in Section IV. Limits of liability, of that Coverage Part.
- F. Related claims All **related claims**, regardless of when made, will be treated as one **claim**, and all subsequent **related claims** will be deemed to have been made against **you** on the date the first such **claim** was made. If, by operation of this provision, the **claim** is deemed to have been made during any period when **we** insured **you**, it will be subject to only one **retention** and one Each Claim Limit regardless of the number of claimants, **insureds**, or **claims** involved.
- G. Shared limits If **you** have purchased more than one of the following Coverage Parts:
1. Cyber Coverage Part;
 2. Technology Professional Liability Coverage Part; or
 3. Digital Media Liability Coverage Part,
- then the **coverage part limits** applicable to those Coverage Parts will be shared, and any payments **we** make under one Coverage Part, other than coverage enhancements or other items **we** have expressly agreed to pay in addition to the limit, will reduce the **coverage part limits** for all Coverage Parts.
- If the applicable **coverage part limits** are different, the maximum amount **we** will pay for **covered amounts** under all Coverage Parts combined, other than coverage enhancements or other items **we** have expressly agreed to pay in addition to the limits, will be the highest available **coverage part limit**.
-

III. Your obligations to us

- A. Named insured responsibilities
- It will be the responsibility of the **named insured** (or, if there is more than one **named insured**, the first one listed on the Declarations) to act on behalf of all **insureds** with respect to the following:
1. timely giving and receiving notice of cancellation or non-renewal;
 2. timely payment of premium;
 3. receipt of return premiums;
 4. timely acceptance of changes to this policy; and
 5. timely payment of **retentions**.
- B. Your duty to cooperate
- You** must cooperate with **us** in the defense, investigation, and settlement of any **claim, potential claim, breach, event, occurrence**, or other matter notified to **us**, including but not limited to:
1. notifying **us** immediately if **you** receive any settlement demands or offers, and sending **us** copies of any demands, notices, summonses, or legal papers;
 2. submitting to examination and interrogation under oath by **our** representative and giving **us** a signed statement of **your** answers;
 3. attending hearings, depositions, and trials as **we** request;
 4. assisting in securing and giving evidence and obtaining the attendance of witnesses;
 5. providing written statements to **our** representative and meeting with such representative for the purpose of investigation and/or defense;
 6. providing all documents and information **we** may reasonably request, including authorizing **us** to obtain records; and
 7. pursuing **your** right of recovery from others.
- C. Your obligation not to incur any expense or admit liability
- You** must not make any payment, incur any expense, admit any liability, assume any obligation, or enter into any settlement negotiations or agreements without **our** prior consent. If **you** do so, it will be at **your** own cost and expense.
- D. Your representations
- You** warrant that all representations made and all materials submitted by **you** or on **your** behalf in connection with the **application** for this policy are true, accurate, and not misleading, and agree they were relied on by **us** and were material to **our** decision to issue this policy to **you**. If **we** learn any of the representations or materials were untrue, inaccurate, or misleading in any material respect, **we** are entitled to treat this policy as if it had never existed.

IV. Optional extension period

1. If **we** or the **named insured** cancel or non-renew this policy, then the **named insured** will have the right to purchase an optional extension period for the duration and at the percentage of the expiring premium stated in Item 5 of the Declarations. The optional extension period, if purchased, will start on the effective date of cancellation or non-renewal. However, the right to purchase an optional extension period will not apply if:
 - a. this policy is canceled by **us** for nonpayment of premium; or
 - b. the total premium for this policy has not been fully paid.
2. The optional extension period will apply only to **claims** that:
 - a. are first made against **you** and reported to **us** during the optional extension period; and
 - b. arise from **your professional services** performed, or a **breach, data breach, offense, or occurrence** that takes place, on or after the **retroactive date** but prior to the effective date of cancellation or non-renewal of this policy.
3. The additional premium will be fully earned at the inception of the optional extension period.

General Terms and Conditions

4. Notice of election and full payment of the additional premium for the optional extension period must be received by **us** within 30 days after the effective date of cancellation or non-renewal, otherwise any right to purchase the optional extension period will lapse.

The limits of liability applicable during any purchased optional extension period will be the remaining available **coverage part limit**. There will be no separate or additional limit of liability available for any purchased optional extension period.

The right to purchase an optional extension period will apply only to Coverage Parts **you** have purchased that include coverage written on a claims-made or loss occurring and discovered basis, and not to any Coverage Parts written on an occurrence basis.

V. Other provisions affecting coverage

The following provisions apply to all Coverage Parts **you** have purchased. If there is a conflict between any of the provisions here and a provision contained in a Coverage Part, then the provision in the Coverage Part will govern the coverage provided under that Coverage Part.

- A. Alteration and assignment No change in, modification of, or assignment of interest under this policy will be effective unless made by written endorsement to this policy signed by **our** authorized representative.
- B. Bankruptcy or insolvency **Your** bankruptcy or insolvency will not relieve **us** of any of **our** obligations under this policy.
- C. Cancellation
 1. This policy may be canceled by the **named insured** by giving written notice, which must include the date the cancellation will be effective, to **us** at the address stated in the Declarations.
 2. This policy may be canceled by **us** by mailing to the **named insured** by registered, certified, or other first class-mail (or by email where allowed by applicable law), at the **named insured's** address (or email address) stated in Item 1 of the Declarations, written notice which must include the date the cancellation will be effective. The effective date of the cancellation will be no less than 60 days after the date of the notice of cancellation, or ten days if the cancellation is due to nonpayment of premium.
 3. The mailing (or emailing) of the notice will be sufficient proof of notice, and this policy will terminate at the date and hour specified in the notice.
 4. If this policy is canceled by the **named insured**, **we** will retain the customary short rate proportion of the premium.
 5. If this policy is canceled by **us**, **we** will return a pro rata proportion of the premium.
 6. Payment or tender of any unearned premium by **us** will not be a condition precedent to the cancellation, but such payment will be made as soon as possible.
- D. Change in control If, during the policy period identified in Item 2 of the Declarations, the **named insured** consolidates with, merges into, or sells all or substantially all of its assets to any other person or entity, or any other person or entity acquires ownership or control of the **named insured**, then the **named insured** will provide **us** written notice no later than 30 days after the effective date of such change in control, together with any other information **we** may require.

We will not cancel this policy solely because of a change in control, but unless **you** and **we** agree in writing otherwise, after the effective date of any change in control, this policy will cover only **claims** arising from **professional services** performed, or **breaches**, **data breaches**, offenses, or **occurrences** that took place, prior to the change in control.
- E. Coverage territory This policy will apply to **your professional services** performed, and **breaches**, offenses, **events**, or **occurrences** that take place, anywhere in the world, provided that any action, arbitration, or other proceeding (if **you** have purchased a relevant Coverage Part) is brought within the United States, its territories or possessions, or Canada.
- F. Estates, heirs, legal representatives, spouses, and domestic partners In the event of an **employee's** death or disability, this policy will also apply to **claims** brought against the **employee's**:
 1. heirs, executors, administrators, trustees in bankruptcy, assignees, and legal

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- representatives; or
2. lawful spouse or lawful domestic partner;
- but only:
- a. for a covered **claim** arising from the scope of the **employee's** work for **you**; or
 - b. in connection with their ownership interest in property which the claimant seeks as recovery in a covered **claim** arising from the scope of the **employee's** work for **you**.
- G. False or fraudulent claims If any **insured** commits fraud in connection with any **claim, potential claim, breach, offense, event, or occurrence**, whether regarding the amount or otherwise, this insurance will become void as to that **insured** from the date the fraud is committed.
- H. Other insurance Any payment due under this policy is specifically excess of and will not contribute with any other valid and collectible insurance, unless such other insurance is written specifically as excess insurance over this policy. However, if **you** have purchased a General Liability Coverage Part, rules for how that Coverage Part will be treated when there is other valid and collectible insurance are contained in Section V. Other provisions affecting coverage, D. Other insurance, of that Coverage Part.
- If the same **claim** or **related claims, breach, event** or **related events**, or **occurrence** is covered under more than one Coverage Part, **we** will pay only under one Coverage Part, which will be the Coverage Part that provides the most favorable coverage.
- I. Subrogation In the event of any payment by **us** under this policy, **we** will be subrogated to all of **your** rights of recovery to that payment.
- You** will do everything necessary to secure and preserve **our** subrogation rights, including but not limited to the execution of any documents necessary to allow **us** to bring suit in **your** name.
- You** will do nothing to prejudice **our** subrogation rights without **our** prior written consent.
- Any recovery first will be paid to **you** up to the amount of any **retention you** have paid, and then to **us** up to the amount of any **covered amounts we** have paid.
- J. Titles Titles of sections of and endorsements to this policy are inserted solely for convenience of reference and will not be deemed to limit, expand, or otherwise affect the provisions to which they relate.

VI. Definitions applicable to all Coverage Parts

The following definitions apply to all Coverage Parts **you** have purchased. If the same term is defined here and in a Coverage Part, then the definition in the Coverage Part will govern the coverage provided under that Coverage Part.

- Application** means the signed application for the policy and any attachments and materials submitted with that application. If this policy is a renewal or replacement of a previous policy issued by **us**, **application** also includes all previous signed applications, attachments, and materials.
- Coverage part limit** means the amount stated in the Declarations as the aggregate limit applicable to each Coverage Part **you** have purchased which is subject to an aggregate limit.
- Covered amounts** means any amounts **we** have expressly agreed to pay under any Coverage Part **you** have purchased.
- Employee** means any past, present, or future:
1. employee (including any part-time, seasonal, leased, or temporary employee or any volunteer);
 2. partner, director, officer, or board member (or equivalent position); or
 3. independent contractor;
- of a **named insured**, but only while in the course of their performance of work or services on

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behalf of or at the direction of the **named insured**.

Named insured

means the individual, corporation, partnership, limited liability company, limited partnership, or other entity identified in Item 1 of the Declarations.

Policy period

means the period of time identified in Item 2 of the Declarations, and any optional extension period, if purchased.

Professional services

means those services identified as Covered Professional Services under any Coverage Part on the Declarations containing such a description.

Related claims

means all **claims** that are based upon, arise out of, or allege:

1. a common fact, circumstance, situation, event, service, transaction, cause, or origin;
2. a series of related facts, circumstances, situations, events, services, transactions, sources, causes, or origins;
3. a continuous or repeated act, error, or omission in the performance of **your professional services**; or
4. the same **breach, event, occurrence**, or offense.

The determination of whether a **claim** is related to another **claim** or **claims** will not be affected by the number of claimants or **insureds** involved, causes of action asserted, or duties involved.

Retention

means the amount or time identified as such in the Declarations.

Retroactive date

means the date identified as such in the Declarations.

We, us, or our

means the Company identified on the Declarations as issuing this policy.

You, your, or insured

means any individual or entity expressly described as an **insured** in any Coverage Part **you** have purchased.



Technology Professional Liability Coverage Part

I. Insuring agreement – What is covered

We will pay up to the **coverage part limit** for **damages** and **claim expenses** in excess of the **retention** for covered **claims** against **you** resulting from the performance of **your technology services** by **you** or anyone on **your** behalf (including **your** subcontractors or outsourcers) on or after the **retroactive date**, for any actual or alleged:

1. **breach of contract**;
2. **indemnity**;
3. **negligence**;
4. **fraud**;
5. **breach of confidentiality**;
6. **invasion of privacy**;
7. **intellectual property infringement**;
8. **unfair practices**;
9. **defamation**; or
10. unintentional infliction of emotional distress, but only when asserted in conjunction with and based on the same allegations as a **claim** for negligent publication, **invasion of privacy**, or **defamation**,

provided the **claim** is first made against **you** during the **policy period** and is reported to **us** in accordance with Section V. Your obligations.

II. Coverage enhancements and sublimits

We will also make the following payments, provided **you** report such matters to **us** in accordance with Section V. Your obligations:

Contractual fees

- A. If **your client** refuses to pay **your** contractually agreed fees (including any amount **you** owe to a subcontractor on the date **your client** first refuses to pay) for **your technology services** performed on or after the **retroactive date**, and **you** satisfy **us** that:
1. **you** do not have reasonable grounds to legally compel payment of the amount owed;
 2. there is written evidence from **your client** that they intend to make a **claim** against **you** that is reasonably likely to result in covered **damages** greater than the amount that **you** are owed; and
 3. **our** payment is reasonably likely to fully and finally resolve all known **claims** and **potential claims** by that **client**,

then **we** will pay the amount **you** are owed in excess of the **retention** stated in the Declarations, not including any amount for **your** lost profit, mark-up, or tax liabilities.

If a **claim** is still made against **you** after **we** have paid **your** outstanding fees, **our** obligation to pay any **damages** and **claim expenses** resulting from such **claim** will be reduced by the amount **we** paid.

Any payment **we** make under this subsection A will be a part of, and not in addition to, the **coverage part limit**.

Declaratory relief

- B.
1. If a claimant has advised **you**, in writing, that **you** are committing copyright or trademark infringement; and
 2. directly in response to that written assertion, **you** file a declaratory relief action and the claimant files a counterclaim against **you** alleging copyright or trademark infringement; and
 3. the counterclaim is covered under this policy and pending against **you** while **you** are prosecuting **your** declaratory relief action,



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then **we** will pay reasonable attorney fees **you** incur in excess of the **retention** stated in the Declarations to prosecute that declaratory relief action.

Any payment **we** make under this subsection B will be a part of, and not in addition to, the **coverage part limit**.

Pre-claim assistance

- C. **We** will pay for reasonable and necessary fees, costs, and expenses **we** incur to investigate or monitor a **potential claim** arising out of **your technology services** performed on or after the **retroactive date**, provided **you** first become aware of the circumstances leading to the **potential claim** during the **policy period**. **Our** obligation to make any payments under this subsection C will cease when a **claim** is made against **you** arising out of the same circumstances as the **potential claim we** investigated or monitored.

No **retention** will apply to amounts **we** pay under this subsection C, and such amounts will be in addition to, and not part of, the **coverage part limit**.

Service credits

- D. If **your client** makes a **claim** against **you**, and providing service credits to the **client** as part of or as the entire settlement will fully and finally resolve all known **claims** and **potential claims** by that **client**, then **we** will also pay for the value of **your** service credits (less any profit or mark-up), but only if the service credits are agreed to by **us** as part of the settlement.

Any payment **we** make under this subsection D is subject to the **retention** stated in the Declarations, and such payments will be a part of, and not in addition to, the **coverage part limit**.

Supplemental payments

- E. **We** will pay reasonable expenses, including loss of wages and a \$250 travel per diem, incurred by **you** if **we** require **you** to attend depositions, arbitration proceedings, or trials in connection with the defense of a covered **claim**, but **we** will not pay more than an aggregate of \$10,000 per **claim** for such expenses, regardless of the number of **insureds**.

No **retention** will apply to amounts **we** pay under this subsection E, and such amounts will be in addition to, and not part of, the **coverage part limit**.

III. Who is an insured

For purposes of this Coverage Part, **you, your, or insured** means a **named insured, subsidiary, employee, executive, acquired entity, or additional insured** as defined below:

Named insured

means the individual, corporation, partnership, limited liability company, limited partnership, or other entity identified in Item 1 of the Declarations.

Subsidiary

means any entity of which the **named insured** has majority ownership before or as of the inception of the **policy period**.

Employee

means any past, present, or future person employed by the **insured organization** as a permanent, part-time, seasonal, leased, or temporary employee, or any volunteer, but only while in the course of their performance of **technology services** on behalf of or at the direction of such **insured organization**.

Executive

means any past, present, or future partner, director, officer, or board member (or the equivalent positions) of the **insured organization**, but only while in the course of their performance of **technology services** on behalf of such **insured organization**.

Acquired entity

means any entity:

1. in which the **named insured**:
 - a. acquires substantially all of the assets;
 - b. acquires the majority of its voting securities, as a result of which it becomes a **subsidiary**; or



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- c. merges and leaves the **named insured** as the surviving entity; or
- 2. that the **named insured** creates as a **subsidiary**,
during the **policy period**.

With respect to an **acquired entity** whose revenues exceed 20% of the **named insured's** revenues (as reported in **your** most recent fiscal year-end financial statements prior to inception of this policy) at the time of its creation or acquisition, any coverage under this policy will expire 90 days after the effective date of its creation or acquisition unless, within such 90 day period:

- a. the **named insured** provides **us** with written notice of such creation or acquisition;
- b. the **named insured** provides **us** with information related to such creation or acquisition as **we** may reasonably require;
- c. the **named insured** accepts any special terms, conditions, exclusions, or additional premium charge as **we** may reasonably require; and
- d. **we** agree by written endorsement to provide such coverage.

This policy will apply to an **acquired entity** only with respect to **your technology services** performed after the acquisition, merger, or creation. If a **claim** results from **technology services** performed both before and after the acquisition, merger, or creation of an **acquired entity**, this policy will apply only to that portion of the **claim** attributable to the **technology services** performed after the acquisition, merger, or creation.

Additional insured

means any person or organization **you** have agreed in a written contract or agreement to add as an additional insured to a policy providing the type of coverage afforded by this Coverage Part, provided the contract or agreement:

- 1. is currently in effect or becomes effective during the **policy period**; and
- 2. was executed before the **technology services** out of which the **claim** arises were performed.

Coverage is available for **additional insureds** solely for their liability arising out of **your** negligence or of those acting on **your** behalf and not for any liability arising out of the sole negligence of the **additional insured**.

IV. Defense and settlement of claims

Defense

We have the right and duty to defend any covered **claim**, even if such **claim** is groundless, false, or fraudulent.

We have the right to select and appoint counsel to defend **you** against a covered **claim**. **You** may request in writing that **we** appoint defense counsel of **your** own choice, but whether to grant or deny such a request will be at **our** sole discretion.

Settlement

We have the right to solicit and negotiate settlement of any **claim** but will not enter into a settlement without **your** consent, which **you** agree not to withhold unreasonably. **We** agree that **you** may settle any **claim** where the total **claim expenses** and **damages** does not exceed the **retention**, provided the entire **claim** is resolved and **you** obtain a full release on behalf of all **insureds**.

If **you** withhold consent to a settlement recommended by **us** and acceptable to the party who made the **claim**, the most **we** will pay for that **claim** is the sum of:

- 1. the amount of **our** recommended settlement;
- 2. **claim expenses** incurred up to the date of **our** recommendation;
- 3. 70% of all **claim expenses** incurred after **our** recommendation; and



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4. 70% of all **damages** in excess of the settlement amount recommended by **us**.

V. Your obligations

Notifying us of claims and coverage enhancements

You must give written notice to **us** of any **claim**, or any other matter covered under Section II. Coverage enhancements, as soon as possible once such **claim** or other matter is known to an **executive**, but in any event, no later than 60 days after the end of the **policy period**.

All such notifications must be in writing and include a copy of the **claim** or other covered matter, and must be submitted to **us** via the designated email address or mailing address identified in Item 6 of the Declarations.

Notifying us of potential claims

You have the option of notifying **us** of **potential claims** that may lead to a covered **claim** against **you**.

In order to do so, **you** must give written notice to **us** as soon as possible and within the **policy period**, and the notice must, to the greatest extent possible, identify the details of the **potential claim**, including identifying the potential claimant(s), the likely basis for liability, the likely demand for relief, and any additional information about the **potential claim** **we** may reasonably request.

The benefit to **you** of notifying **us** of a **potential claim** is that if an actual **claim** arises from the same circumstances as the properly notified **potential claim**, then **we** will treat that **claim** as if it had first been made against **you** on the date **you** properly notified **us** of it as a **potential claim**, even if that **claim** is first made against **you** after the **policy period** has expired.

All **potential claim** notifications must be in writing and submitted to **us** via the designated email address or mailing address identified in Item 6 of the Declarations.

Retention

Our obligation to pay **damages** and **claim expenses** under this Coverage Part is in excess of the **retention**, which **you** must pay in connection with each covered **claim** or other covered matter, if applicable.

VI. Exclusions – What is not covered

We will have no obligation to pay any sums under this Coverage Part, including any **damages** or **claim expenses**, for any **claim**:

Antitrust/deceptive trade practices

1. based upon or arising out of any actual or alleged:
 - a. false, deceptive, or unfair trade practices;
 - b. unfair competition, impairment of competition, restraint of trade, or antitrust violations;
 - c. violation of the Sherman Anti-Trust Act, the Clayton Act, the Robinson-Patman Act, all including as may be amended, or any similar foreign, federal, state, or local statutes, rules, or regulations; or
 - d. deceptive or misleading advertising.

However, this exclusion will not apply to a **claim** for **unfair practices** otherwise covered under part 8 of Section I. Insuring agreement – What is covered.

Bodily injury

2. based upon or arising out of any actual or alleged **bodily injury**; however, this exclusion will not apply to a **claim** for emotional distress otherwise covered under part 10 of Section I. Insuring agreement - What is covered.

Ceased product/service

3. based upon or arising out of any actual or alleged commercial decision to cease providing a particular product or service.



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- Chargeback 4. based upon or arising out of any actual or alleged chargeback, liability, or fee incurred by **you** or **your client** as a result of a merchant service provider, including any credit card company or bank, wholly or partially reversing or preventing a payment transaction.
- Collection of data without knowledge/ consumer privacy 5. based upon or arising out of any actual or alleged:
a. collection of personally identifiable information by **you** (or others on **your** behalf) without the knowledge or permission of the person to whom the personally identifiable information relates; or
b. violation of any privacy law or consumer data protection law protecting against the use, collection, retention, or disclosure of any information about a person or any confidential corporate information.
- Commercial dispute 6. based upon or arising out of any actual or alleged commercial dispute with **your** business partner or business associate, including but not limited to any reseller, distributor, original equipment manufacturer, third-party sales agent, systems integrator, or joint venturer, but only to the extent such a **claim** is based upon:
a. a commission or royalty, or any other term upon which such partner or associate is to be compensated in connection with doing business with **you**, or any compensation or remuneration promised or owed by **you** pursuant to those terms; or
b. **your** decision to cease doing business with such a partner or associate.
- Competitor trade secrets/ confidential information 7. based upon or arising out of any actual or alleged disclosure, misuse, or misappropriation of any ideas, trade secrets, or confidential information that came into the possession of any person or entity:
a. before such person or entity became an employee, board member, trustee, director, or officer (or equivalent position) of the **insured organization**; or
b. after such person or entity became an employee, board member, trustee, director, or officer (or equivalent position) of the **insured organization** if the ideas, trade secrets, or confidential information was obtained by use of access credentials that were granted prior to their employment with the **insured organization**.
- Criminal proceedings 8. brought in the form of a criminal proceeding, including but not limited to a criminal investigation, grand jury proceeding, or criminal action.
- Employer liability/ third party discrimination/ fiduciary 9. based upon or arising out of any actual or alleged:
a. obligation under any workers' compensation, unemployment compensation, employers' liability, fair labor standards, labor relations, wage and hour, or disability benefit law, including any similar provisions of any foreign, federal, state, or local statutory or common law;
b. liability or breach of any duty or obligation owed by **you** as an employer or prospective employer;
c. breach of any fiduciary duty owed by **you**; or
d. harassment, wrongful termination, retaliation, or discrimination, including but not limited to adverse or disparate impact.
- Excluded statutory violations 10. based upon or arising out of any actual or alleged violation of the following laws:
a. the Securities Act of 1933;
b. the Securities Exchange Act of 1934;
c. any state blue sky or securities laws;
d. any state or federal taxation law or regulation;
d. the Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. § 1961 *et seq.*;
e. the Employee Retirement Income Security Act of 1974;



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- f. the Children’s Online Privacy Protection Act (COPPA);
- g. the Fair Debt Collection Practices Act; or
- h. the Fair Credit Reporting Act,

all including as may be amended, or any similar provisions of any foreign, federal, state, or local statutory or common law and any rules or regulations promulgated under such laws.

Exclusivity/non-compete	11. based upon or arising out of any actual or alleged breach of any exclusivity, non-competition, non-solicitation, or other similar commercial terms in your contract with a client .
False or misleading advertising	12. based upon or arising out of any actual or alleged false or misleading advertisement; however, this exclusion will not apply to any otherwise covered claim that is based on your alleged unauthorized use of another’s trademark.
Funds transfer	13. for any actual or alleged loss, theft, or transfer of: <ul style="list-style-type: none"> a. your funds, monies, or securities; b. the funds, monies, or securities of others in your care, custody, or control; or c. the funds, monies, or securities in the care, custody, or control of any third party, including but not limited to the value of any funds, monies, or securities transferred by you or others on your behalf.
Government investigation/enforcement	14. based upon or arising out of any actual or alleged governmental investigation or enforcement of any state or federal regulation, including but not limited to any regulation promulgated by the Federal Trade Commission, Federal Communications Commission, or the Securities and Exchange Commission, or ASCAP, BMI, SESAC, or other similar licensing organization; however, this exclusion will not apply to any claim brought by a government agency in its capacity as a client .
Improper billing	15. based upon or arising out of any actual or alleged inaccurate, improper, or fraudulent billings or invoices, including but not limited to a qui tam action or any action under the False Claims Act, as may be amended, or any similar provisions of any foreign, federal, state, or local statutory or common law.
Infrastructure interruption	16. based upon or arising out of any actual or alleged failure or interruption of service provided by an internet service provider, telecommunications provider, utility provider, including but not limited to any water, gas, electric, or other utility provider, or other infrastructure provider; however, this exclusion will not apply to: <ul style="list-style-type: none"> a. a claim by your client, if you are an internet service provider, telecommunications provider, utility provider, or other infrastructure provider; or b. a failure or interruption of service provided by a cloud computing provider, data center or colocation service provider, or other hosted computer resource provider.
Insured vs. insured	17. brought by or on behalf of one insured or affiliate against another insured or affiliate ; however, this exclusion will not apply to a claim made by: <ul style="list-style-type: none"> a. an insured or affiliate in their capacity as a client; or b. any additional insured against another insured which is based upon or arises out of any other insured’s performance of technology services for the additional insured.
Intentional acts	18. based upon or arising out of any actual or alleged fraud, dishonesty, criminal conduct, or any knowingly wrongful, malicious, or intentional acts or omissions, except that we will pay claim expenses until there is a final adjudication establishing such conduct. However, this exclusion will not apply to an otherwise covered claim for fraud . This exclusion will apply to the named insured only if the conduct was committed or



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allegedly committed by any:

- a. **executive** of the **named insured**; or
- b. **employee** of the **named insured** if any **executive** of the **named insured** knew or had reason to know of such conduct by the **employee**.

This exclusion will apply separately to each **insured** and will not apply to any **insured** who did not commit, participate in, acquiesce to, or ratify such conduct committed by another **insured**.

Patent infringement	19.	based upon or arising out of any actual or alleged infringement, use, or disclosure of any patent.
Pollution/environmental	20.	based upon or arising out of any actual, alleged, or threatened discharge, dispersal, release, or escape of pollutants , including any direction or request to test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize pollutants .
Prior acts/notice/knowledge	21.	<p>based upon or arising out of any:</p> <ul style="list-style-type: none"> a. claim or potential claim that was the subject of any notice given under any other policy of which this policy is a renewal or replacement; b. claim or potential claim that was the subject of, or is related to, any prior or pending litigation, claim, written demand, arbitration, administrative or regulatory proceeding or investigation, or licensing proceeding that was filed or commenced against you and of which any executive had notice prior to the policy period; or c. other matter any executive had knowledge of prior to the policy period, and such executive had a reasonable basis to believe could result in a claim. <p>However, if this policy is a renewal or replacement of a previous policy we issued that provided materially identical coverage, and is part of an unbroken chain of successive policies issued by us, the policy period referred to in paragraphs b and c, above, will be the policy period of the first such policy we issued.</p>
Property damage	22.	based upon or arising out of any actual or alleged property damage ; however, this exclusion will not apply to damage to data, or destruction or loss of use of data.
Repair/replace/recall	23.	based upon or arising out of any actual or alleged repair, upgrade, correction, recall, replacement, withdrawal, removal, or disposal costs incurred by you or others; however, this exclusion will not apply to an otherwise covered claim alleging the loss of use of technology products .
Subsidiary outside control of named insured	24.	<ul style="list-style-type: none"> a. based upon or arising out of technology services performed by or on behalf of a past or present subsidiary or acquired entity while the named insured does not have majority ownership or management control of it; or b. made against a subsidiary or an acquired entity, or anyone acting on its behalf, while the named insured does not have majority ownership or management control of it.
Sweepstakes/gambling/lotteries/redemption	25.	<p>based upon or arising out of any:</p> <ul style="list-style-type: none"> a. actual or alleged provision of any sweepstakes, gambling activities, or lotteries; or b. price discounts, prizes, awards, money, or valuable consideration given in excess of a total contracted or expected amount, including but not limited to over redemption or under redemption of coupons, discounts, awards, or prizes.
Third party technology product defect	26.	<p>based upon or arising out of any actual or alleged defect in any technology products that is solely caused by a third party, including but not limited to any third party software supplier, manufacturer, or originator; however, this exclusion will not apply to:</p> <ul style="list-style-type: none"> a. claim expenses we pay on your behalf to defend such claims but only until (if ever) there is a finding in any legal proceeding (including any arbitration) or any admission that the defect at issue is solely caused by a third party, at which time



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our duty to defend **you** will end and **you** will reimburse **us** for all **claim expenses** that **we** have paid toward that **claim**; or

- b. any amount **you** satisfy **us** that **you** are legally able to recover under a written contract.

Unsolicited telemarketing

- 27. based upon or arising out of any actual or alleged violation of any federal, state, local, or foreign statutes, ordinances, or regulations relating to unsolicited telemarketing, solicitations, emails, faxes, text messages, or any other communications of any type or nature, including but not limited to the Telephone Consumer Protection Act, CAN-SPAM Act, or any "anti-spam" or "do-not-call" statutes, ordinances, or regulations.

VII. Definitions

The following definitions apply to this Coverage Part. Additional definitions are contained in Section III. Who is an insured, and in the General Terms and Conditions, Section VI. Definitions applicable to all Coverage Parts.

Affiliate

means any person or entity related to any **insured** through common ownership, control, or management as follows:

- 1. any person or entity:
 - a. which wholly or partly owns, operates, controls, or manages the **named insured**;
 - b. which was operated, controlled, or managed by the **named insured**; or
 - c. in which any **insured** has an ownership interest of 15% or more, at any time during or after the performance of the **technology services** giving rise to the **claim**; or
- 2. any entity for which any **insured** is an officer or director at the time the **claim** is made.

Affiliate does not include a **subsidiary** or an **acquired entity**.

Bodily injury

means physical injury, sickness, disease, death, humiliation, mental injury, mental anguish, emotional distress, suffering, or shock sustained by a person.

Breach of confidentiality

means breach of any duty of confidentiality or unauthorized interception or recording of images or sound in violation of any civil anti-wiretap statute.

Breach of contract

means the unintentional breach of a written contract with **your client**.

Claim

means any written assertion of liability or any written demand for financial compensation or non-monetary relief.

Claim expenses

means the following sums incurred in excess of the **retention** and with **our** prior consent:

- 1. all reasonable and necessary fees, costs, and expenses (including the fees of attorneys and experts) incurred in the investigation, defense, or appeal of a **claim**; and
- 2. premiums on appeal bonds, attachment bonds, or similar bond, but **we** will have no obligation to apply for or furnish any such bonds.

Client

means any person or entity with whom **you** have entered into a written contract to provide services or deliverables that expressly fall within **your technology services**.

Damages

means a monetary judgment or monetary award that **you** are legally obligated to pay (including pre- or post-judgment interest and claimant's attorney fees) or a monetary settlement agreed to by **you** and **us**.

Damages will not mean:

- 1. fines, civil or criminal penalties, taxes, or sanctions;
- 2. any punitive, exemplary, or multiple damages; however, **we** will pay punitive or exemplary damages to the extent insurable in any applicable jurisdiction that most favors



Technology Professional Liability Coverage Part

coverage;

3. the return or reduction of fees, commissions, profits, or charges for goods provided or services rendered; however, **we** will pay such amounts if asserted as **damages** in connection with an otherwise covered **claim**;
4. restitution, disgorgement of profits, or unjust enrichment;
5. the cost of complying with injunctive relief;
6. amounts **you** agree to indemnify; however, **we** will pay such amounts to the extent they are explicitly covered under this Coverage Part;
7. any coupons, discounts, prizes, or other incentives, unless agreed in advance by **us** in **our** discretion; provided any such amounts will not include any profits to **you**;
8. any liquidated damages, but only to the extent such damages exceed the amount for which **you** would have been liable in the absence of the liquidated damages agreement; or
9. any service credits, except as provided under Section II. Coverage enhancements, D. Service credits.

Defamation

means any form of defamation, including but not limited to libel, slander, trade libel, product disparagement, or injurious falsehood.

Fraud

means any fraud or dishonesty of **your** employees, but only if the actual or alleged fraud or dishonesty was not committed or allegedly committed by any:

1. **executive**; or
2. employee of the **insured organization** if any **executive** knew or had reason to know of such conduct by the employee.

Indemnity

means an indemnification obligation owed by **you** to a **client** under a written contract.

Insured organization

means the **named insured** or any **subsidiary** or **acquired entity**.

Intellectual property infringement

means intellectual property infringement (but not any patent infringement), including but not limited to misappropriation of trade secret, copyright infringement, trademark infringement, trademark dilution, trade dress infringement, publicity rights violations, cybersquatting violations, moral rights violations, any act of passing-off, or any misappropriation of formats, characters, trade names, character names, titles, plots, musical compositions, voices, slogans, graphic material, or artwork.

Invasion of privacy

means false light, intrusion upon a person's seclusion, or misappropriation of a person's picture, name, or voice for commercial gain.

Negligence

means any negligent act, error, or omission, breach of any duty to use reasonable care, or negligent misrepresentation.

Pollutants

means any solid, liquid, gaseous, biological, radiological, or thermal irritant or contaminant, including smoke, vapor, asbestos, silica, dust, nanoparticles, fibers, soot, fumes, acids, alkalis, chemicals, nuclear materials, germs, mold, and waste. Waste includes, but is not limited to, materials to be recycled, reconditioned, or reclaimed.

Potential claim

means any acts, errors, or omissions of an **insured** or other circumstances reasonably likely to lead to a **claim** covered under this policy.

Property damage

means physical loss of, physical damage to, or destruction or loss of use of any tangible property.

Retention

means the amount stated as such under the Technology Professional Liability Coverage Part section of the Declarations.



Technology Professional Liability Coverage Part

Retroactive date	means the date stated as such in the Declarations; provided, for any acquired entity acquired or created during the policy period , the retroactive date for such acquired entity will be the date the named insured created, merged with, or acquired effective control of the entity.
Technology products	means information technology or telecommunications hardware, software, firmware, or related electronic equipment.
Technology services	means the following services performed for others: <ol style="list-style-type: none">1. designing, developing, customizing, programming, testing, distributing, publishing, installing, implementing, integrating, hosting, supporting, repairing, and maintaining software;2. planning, designing, developing, installing, implementing, integrating, supporting, repairing, and maintaining computer systems, computer or telecommunications networks, or electronic systems;3. managing and operating computer systems, computer or telecommunications networks and facilities, including colocation, data center, and cloud computing services, and managed cybersecurity services;4. data processing, management, warehousing, and hosting services, including data entry, conversion, destruction, backup, and recovery;5. information technology or telecommunications consulting, training, project management, staffing, and support services;6. internet, voice, video, email, text, data, and broadband services, and related call center and customer service support;7. services as an Application Service Provider (ASP), Software-as-a-Service Provider (SaaS), Platform-as-a-Service Provider (PaaS), Infrastructure-as-a-Service Provider (IaaS), or Internet Service Provider (ISP);8. website design and development services, web hosting services, web portal services, domain name services, or search engine services;9. digital marketing services, search engine optimization services, or social media management services;10. information technology or telecommunications hardware sales, installation, integration, testing, repair, maintenance, and support services; and11. any services described as Covered Professional Services under the Technology Professional Liability Coverage Part section of the Declarations. <p>Technology services also includes the supply, provision, or delivery of technology products.</p>
Unfair practices	means unfair competition, deceptive business practices, or false designation of origin, but only when asserted in conjunction with and based on the same allegations as a claim for intellectual property infringement .
You, your, or insured	means a named insured , subsidiary , employee , executive , acquired entity , or additional insured , as defined in Section III. Who is an insured.

VIII. Other provisions affecting coverage



Technology Professional Liability Coverage Part

Coverage territory

- A. This Coverage Part will apply to the performance of **your technology services** anywhere in the world. However, with respect to **claims** brought outside the United States, its territories or possessions, or Canada, this Coverage Part will not apply:
1. to any **claim** brought in any country in which the United States (or any of its departments, agencies, or subdivisions) administers or enforces economic or trade sanction laws; or
 2. if it would otherwise be in violation of the laws of the United States.

I. What is covered

We will pay up to the **coverage part limit** for **damages** and **claim expenses** in excess of the **retention** for covered **claims** against **you** for any actual or alleged:

1. copyright infringement, trademark infringement, trademark dilution, trade dress infringement, publicity rights violations, or any misappropriation of content, formats, characters, trade names, character names, titles, voices, slogans, graphic material, or artwork;
2. invasion of privacy, intrusion upon seclusion, publication of private facts, false light, or misappropriation of name or likeness;
3. defamation, libel, slander, trade libel, product disparagement, or injurious falsehood;
4. unintentional infliction of emotional distress or outrage based on harm to the character or reputation of any person; or
5. negligence in connection with **your media activities** or **your advertising of your professional services**,

provided the **claim**:

- a. results from **your media activities** or **your advertising of your professional services** performed on or after the **retroactive date**;
- b. is first made against **you** during the **policy period**; and
- c. is reported to **us** in accordance with Section V. Your obligations.

II. Coverage enhancements

Supplemental payments

We will also make the following payments:

- A. We will pay reasonable expenses, including loss of wages and a \$250 travel per diem, incurred by **you** if **we** require **you** to attend depositions, arbitration proceedings, or trials in connection with the defense of a covered **claim**, but **we** will not pay more than an aggregate of \$10,000 per **claim** for such expenses, regardless of the number of **insureds**.

No **retention** will apply to amounts **we** pay under this subsection A, and such amounts will be in addition to, and not part of, the **coverage part limit**.

III. Who is an insured

For purposes of this Coverage Part, **you**, **your**, or **insured** means a **named insured**, **subsidiary**, **employee**, or **acquired entity**, as defined below:

Named insured

means the individual, corporation, partnership, limited liability company, limited partnership, or other entity identified in Item 1 of the Declarations.

Subsidiary

means any entity of which the **named insured** has majority ownership before or as of the inception of the **policy period**.

Employee

means any past, present, or future:

1. person employed by the **named insured** or **subsidiary** as a permanent, part-time, seasonal, leased, or temporary employee, or any volunteer; or
2. partner, director, officer, or board member (or equivalent position) of the **named insured** or **subsidiary**,

but only while in the course of their performance of **media activities** or **advertising of professional services** on behalf of or at the direction of such **named insured** or **subsidiary**.

Acquired entity

means an entity in which the **named insured**, during the **policy period**:

1. acquires substantially all of the assets;

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2. acquires the majority of its voting securities, as a result of which it becomes a **subsidiary**; or
3. merges and leaves the **named insured** as the surviving entity.

With respect to an **acquired entity** whose revenues exceed 10% of the annual revenues of the **named insured** at the time of its creation or acquisition, any coverage under this policy will expire 90 days after the effective date of its creation or acquisition unless, within such 90 day period:

1. the **named insured** provides **us** with written notice of such creation or acquisition;
2. the **named insured** provides **us** with information related to such creation or acquisition as **we** may reasonably require;
3. the **named insured** accepts any special terms, conditions, exclusions, or additional premium charge as **we** may reasonably require; and
4. **we** agree by written endorsement to provide such coverage.

This policy will apply to an **acquired entity** only with respect to **your media activities** or **your advertising of your professional services** performed after the acquisition, merger, or creation.

IV. Defense and settlement of claims

Defense

We have the right and duty to defend any covered **claim**, even if such **claim** is groundless, false, or fraudulent.

We have the right to select and appoint counsel to defend **you** against a covered **claim**. **You** may request in writing that **we** appoint defense counsel of **your** own choice, but whether to grant or deny such a request will be at **our** sole discretion.

Settlement

We have the right to solicit and negotiate settlement of any **claim** but will not enter into a settlement without **your** consent, which **you** agree not to withhold unreasonably. If **you** withhold consent to a settlement recommended by **us** and acceptable to the party who made the **claim**, the most **we** will pay for that **claim** is the sum of:

1. the amount of **our** recommended settlement;
2. **claim expenses** incurred up to the date of **our** recommendation;
3. 50% of all **claim expenses** incurred after **our** recommendation; and
4. 50% of all **damages** in excess of the settlement amount recommended by **us**.

V. Your obligations

Notifying us of claims

You must give written notice to **us** of any **claim** as soon as possible, but in any event, no later than 60 days after the end of the **policy period**.

All such notifications must be in writing and include a copy of the **claim**, and must be submitted to **us** via the designated email address or mailing address identified in Item 6 of the Declarations.

Notifying us of potential claims

You have the option of notifying **us** of **potential claims** that may lead to a covered **claim** against **you**.

In order to do so, **you** must give written notice to **us** as soon as possible and within the **policy period**, and the notice must, to the greatest extent possible, identify the details of the **potential claim**, including identifying the potential claimant(s), the likely basis for liability, the likely

demand for relief, and any additional information about the **potential claim** we may reasonably request.

The benefit to **you** of notifying **us** of a **potential claim** is that if an actual **claim** arises from the same circumstances as the properly notified **potential claim**, then **we** will treat that **claim** as if it had first been made against **you** on the date **you** properly notified **us** of it as a **potential claim**, even if that **claim** is first made against **you** after the **policy period** has expired.

All **potential claim** notifications must be in writing and submitted to **us** via the designated email address or mailing address identified in Item 6 of the Declarations.

Retention

Our obligation to pay **damages** and **claim expenses** under this Coverage Part is in excess of the **retention**, which **you** must pay in connection with each covered **claim**.

VI. Exclusions – What is not covered

We will have no obligation to pay any sums under this Coverage Part, including any **damages** or **claim expenses**, for any **claim**:

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| Antitrust/deceptive trade practices | 1. based upon or arising out of any actual or alleged: <ul style="list-style-type: none"> a. false, deceptive, or unfair trade practices; b. unfair competition, impairment of competition, restraint of trade, or antitrust violations; c. violation of the Sherman Anti-Trust Act, the Clayton Act, the Robinson-Patman Act, all including as may be amended, or any similar foreign, federal, state, or local statutes, rules, or regulations; or d. deceptive or misleading advertising. |
| Bodily injury | 2. based upon or arising out of any actual or alleged bodily injury ; however, this exclusion will not apply to a claim for emotional distress or outrage covered under part 4 of Section I. What is covered. |
| Breach of contract | 3. based upon or arising out of any actual or alleged breach of any contract or agreement, or any liability of others that you assume under any contract or agreement; however, this exclusion will not apply to any liability you would have in the absence of the contract or agreement. |
| Breach of warranty/guarantee | 4. based upon or arising out of any actual or alleged breach of express warranties or guarantees; however, this exclusion will not apply to any liability you would have in the absence of the warranties or guarantees. |
| Client content | 5. based upon or arising out of any content provided to you by your client ; however, we will pay claim expenses for any claims against you based upon or arising out of such content. |
| Collection of data without knowledge | 6. based upon or arising out of any actual or alleged: <ul style="list-style-type: none"> a. collection of personally identifiable information by you (or others on your behalf) without the knowledge or permission of the person to whom the personally identifiable information relates; or b. use of personally identifiable information by you (or others on your behalf) in violation of applicable law. |
| Commercial Dispute | 7. based upon or arising out of any actual or alleged commercial dispute with your business partner or business associate, including but not limited to any reseller, distributor, original equipment manufacturer, third-party sales agent, systems integrator, or joint venturer, but only to the extent such a claim is based upon: <ul style="list-style-type: none"> a. a commission or royalty, or any other term upon which such partner or associate is |

Media Liability Coverage Part

to be compensated in connection with doing business with **you**, or any compensation or remuneration promised or owed by **you** pursuant to those terms; or

b. **your** decision to cease doing business with such a partner or associate.

Cramming/slamming

8. based upon or arising out of:
- a. the imposition of charges for services or content in relation to telephone, cell phone, wireless data, cable television, internet, voice over internet protocol (VoIP) or other similar telecommunications services, which charges have not been adequately disclosed or which services or content have not been requested by the consumer; or
 - b. the unauthorized switching of telecommunications carriers, including providers of telephone, cell phone, wireless data, cable television, internet, voice over internet protocol (VoIP) or other similar services.

Criminal proceedings

9. brought in the form of a criminal proceeding, including but not limited to a criminal investigation, grand jury proceeding, or criminal action.

Employment related liability

10. based upon or arising out of any actual or alleged:
- a. obligation under any workers' compensation, unemployment compensation, employers' liability, fair labor standards, labor relations, wage and hour, or disability benefit law, including any similar provisions of any foreign, federal, state, or local statutory or common law;
 - b. liability or breach of any duty or obligation owed by **you** as an employer or prospective employer; or
 - c. harassment, wrongful termination, retaliation, or discrimination, including but not limited to adverse or disparate impact.

Excluded costs and damages

11. to the extent it seeks or includes:
- a. fines, penalties, taxes, or sanctions against **you**;
 - b. overhead costs, general business expenses, salaries, or wages incurred by **you**;
 - c. the return, reduction, or restitution of fees, commissions, profits, or charges for goods provided or services rendered;
 - d. liquidated or multiple damages;
 - e. restitution, disgorgement of profits, any advantage to which **you** were not legally entitled, or unjust enrichment; or
 - f. the cost of complying with injunctive relief.

Excluded statutory violations

12. based upon or arising out of any actual or alleged violation of the following laws:
- a. the Securities Act of 1933;
 - b. the Securities Exchange Act of 1934;
 - c. any state blue sky or securities laws;
 - d. the Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. § 1961 *et seq.*; or
 - e. the Employee Retirement Income Security Act of 1974,
- all including as may be amended, or any similar provisions of any foreign, federal, state, or local statutory or common law and any rules or regulations promulgated under such laws.

Failure to maintain insurance or bonds

13. based upon or arising out of any actual or alleged failure to procure or maintain adequate insurance or bonds.

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False or misleading advertising	14. based upon or arising out of any actual or alleged false or misleading advertisement, including any inaccurate, inadequate, or incomplete description of your goods, products, or services; however this exclusion will not apply to any claim for trademark infringement or false designation of origin based on your alleged unauthorized use of another's trademark.
Government investigation/enforcement	15. based upon or arising out of any actual or alleged governmental investigation or enforcement of any state or federal regulation, including but not limited to any regulation promulgated by the Federal Trade Commission, Federal Communications Commission, or the Securities and Exchange Commission, or ASCAP, BMI, SESAC, or other similar licensing organization.
Insured vs. insured	16. brought by or on behalf of one insured or affiliate against another insured or affiliate .
Intentional acts	<p>17. based upon or arising out of any actual or alleged fraud, dishonesty, criminal conduct, or any knowingly wrongful, malicious, or intentional acts or omissions, except that we will pay claim expenses until there is a final adjudication establishing such conduct.</p> <p>This exclusion will apply to the named insured only if the conduct was committed or allegedly committed by any:</p> <ul style="list-style-type: none"> a. partner, director, officer, or member of the board (or equivalent position) of the named insured; or b. employee of the named insured if any partner, director, officer, member of the board (or equivalent position) of the named insured knew or had reason to know of such conduct by the employee. <p>This exclusion will apply separately to each insured and will not apply to any insured who did not commit, participate in, acquiesce to, or ratify such conduct committed by another insured.</p>
License/royalties	18. based upon or arising out of any actual or alleged obligation to pay any licensing fee or royalty.
Manufacture or design of goods/products	19. based upon or arising out of any goods or products designed, manufactured, sold, handled, or distributed by you .
Misappropriation of funds	20. based upon or arising out of the actual or alleged theft, misappropriation, commingling, or conversion of any funds, monies, assets, or property.
Network security	<p>21. based upon or arising out of any actual or alleged failure of computer security, including but not limited to the:</p> <ul style="list-style-type: none"> a. transmission of malicious software such as a computer virus, worm, logic bomb, or Trojan horse; b. failure to prevent a denial of service attack; c. failure to prevent authorized access to any computer system, personally identifiable information, or confidential corporate information held or transmitted in any form; or d. failure to prevent damage to any third party digital asset.
Ownership of content	22. based upon or arising out of any actual or alleged disputes with any of your present or former directors, officers, trustees, partners, joint venturers, employees, agents, or independent contractors concerning ownership of or the exercise of rights relating to content, material, or services supplied to you by any of them.
Patent/trade secret	23. based upon or arising out of any actual or alleged infringement, use, disclosure, or misappropriation of any patent or trade secret.
Pollution/environmental	24. based upon or arising out of any actual, alleged, or threatened discharge, dispersal, release, or escape of pollutants , including any direction or request to test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize pollutants .

Media Liability Coverage Part

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| Prior acts/notice/knowledge | <p>25. based upon or arising out of any:</p> <ul style="list-style-type: none"> a. claim or potential claim that was the subject of any notice given under any other policy of which this policy is a renewal or replacement; b. claim or potential claim that was the subject of, or is related to, any prior or pending litigation, claim, written demand, arbitration, administrative or regulatory proceeding or investigation, or licensing proceeding that was filed or commenced against you and of which you had notice prior to the policy period; or c. other matter you had knowledge of prior to the policy period, and you had a reasonable basis to believe could result in a claim. <p>However, if this policy is a renewal or replacement of a previous policy we issued that provided materially identical coverage, and is part of an unbroken chain of successive policies issued by us, the policy period referred to in paragraphs b and c, above, will be the policy period of the first such policy we issued.</p> |
| Privacy | <p>26. based upon or arising out of any actual or alleged:</p> <ul style="list-style-type: none"> a. unauthorized acquisition, access, use, or disclosure of, improper collection or retention of, or failure to protect any non-public personally identifiable information or confidential corporate information that is in your care, custody, or control; or b. violation of any privacy law or consumer data protection law protecting against the use, collection, or disclosure of any information about a person or any confidential corporate information. |
| Privacy policy violations | <p>27. based upon or arising out of any actual or alleged:</p> <ul style="list-style-type: none"> a. failure to have or appropriately display a privacy policy; b. failure of your privacy policy to comply with any federal, state, local, or foreign statutes, ordinances, regulations, or other laws; c. breach of your privacy policy; or d. changing of the terms of your privacy policy. |
| Professional services | <p>28. based upon or arising out of your actual or alleged performance of or failure to perform professional services or any other services customarily provided by an architect, engineer, surveyor, physician, surgeon, dentist, or other healthcare provider, accountant, insurance agent/broker, investment advisor, securities broker/dealer, or attorney.</p> |
| Property damage | <p>29. based upon or arising out of any actual or alleged property damage.</p> |
| Repair/replace/recall | <p>30. based upon or arising out of any actual or alleged repair, upgrade, correction, recall, replacement, withdrawal, removal, or disposal costs incurred by you or others.</p> |
| Scareware | <p>31. based upon or arising out of any actual or alleged provision or transmission of Scareware, including but not limited to software that produces false or alarming warning messages.</p> |
| Sexual misconduct | <p>32. based upon or arising out of any actual, alleged, or threatened abuse, molestation, harassment, mistreatment, or maltreatment of a sexual nature, including the negligent employment, investigation, supervision, training, or retention of a person who commits such conduct, or the failure to report such conduct to the proper authorities.</p> |
| Software copyright | <p>33. based upon or arising out of any actual or alleged copyright infringement related to software or source code.</p> |
| Subsidiary outside control of named insured | <p>34. a. based upon or arising out of media activities or advertising of professional services performed by or on behalf of a past or present subsidiary while the named insured does not have majority ownership or management control of it; or</p> <p>b. made against a subsidiary or anyone acting on its behalf while the named insured does not have majority ownership or management control of it.</p> |

Media Liability Coverage Part

Sweepstakes/gambling/ lotteries	35. based upon or arising out of any: <ol style="list-style-type: none"> a. actual or alleged provision of any sweepstakes, gambling activities, or lotteries; or b. price discounts, prizes, awards, money, or valuable consideration given in excess of a total contracted or expected amount, including but not limited to over redemption or under redemption of coupons, discounts, awards, or prizes.
Unsolicited telemarketing	36. based upon or arising out of any actual or alleged violation of any federal, state, local, or foreign statutes, ordinances, or regulations relating to unsolicited telemarketing, solicitations, emails, faxes, text messages, or any other communications of any type or nature, including but not limited to the Telephone Consumer Protection Act, CAN-SPAM Act, or any "anti-spam" or "do-not-call" statutes, ordinances, or regulations.
Virtual currency	37. based upon or arising out of any actual or alleged virtual currency, including but not limited to virtual goods exchanged in connection with an Internet game or virtual economy.

VII. Definitions

The following definitions apply to this Coverage Part. Additional definitions are contained in Section III. Who is an insured, and in the General Terms and Conditions, Section VI. Definitions applicable to all Coverage Parts.

Advertising

means the online, digital, or electronic promotion of **your professional services** by broadcast, transmission, dissemination, telecast, cablecast, podcast, streaming, publication, republication, or by use of a website or social media.

Affiliate

means any person or entity related to any **insured** through common ownership, control, or management as follows:

1. any person or entity:
 - a. which wholly or partly owns, operates, controls, or manages the **named insured**;
 - b. which was operated, controlled, or managed by the **named insured**; or
 - c. in which any **insured** has an ownership interest of 15% or more, at anytime during or after the performance of the **media activities** or **your advertising of your professional services** giving rise to the **claim**; or
2. any entity for which any **insured** is an officer or director at the time the **claim** is made.

Affiliate does not include a **subsidiary**.

Bodily injury

means physical injury, sickness, disease, death, humiliation, mental injury, mental anguish, emotional distress, suffering, or shock sustained by a person.

Claim

means any written assertion of liability or any written demand for financial compensation or non-monetary relief.

Claim expenses

means the following sums incurred in excess of the **retention** and with **our** prior consent:

1. all reasonable and necessary fees, costs, and expenses (including the fees of attorneys and experts) incurred in the investigation, defense, or appeal of a **claim**; and
2. premiums on appeal bonds, attachment bonds, or similar bond, but **we** will have no obligation to apply for or furnish any such bonds.

Damages

means the following amounts incurred in excess of the **retention**:

1. a monetary judgment or monetary award that **you** are legally obligated to pay (including pre- or post-judgment interest and awards of claimant's attorney fees); or
2. a monetary settlement negotiated by **us** with **your** consent.

Damages includes punitive damages to the full extent they are insurable under the law of any applicable jurisdiction that most favors coverage.

Media Liability Coverage Part

Media activities	means the publication, broadcast, dissemination, or release of media content in connection with your professional services .
Media content	means the substance of any communication, including but not limited to language, data, facts, fiction, music, photographs, images, artistic expression, or visual or graphic materials.
Pollutants	means any solid, liquid, gaseous, biological, radiological, or thermal irritant or contaminant, including smoke, vapor, asbestos, silica, dust, nanoparticles, fibers, soot, fumes, acids, alkalis, chemicals, nuclear materials, germs, mold, and waste. Waste includes, but is not limited to, materials to be recycled, reconditioned, or reclaimed.
Potential claim	means any acts, errors, or omissions of an insured or other circumstances reasonably likely to lead to a claim covered under this policy.
Professional services	means only those services identified as Covered Professional Services under the Media Liability Coverage Part of the Declarations.
Property damage	means physical loss of, physical damage to, or destruction or loss of use of any tangible property.
Retention	means the amount stated as such under the Media Liability Coverage Part of the Declarations.
You, your, or insured	means a named insured, subsidiary, employee, or acquired entity , as defined in Section III. Who is an insured.

I. What is covered

- A. We will pay up to the **coverage part limit** for **breach costs** in excess of the **retention** incurred as a result of a **breach** occurring on or after the **retroactive date** or 90 days before the beginning of the **policy period**, whichever is earlier, provided the **breach** is first discovered by **you** during the **policy period** and is reported to **us** in accordance with Section V. Your obligations.
- B. We will also pay up to the **coverage part limit** for **damages** and **claim expenses** in excess of the **retention** if the performance of **your** business operations by **you** or anyone on **your** behalf (including **your** subcontractors, outsourcers, or independent contractors) on or after the **retroactive date** results in a covered **claim** against **you** for any actual or alleged:
1. **network security breach;**
 2. **privacy liability;**
 3. **breach of contract;**
 4. **contractual indemnity - third party;**
 5. **contractual indemnity - breach costs;**
 6. deceptive trade practices, but only when asserted against **you** in conjunction with and based on the same allegations as a covered **claim** under 1, 2, or 3 above; or
 7. unintentional infliction of emotional distress, but only when asserted against **you** in conjunction with and based on the same allegations as a covered **claim** under 1, 2, or 3 above,
- provided the **claim** is first made against **you** during the **policy period** and is reported to **us** in accordance with Section V. Your obligations.

II. Coverage enhancements

We will also make the following payments:

Regulatory action sublimit

- A. We will pay up to the limit stated in the Declarations for **damages, claim expenses**, and civil or regulatory fines or penalties that are not compensatory in nature for any **regulatory action**, provided the **regulatory action** is first brought against **you** during the **policy period**, it is brought in connection with and based on the same allegations as a covered **claim** under Section I. What is covered, B. 1, 2, or 3, it results from the performance of **your** business operations by **you** or anyone on **your** behalf (including **your** subcontractors, outsourcers, or independent contractors) on or after the **retroactive date**, and it is reported to **us** in accordance with Section V. Your obligations.
- Any payment **we** make under this subsection A is subject to the **retention**, and such payments will be a part of, and not in addition to, the **coverage part limit**.

Regulatory compensatory sublimit

- B. We will pay up to the limit stated in the Declarations for **damages** that are intended to compensate the individuals or entities to whom the **personally identifiable information** or confidential corporate information relates for any **regulatory action**, provided the **regulatory action** is first brought against **you** during the **policy period**, it is brought in connection with and based on the same allegations as a covered **claim** under Section I. What is covered, B. 1, 2, or 3, it results from the performance of **your** business operations by **you** or anyone on **your** behalf (including **your** subcontractors, outsourcers, or independent contractors) on or after the **retroactive date**, and it is reported to **us** in accordance with Section V. Your obligations.
- Any payment **we** make under this subsection B is subject to the **retention**, and such payments will be a part of, and not in addition to, the **coverage part limit**.

PCI fines/penalties sublimit

- C. We will pay up to the limit stated in the Declarations for covered **PCI fines/penalties** assessed against **you** (including **PCI fines/penalties** resulting from a **breach of contract**), as a result of a **breach** arising out of the performance of **your** business

operations by **you** or anyone on **your** behalf (including **your** subcontractors, outsourcers, or independent contractors) on or after the **retroactive date**, provided the **breach** is first discovered by **you** during the **policy period** and is reported to **us** in accordance with Section V. Your obligations.

Any payment **we** make under this subsection C is subject to the **retention**, and such payments will be a part of, and not in addition to, the **coverage part limit**.

PCI assessments sublimit

D. **We** will pay up to the limit stated in the Declarations for covered **PCI assessments** against **you** (including **PCI assessments** resulting from a **breach of contract**), as a result of a **breach** arising out of the performance of **your** business operations by **you** or anyone on **your** behalf (including **your** subcontractors, outsourcers, or independent contractors) on or after the **retroactive date**, provided the **breach** is first discovered by **you** during the **policy period** and is reported to **us** in accordance with Section V. Your obligations.

Any payment **we** make under this subsection D is subject to the **retention**, and such payments will be a part of, and not in addition to, the **coverage part limit**.

Supplemental payments

E. **We** will pay reasonable expenses, including loss of wages and a \$250 travel per diem, incurred by **you** if **we** require **you** to attend depositions, arbitration proceedings, or trials in connection with the defense of a covered **claim**, but **we** will not pay more than an aggregate of \$10,000 per **claim** for such expenses, regardless of the number of **insureds**.

No **retention** will apply to amounts **we** pay under this subsection E, and such amounts will be in addition to, and not part of, the **coverage part limit**.

III. Who is an insured

For purposes of this Coverage Part, **you**, **your**, or **insured** means a **named insured**, **subsidiary**, **employee**, or **acquired entity**, as defined below:

Named insured

means the individual, corporation, partnership, limited liability company, limited partnership, or other entity identified in Item 1 of the Declarations.

Subsidiary

means any entity of which the **named insured** has majority ownership before or as of the inception of the **policy period**.

Employee

means any past, present, or future:

1. person employed by the **named insured** or **subsidiary** as a permanent, part-time, seasonal, leased, or temporary employee, or any volunteer; or
2. partner, director, officer, or board member (or equivalent position) of the **named insured** or **subsidiary**,

but only while in the course of their performance of business operations on behalf of or at the direction of such **named insured** or **subsidiary**.

Acquired entity

means an entity in which the **named insured**, during the **policy period**:

1. acquires substantially all of the assets;
2. acquires the majority of its voting securities, as a result of which it becomes a **subsidiary**; or
3. merges and leaves the **named insured** as the surviving entity.

With respect to an **acquired entity** whose revenues exceed 10% of the annual revenues of the **named insured** at the time of its creation or acquisition, any coverage under this policy will expire 90 days after the effective date of its creation or acquisition unless, within such 90 day period:

1. the **named insured** provides **us** with written notice of such creation or acquisition;

2. the **named insured** provides **us** with information related to such creation or acquisition as **we** may reasonably require;
3. the **named insured** accepts any special terms, conditions, exclusions, or additional premium charge as **we** may reasonably require; and
4. **we** agree by written endorsement to provide such coverage.

This policy will apply to an **acquired entity** only with respect to **your** business operations performed after the acquisition, merger, or creation.

IV. Defense and settlement of claims

Defense

We have the right and duty to defend any covered **claim**, even if such **claim** is groundless, false, or fraudulent.

We have the right to select and appoint counsel to defend **you** against a covered **claim**. **You** may request in writing that **we** appoint defense counsel of **your** own choice, but whether to grant or deny such a request will be at **our** sole discretion.

Settlement

We have the right to solicit and negotiate settlement of any **claim** but will not enter into a settlement without **your** consent, which **you** agree not to withhold unreasonably. If **you** withhold consent to a settlement recommended by **us** and acceptable to the party who made the **claim**, the most **we** will pay for that **claim** is the sum of:

1. the amount of **our** recommended settlement;
2. **claim expenses** incurred up to the date of **our** recommendation;
3. 50% of all **claim expenses** incurred after **our** recommendation; and
4. 50% of all **damages** in excess of the settlement amount recommended by **us**.

V. Your obligations

Notifying us of breaches

You must give written notice to **us** of any **breach** as soon as possible after it is first discovered by **you**, but in any event no later than: (a) the end of the **policy period**; or (b) 30 days after the end of the **policy period** for a **breach** discovered in the last 30 days of the **policy period**.

All such notifications must be in writing and include a description of the **breach**, and must be submitted to **us** via the designated email address or mailing address identified in Item 6 of the Declarations.

In addition, **you** must also inform, or allow **us** to inform, the appropriate law enforcement authorities for any **breach** requiring such notification.

Notifying us of claims and coverage enhancements

You must give written notice to **us** of any **claim**, or any other matter covered under Section II. Coverage enhancements, as soon as possible, but in any event, no later than 60 days after the end of the **policy period**.

All such notifications must be in writing and include a copy of the **claim** or other covered matter, and must be submitted to **us** via the designated email address or mailing address identified in Item 6 of the Declarations.

Notifying us of potential claims

You have the option of notifying **us** of **potential claims** that may lead to a covered **claim** against **you**.

In order to do so, **you** must give written notice to **us** as soon as possible and within the **policy period**, and the notice must, to the greatest extent possible, identify the details of the **potential claim**, including identifying the potential claimant(s), the likely basis for liability, the likely

demand for relief, and any additional information about the **potential claim** we may reasonably request.

The benefit to **you** of notifying **us** of a **potential claim** is that if an actual **claim** arises from the same circumstances as the properly notified **potential claim**, then **we** will treat that **claim** as if it had first been made against **you** on the date **you** properly notified **us** of it as a **potential claim**, even if that **claim** is first made against **you** after the **policy period** has expired.

All **potential claim** notifications must be in writing and submitted to **us** via the designated email address or mailing address identified in Item 6 of the Declarations.

Retention and limits

Our obligation to pay **breach costs, damages, claim expenses, PCI fines/penalties, or PCI assessments** under this Coverage Part is in excess of the **retention**, which **you** must pay in connection with each covered **breach** and/or **claim**.

All **breaches** arising from the same circumstances will be treated as a single **breach**, and **you** will have to pay only one **retention**, and only one Each Breach Limit will apply. All such **breaches** will be deemed to have occurred on the date the first **breach** occurred.

If a **claim**, or any other matter covered under Section II. Coverage enhancements, is made against **you** arising from the same circumstances as a **breach**, the **breach, claim**, and coverage enhancement will be treated as a single **claim**, and **you** will have to pay only one **retention**, and only one Each Claim Limit will apply.

VI. Exclusions – What is not covered

We will have no obligation to pay any sums under this Coverage Part, including any **breach costs, damages, claim expenses, PCI fines/penalties, or PCI assessments**, for any **breach** or **claim**:

Antitrust/deceptive trade practices

1. based upon or arising out of any actual or alleged:
 - a. false, deceptive, or unfair trade practices;
 - b. unfair competition, impairment of competition, restraint of trade, or antitrust violations;
 - c. violation of the Sherman Anti-Trust Act, the Clayton Act, the Robinson-Patman Act, all including as may be amended, or any similar foreign, federal, state, or local statutes, rules, or regulations; or
 - d. deceptive or misleading advertising.

However, this exclusion will not apply to a **claim** for deceptive trade practices asserted against **you** in conjunction with and based on the same allegations as a covered **claim** for a **network security breach, privacy liability, or breach of contract**.

Assumption of liability

2. based upon or arising out of any actual or alleged liability of others **you** assume under any contract or agreement; however, this exclusion will not apply to:
 - a. any liability **you** would have in the absence of the contract or agreement; or
 - b. any **claim** for **contractual indemnity - third party** or **contractual indemnity - breach costs**.

Bodily injury

3. based upon or arising out of any actual or alleged **bodily injury**; however, this exclusion will not apply to a **claim** for unintentional infliction of emotional distress asserted against **you** in conjunction with and based on the same allegations as a covered **claim** for a **network security breach, privacy liability, or breach of contract**.

Breach of warranty/guarantee

4. based upon or arising out of any actual or alleged breach of express warranties or guarantees, except any warranty or guarantee to maintain the confidentiality of **personally identifiable information** or confidential corporate information. This exclusion

will not apply to any liability **you** would have in the absence of the warranties or guarantees.

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| Collection of data without knowledge | <p>5. based upon or arising out of any actual or alleged:</p> <ul style="list-style-type: none"> a. collection of personally identifiable information by you (or others on your behalf) without the knowledge or permission of the data subject; or b. use of personally identifiable information by you (or others on your behalf) in violation of applicable law. |
| Criminal proceedings | <p>6. brought in the form of a criminal proceeding, including but not limited to a criminal investigation, grand jury proceeding, or criminal action.</p> |
| Employment related liability | <p>7. based upon or arising out of any actual or alleged:</p> <ul style="list-style-type: none"> a. obligation under any workers' compensation, unemployment compensation, employers' liability, fair labor standards, labor relations, wage and hour, or disability benefit law, including any similar provisions of any foreign, federal, state, or local statutory or common law; b. liability or breach of any duty or obligation owed by you as an employer or prospective employer; or c. harassment, wrongful termination, retaliation, or discrimination, including but not limited to adverse or disparate impact. |
| Excluded costs and damages | <p>8. to the extent it seeks or includes:</p> <ul style="list-style-type: none"> a. fines, penalties, taxes, or sanctions against you, except we will pay: <ul style="list-style-type: none"> i. civil or regulatory fines or penalties arising out of a regulatory action, if insurable by law; or ii. PCI fines/penalties assessed against you, if insurable by law; b. overhead costs, general business expenses, salaries, or wages incurred by you; c. the return, reduction, or restitution of fees, commissions, profits, or charges for goods provided or services rendered; d. liquidated or multiple damages; e. restitution, disgorgement of profits, any advantage to which you were not legally entitled, or unjust enrichment; f. the cost of complying with injunctive relief; g. special, indirect, or consequential damages; or h. service credits. |
| Excluded statutory violations | <p>9. based upon or arising out of any actual or alleged violation of the following laws:</p> <ul style="list-style-type: none"> a. the Securities Act of 1933; b. the Securities Exchange Act of 1934; c. any state blue sky or securities laws; d. the Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. § 1961 <i>et seq.</i>; e. the Employee Retirement Income Security Act of 1974; f. the Fair Debt Collection Practices Act; or g. the Fair Credit Reporting Act, <p>all including as may be amended, or any similar provisions of any foreign, federal, state, or local statutory or common law and any rules or regulations promulgated under such laws.</p> |

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| Failure to maintain insurance or bonds | 10. based upon or arising out of any actual or alleged failure to procure or maintain adequate insurance or bonds. |
| Funds transfer | <p>11. for any actual or alleged loss, theft, or transfer of:</p> <ul style="list-style-type: none"> a. your funds, monies, or securities; b. the funds, monies, or securities of others in your care, custody, or control; or c. the funds, monies, or securities in the care, custody, or control of any third party for whom you are legally liable, <p>including the value of any funds, monies, or securities transferred by you or others on your behalf.</p> |
| Government investigation/enforcement | 12. based upon or arising out of any actual or alleged governmental investigation or enforcement of any state or federal regulation, including but not limited to any regulation promulgated by the Federal Trade Commission, Federal Communications Commission, or the Securities and Exchange Commission, or ASCAP, BMI, SESAC, or other similar licensing organization; however, this exclusion will not apply to a covered regulatory action . |
| Industrial control systems/SCADA | 13. based upon or arising out of the use of any control systems used in industrial production, including but not limited to supervisory control and data acquisition (SCADA) systems, distributed control systems, or programmable logic controllers. |
| Infrastructure interruption | 14. based upon or arising out of any actual or alleged failure or interruption of service provided by an internet service provider, telecommunications provider, utility provider, or other infrastructure provider; however, this exclusion will not apply to a breach of personally identifiable information that was stored in the cloud, on remote servers, at a co-location or data hosting service, or any other method of storing data in a location not in your direct control. |
| Insured vs. insured | <p>15. brought by or on behalf of one insured or affiliate against another insured or affiliate; however, this exclusion will not apply to an otherwise covered claim brought by an employee:</p> <ul style="list-style-type: none"> a. based upon or arising out of such employee's personally identifiable information; or b. solely based on your business operations performed when such employee was not working for you. |
| Intellectual property | 16. based upon or arising out of any actual or alleged infringement, use, or disclosure of any intellectual property, including but not limited to copyright, trademark, trade dress, patent, service mark, service name, title, or slogan, or any publicity rights violations, cyber squatting violations, moral rights violations, any act of passing-off, or any misappropriation of trade secret. |
| Intentional acts | <p>17. based upon or arising out of any actual or alleged fraud, dishonesty, criminal conduct, or any knowingly wrongful, malicious, or intentional acts or omissions, except that we will pay claim expenses until there is a final adjudication establishing such conduct.</p> <p>This exclusion will apply to the named insured only if the conduct was committed or allegedly committed by any:</p> <ul style="list-style-type: none"> a. partner, director, officer, or member of the board (or equivalent position) of the named insured; or b. employee of the named insured if any partner, director, officer, member of the board (or equivalent position) of the named insured knew or had reason to know of such conduct by the employee. <p>This exclusion will apply separately to each insured and will not apply to any insured who did not commit, participate in, acquiesce to, or ratify such conduct committed by another insured.</p> |

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| Pollution/environmental | 18. based upon or arising out of any actual, alleged, or threatened discharge, dispersal, release, or escape of pollutants , including any direction or request to test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize pollutants . |
| Prior acts/notice/knowledge | <p>19. based upon or arising out of any:</p> <ul style="list-style-type: none"> a. claim, potential claim, or breach that was the subject of any notice given under any other policy of which this policy is a renewal or replacement; b. claim, potential claim, or breach that was the subject of, or is related to, any prior or pending litigation, claim, written demand, arbitration, administrative or regulatory proceeding or investigation, or licensing proceeding that was filed or commenced against you and of which you had notice prior to the policy period; or c. other matter you had knowledge of prior to the policy period, and you had a reasonable basis to believe could result in a claim or breach. <p>However, if this policy is a renewal or replacement of a previous policy we issued that provided materially identical coverage, and is part of an unbroken chain of successive policies issued by us, the policy period referred to in paragraphs b and c, above, will be the policy period of the first such policy we issued.</p> |
| Privacy policy | <p>20. based upon or arising out of any actual or alleged:</p> <ul style="list-style-type: none"> a. failure to have or appropriately display a privacy policy; b. failure of your privacy policy to comply with any federal, state, local, or foreign statutes, ordinances, regulations, or other laws; or c. changing of the terms of your privacy policy. |
| Professional services | 21. based upon or arising out of the rendering of or failure to render professional services by you or anyone on your behalf; however, this exclusion will not apply to an otherwise covered breach or claim resulting in the course of performance of professional services. |
| Property damage | 22. based upon or arising out of any actual or alleged property damage ; however, this exclusion will not apply to damage to data, or destruction or loss of use of data. |
| Sweepstakes/gambling/lotteries | <p>23. based upon or arising out of any:</p> <ul style="list-style-type: none"> a. actual or alleged provision of any sweepstakes, gambling activities, or lotteries; or b. price discounts, prizes, awards, money, or valuable consideration given in excess of a total contracted or expected amount, including but not limited to over redemption or under redemption of coupons, discounts, awards, or prizes. |
| Unsolicited telemarketing | 24. based upon or arising out of any actual or alleged violation of any federal, state, local, or foreign statutes, ordinances, or regulations relating to unsolicited telemarketing, solicitations, emails, faxes, text messages, or any other communications of any type or nature, including but not limited to the Telephone Consumer Protection Act, CAN-SPAM Act, or any "anti-spam" or "do-not-call" statutes, ordinances, or regulations. |

VII. Definitions

The following definitions apply to this Coverage Part. Additional definitions are contained in Section III. Who is an insured, and in the General Terms and Conditions, Section VI. Definitions applicable to all Coverage Parts.

Affiliate

means any person or entity related to any **insured** through common ownership, control, or management.

Bodily injury

means physical injury, sickness, disease, death, humiliation, mental injury, mental anguish, emotional distress, suffering, or shock sustained by a person.

Breach	means the unauthorized acquisition, access, use, or disclosure of personally identifiable information , including but not limited to that resulting from the loss or theft of a device containing such personally identifiable information .
Breach costs	<p>means any of the following reasonable and necessary costs you incur with our prior written consent in response to a breach that triggers your notification obligations pursuant to any foreign, federal, state, or local statute, rule, or regulation, or that you satisfy us poses a significant risk of financial, reputational, or other harm to the affected data subjects:</p> <ol style="list-style-type: none">1. Computer Forensic Costs: costs up to the limit stated in the Declarations for computer forensic analysis conducted by outside forensic experts to confirm a breach and to identify the affected data subjects, as well as outside attorney fees associated with the forensic reports and findings.2. Notification Costs: the following costs up to the limit stated in the Declarations:<ol style="list-style-type: none">a. Mandatory Notification Costs: for legal services, call center services, and to notify a data subject, a regulator, or any others, as required to satisfy your notification obligations; and/orb. Voluntary Notification Costs: to voluntarily notify affected data subjects, but only if you satisfy us that the breach poses a significant risk of financial, reputational, or other harm to the affected data subjects.3. Credit or Identity Protection Costs: costs up to the limit stated in the Declarations to provide each affected data subject with one year (or more as required by law) of services to monitor and/or protect such data subject's credit or identity:<ol style="list-style-type: none">a. if required by law; orb. if you satisfy us it mitigates a significant risk of financial, reputational, or other harm to the data subject.4. Crisis Management and Public Relations Costs: costs up to the limit stated in the Declarations for a public relations or crisis management consultant (and related costs) to:<ol style="list-style-type: none">a. reduce the likelihood of or costs of any claim covered by this policy; orb. to assist you in re-establishing your business reputation. <p>We will only be responsible to pay breach costs for services provided by a firm on the pre-approved Hiscox Preferred Breach Response Providers List.</p> <p>Prior to a breach, you may request in writing our authorization to obtain services and incur costs from a firm that is not on the pre-approved Hiscox Preferred Breach Response Providers List, but whether to grant or deny such request will be at our sole discretion.</p> <p>Breach costs will not mean, and we will have no obligation to pay, any of your own costs, salaries, or overhead expenses.</p>
Breach of contract	means your unintentional breach of a written contract or public facing privacy policy relating to personally identifiable information or confidential corporate information, including a contract with a merchant bank or payment processor in which you have agreed to comply with a PCI standard , and under which you have actually or allegedly failed to maintain the security or confidentiality of payment card data.
Claim	means any written assertion of liability or any written demand for financial compensation or non-monetary relief.
Claim expenses	<p>means the following sums incurred in excess of the retention and with our prior consent:</p> <ol style="list-style-type: none">1. all reasonable and necessary fees, costs, and expenses (including the fees of attorneys and experts) incurred in the investigation, defense, or appeal of a claim; and2. premiums on appeal bonds, attachment bonds, or similar bond, but we will have no obligation to apply for or furnish any such bonds.
Client	means any person or entity for whom you perform the services you normally provide as part of your business operations.

Contractual indemnity - breach costs

means **your** contractual agreement to indemnify **your client**, a merchant bank, or a payment processor for **breach costs** that would be covered by this Coverage Part if **you** had incurred them, but only to the same extent as though **you** had incurred them.

Contractual indemnity - third party

means **your** contractual agreement to indemnify **your client**, a merchant bank, or a payment processor for **damages** or **claim expenses** that would be covered by this Coverage Part if they arose from a **claim** against **you**, resulting from **your** actual or alleged:

1. violation of any privacy law or consumer data protection law protecting against disclosure of **personally identifiable information** or confidential corporate information;
2. breach of common law duty relating to **personally identifiable information** or confidential corporate information; or
3. unintentional breach of a written contract or public facing privacy policy relating to **personally identifiable information** or confidential corporate information,

but only to the same extent as though they arose from a **claim** against **you**.

Damages

means the following amounts incurred in excess of the **retention**:

1. a monetary judgment or monetary award that **you** are legally obligated to pay (including pre- or post-judgment interest and awards of claimant's attorney fees); or
2. a monetary settlement negotiated by **us** with **your** consent.

Damages includes punitive damages to the full extent they are insurable under the law of any applicable jurisdiction that most favors coverage.

Data subject

means the person to whom **personally identifiable information** relates.

Network security breach

means negligence by **you** or others acting on **your** behalf (including **your** subcontractors, outsourcers, or independent contractors) in securing **your** computer system which results in:

1. transmission of malicious software such as a computer virus, worm, logic bomb, or Trojan horse;
2. a denial of service attack against a third party;
3. the unauthorized acquisition, access, use, or disclosure of **personally identifiable information** or confidential corporate information that is held or transmitted in any form;
4. prevention of authorized electronic access to any computer system, **personally identifiable information**, or confidential corporate information; or
5. damage to any third party digital asset.

Payment card company rules

means any payment card company programs, rules, by-laws, policies, procedures, regulations, or requirements, including but not limited to VISA's CISP, MasterCard's SDP, Discover Card's DISC, and AMEX's DSOP, all as may be amended.

PCI assessments

means any amounts assessed against **you** by a payment card company to recover actual costs incurred by the payment card company, issuing bank, or acquiring bank to:

1. replace credit or debit cards whose card numbers were compromised in a **breach**; or
2. refund fraudulent charges which resulted from a **breach**, whether such charges are incurred by a **data subject**, issuing bank, or acquiring bank.

PCI assessments does not include any **PCI fines/penalties**.

PCI fines/penalties

means any fine or penalty expressly defined and quantified under the **payment card company rules** for a violation of a **PCI standard**; however, **PCI fines/penalties** does not include:

1. any amounts not expressly defined under the **payment card company rules** for a violation of a **PCI standard**;
2. civil penalties;

Data Breach and Privacy Security Liability Coverage Part

3. any amounts voluntarily agreed to by **you**; or
4. **PCI assessments**.

PCI standard

means the Payment Card Industry Data Security Standard, as may be amended.

Personally identifiable information

means the following, in any form, that is in **your** care, custody, or control, or in the care, custody, or control of any third party for whom **you** are legally liable:

1. non-public individually identifiable information as defined in any foreign, federal, state, or local statute, rule, or regulation, including but not limited to unsecured protected health information as defined by the Health Insurance Portability and Accountability Act of 1996 (HIPAA), as amended, and any rule or regulation promulgated under HIPAA; or
2. any:
 - a. social security number or individual taxpayer identification number;
 - b. driver's license number or state identification number;
 - c. passport number;
 - d. credit card number; or
 - e. financial account number or debit card number in combination with any required security code.

Pollutants

means any solid, liquid, gaseous, biological, radiological, or thermal irritant or contaminant, including smoke, vapor, asbestos, silica, dust, nanoparticles, fibers, soot, fumes, acids, alkalis, chemicals, nuclear materials, germs, and waste. Waste includes, but is not limited to, materials to be recycled, reconditioned, or reclaimed.

Potential claim

means any acts, errors, or omissions of an **insured** or other circumstances reasonably likely to lead to a **claim** covered under this policy.

Privacy liability

means:

1. violation of any privacy law or consumer data protection law protecting against disclosure of **personally identifiable information** or confidential corporate information; or
2. breach of a common law duty relating to **personally identifiable information** or confidential corporate information.

Property damage

means physical loss of, physical damage to, or destruction or loss of use of any tangible property.

Regulatory action

means any civil regulatory action brought against **you** by a regulator.

Retention

means the amount stated as such under the Data Breach and Privacy Security Liability Coverage Part section of the Declarations.

You, your, or insured

means a **named insured, subsidiary, employee, or acquired entity**, as defined in Section III. Who is an insured.

I. What is covered

If a limit appears on the Declarations indicating **you** have purchased the coverage, **we** agree as follows:

A. Cyber business interruption

We will pay up to the Cyber Business Interruption limit stated in the Declarations for **business interruption costs** incurred as a result of a **business interruption event** lasting in excess of the **retention**, which first occurs and **you** discover during the **policy period** and is reported to **us** in accordance with Section V. Your obligations.

Our obligation to pay **business interruption costs**:

1. is not triggered unless **you** take reasonable steps to minimize or avoid the **business interruption event**; and
2. ends at the hour after either:
 - a. the interruption to or degradation in the availability of **your** website, intranet, network, computer system, programs, or data ceases; or
 - b. the **income interruption** ceases,
 whichever is earlier.

B. Cyber extortion

We will pay up to the Cyber Extortion limit stated in the Declarations for **cyber extortion costs** in excess of the **retention** incurred as a result of a **cyber extortion event** that is first made against **you** during the **policy period** and is reported to **us** in accordance with Section V. Your obligations.

C. Hacker damage

We will pay up to the Hacker Damage limit stated in the Declarations for **hacker damage costs** in excess of the **retention** incurred as a result of a **hacker damage event** that **you** first discover during the **policy period** and is reported to **us** in accordance with Section V. Your obligations.

II. Coverage enhancements

We will also make the following payments:

Cyber business interruption consulting costs

A. **We** will pay up to the limit stated in the Declarations for **consulting costs you** incur with **our** prior written consent in connection with a covered **business interruption event**.

Any payments **we** make under this subsection A will be a part of, and not in addition to, the Cyber Business Interruption limit.

Hacker damage consulting costs

B. **We** will pay up to the limit stated in the Declarations for **consulting costs you** incur with **our** prior written consent in connection with a covered **hacker damage event**.

You must pay the **retention** stated in the Declarations in connection with any payment **we** make under this subsection B, and any payments **we** make will be a part of, and not in addition to, the Hacker Damage limit.

III. Who is an insured

For purposes of this Coverage Part, **you, your,** or **insured** means a **named insured, subsidiary, employee, executive,** or **acquired entity**, as defined below:

Named insured

means the individual, corporation, partnership, limited liability company, limited partnership, or other entity identified in Item 1 of the Declarations.

Subsidiary

means any entity of which the **named insured** has majority ownership before or as of the inception of the **policy period**.

Employee

means any past, present, or future person employed by the **named insured** or **subsidiary** as a permanent, part-time, seasonal, leased, or temporary employee, or any volunteer, but only

while in the course of their performance of business operations on behalf of or at the direction of such **named insured** or **subsidiary**.

Executive

means any past, present, or future partner, director, officer, or board member (or equivalent position) of the **named insured** or **subsidiary**, but only while in the course of their performance of business operations on behalf of such **named insured** or **subsidiary**.

Acquired entity

means an entity in which the **named insured**, during the **policy period**:

1. acquires substantially all of the assets;
2. acquires the majority of its voting securities, as a result of which it becomes a **subsidiary**; or
3. merges and leaves the **named insured** as the surviving entity.

With respect to an **acquired entity** whose revenues exceed 10% of the annual revenues of the **named insured** at the time of its creation or acquisition, any coverage under this policy will expire 90 days after the effective date of its creation or acquisition unless, within such 90 day period:

1. the **named insured** provides **us** with written notice of such creation or acquisition;
2. the **named insured** provides **us** with information related to such creation or acquisition as **we** may reasonably require;
3. the **named insured** accepts any special terms, conditions, exclusions, or additional premium charge as **we** may reasonably require; and
4. **we** agree by written endorsement to provide such coverage.

This policy will apply to an **acquired entity** only with respect to an **event** which first occurs and is discovered after the acquisition, merger, or creation.

IV. *[This section intentionally left blank]*

V. Your obligations

Notifying us of events

You must give written notice to **us** of any **event** as soon as possible, but in any event, no later than ten days after the end of the **policy period**.

All such notifications must be in writing and include a description of the **event**, and must be submitted to **us** via the designated email address or mailing address identified in Item 6 of the Declarations.

In addition, **you** must also inform, or allow **us** to inform, the appropriate law enforcement authorities for any **event** requiring such notification.

Retention

Our obligation to make any payments under this Coverage Part is in excess of the **retention**, and **we** will not make any payment in connection with a covered **event** until the total amount of covered costs incurred or, in the case of a **business interruption event**, the length of the **event**, exceeds the **retention**.

Solely with respect to a **business interruption event**, the **retention** will not begin to run until **you** have notified the **event** to **us**.

**VI. Exclusions –
What is not
covered**

We will have no obligation to pay any sums under this Coverage Part for any **event**:

Cyber Enhancements Coverage Part

- | | |
|--------------------------------------|---|
| Bodily injury | 1. based upon or arising out of any actual or alleged bodily injury . |
| Chargeback | 2. based upon or arising out of any actual or alleged chargeback, liability, or fee incurred by you or your client as a result of a merchant service provider, including any credit card company or bank, wholly or partially reversing or preventing a payment transaction. |
| Collection of data without knowledge | 3. based upon or arising out of any actual or alleged: <ul style="list-style-type: none"> a. collection of personally identifiable information by you (or others on your behalf) without the knowledge or permission of the person to whom the personally identifiable information relates; or b. use of personally identifiable information by you (or others on your behalf) in violation of applicable law. |
| Cramming/slamming | 4. based upon or arising out of: <ul style="list-style-type: none"> a. the imposition of charges for services or content in relation to telephone, cell phone, wireless data, cable television, internet, voice over internet protocol (VoIP), or other similar telecommunications services, which charges have not been adequately disclosed or which services or content have not been requested by the consumer; or b. the unauthorized switching of telecommunications carriers, including providers of telephone, cell phone, wireless data, cable television, internet, voice over internet protocol (VoIP), or other similar services. |
| Fraudulent/criminal act | 5. involving an intentional, fraudulent, or criminal act committed by or in collusion with an executive, employee , or any person to whom a ransom is entrusted. |
| Funds transfer | 6. involving any actual or alleged loss, theft, or transfer of: <ul style="list-style-type: none"> a. your funds, monies, or securities; b. the funds, monies, or securities of others in your care, custody, or control; or c. the funds, monies, or securities in the care, custody, or control of any third party for whom you are legally liable, including the value of any funds, monies, or securities transferred by you or others on your behalf. |
| Government investigation/enforcement | 7. based upon or arising out of any actual or alleged governmental investigation or enforcement of any state or federal regulation, including but not limited to any regulation promulgated by the Federal Trade Commission, Federal Communications Commission, or the Securities and Exchange Commission, or ASCAP, BMI, SESAC, or other similar licensing organization. |
| Infrastructure interruption | 8. based upon or arising out of any actual or alleged failure or interruption of service provided by an internet service provider, telecommunications provider, utility provider, or other infrastructure provider. |
| Intellectual property | 9. based upon or arising out of any actual or alleged infringement, use, or disclosure of any intellectual property, including but not limited to copyright, trademark, trade dress, patent, service mark, service name, title, or slogan, or any publicity rights violations, cyber squatting violations, moral rights violations, any act of passing-off, or any misappropriation of trade secret. |
| Misappropriation of funds | 10. based upon or arising out of the actual or alleged theft, misappropriation, commingling, or conversion of any funds, monies, assets, or property. |
| Prior acts/notice/knowledge | 11. based upon or arising out of any: <ul style="list-style-type: none"> a. claim or event that was the subject of any notice given under any other policy of which this policy is a renewal or replacement; |

- b. **claim or event** that was the subject of, or is related to, any prior or pending litigation, **claim**, written demand, arbitration, administrative or regulatory proceeding or investigation, or licensing proceeding that was filed or commenced against **you** and of which **you** had notice prior to the **policy period**; or
- c. other matter **you** had knowledge of prior to the **policy period**, and **you** had a reasonable basis to believe could result in a **claim or event**.

However, if this policy is a renewal or replacement of a previous policy **we** issued that provided materially identical coverage, and is part of an unbroken chain of successive policies issued by **us**, the **policy period** referred to in paragraphs b and c, above, will be the policy period of the first such policy **we** issued.

Privacy	12. based upon or arising out of any actual or alleged: <ul style="list-style-type: none"> a. unauthorized acquisition, access, use, or disclosure of, improper collection or retention of, or failure to protect any non-public personally identifiable information or confidential corporate information that is in your care, custody, or control; or b. violation of any privacy law or consumer data protection law protecting against the use, collection, or disclosure of any information about a person or any confidential corporate information.
Privacy policy violations	13. based upon or arising out of any actual or alleged: <ul style="list-style-type: none"> a. failure to have or appropriately display a privacy policy; b. failure of your privacy policy to comply with any federal, state, local, or foreign statutes, ordinances, regulations, or other laws; c. breach of your privacy policy; or d. changing of the terms of your privacy policy.
Property damage	14. based upon or arising out of any actual or alleged property damage ; however, this exclusion will not apply to damage to data, or destruction or loss of use of data.
Scareware	15. based upon or arising out of any actual or alleged provision or transmission of Scareware, including but not limited to software that produces false or alarming warning messages.
Subsidiary outside control of named insured	16. experienced by a past or present subsidiary while the named insured does not have majority ownership or management control of it.
Surrender of ransom	17. involving the surrender of a ransom at the location where the illegal threat and ransom demand was first made, unless brought to such location after receipt of the ransom demand for the sole purpose of paying such ransom demand.
Sweepstakes/gambling/lotteries	18. based upon or arising out of any: <ul style="list-style-type: none"> a. actual or alleged provision of any sweepstakes, gambling activities, or lotteries; or b. price discounts, prizes, awards, money, or valuable consideration given in excess of a total contracted or expected amount, including but not limited to over redemption or under redemption of coupons, discounts, awards, or prizes.
Theft of ransom	19. involving the theft of a ransom by way of an immediate threat of force or violence, unless the ransom has been previously negotiated.
Unsolicited telemarketing	20. based upon or arising out of any actual or alleged violation of any federal, state, local, or foreign statutes, ordinances, or regulations relating to unsolicited telemarketing, solicitations, emails, faxes, text messages, or any other communications of any type or nature, including but not limited to the Telephone Consumer Protection Act, CAN-SPAM Act, or any "anti-spam" or "do-not-call" statutes, ordinances, or regulations.

Virtual currency

21. based upon or arising out of any actual or alleged virtual currency, including but not limited to virtual goods exchanged in connection with an Internet game or virtual economy.

VII. Definitions

The following definitions apply to this Coverage Part. Additional definitions are contained in Section III. Who is an insured, and in the General Terms and Conditions, Section VI. Definitions applicable to all Coverage Parts.

Bodily injury

means physical injury, sickness, disease, death, humiliation, mental injury, mental anguish, emotional distress, suffering, or shock sustained by a person.

Business interruption costs

means:

1. Business Interruption Hourly Loss Amount: the amount stated as such in the Declarations;
2. Additional Loss Amount: the average hourly gross profit **you** have generated in the previous six months, minus the “Business Interruption Hourly Loss Amount,” provided **you** are able to:
 - a. produce evidence of such amounts; and
 - b. prove to **us** that **you** reasonably expected to earn more than the “Business Interruption Hourly Loss Amount” during the period of the covered **business interruption event**; and
3. Extra Expense: the reasonable and necessary expenses **you** incur to mitigate the **business interruption event** if **you** satisfy **us** such expenses are:
 - a. less than the **business interruption costs** that would have been incurred otherwise; and
 - b. in excess of the expenses **you** would have incurred if the **business interruption event** had not occurred.

We will pay covered **business interruption costs** as follows:

1. Regardless of the amount of **your** actual loss, **we** will pay the Business Interruption Hourly Loss Amount for each hour of the **business interruption event** which exceeds the **retention**.
2. If **your** actual loss resulting from the **business interruption event** is greater than the Business Interruption Hourly Loss Amount, then **we** will also pay the Additional Loss Amount for each hour of the **business interruption event** which exceeds the **retention**.
3. **We** will also pay Extra Expense if **you** meet the conditions in subpart 3 above.

Business interruption event

means the interruption to or degradation in the availability of **your** website, intranet, network, computer system, programs, or data resulting in an **income interruption** as a direct result of:

1. the activities of a third party that maliciously blocks electronic access to **your** website, intranet, network, computer system, programs, or data **you** hold electronically; or
2. a **hacker**.

Claim

means any written assertion of liability or any written demand for financial compensation or non-monetary relief.

Consulting costs

means costs for:

1. a public relations or crisis management consultant (and related costs) to:
 - a. reduce the likelihood of or costs of any **claim** that would be covered by this policy; or
 - b. to assist **you** in reestablishing **your** business reputation;

Cyber Enhancements Coverage Part

2. a computer forensic analysis conducted by outside forensic experts to confirm the identity of the **hacker** involved in the **event**; or
3. an information security assessment conducted by outside security experts to identify security improvements to prevent a similar **event**.

Cyber extortion costs

means:

1. the ransom paid or, if the demand is for goods or services, the fair market value at the time of surrender; and
2. the reasonable and necessary fees and expenses incurred by a representative appointed by **us** to provide **you** with assistance,

provided **you** can demonstrate to **us**:

1. the ransom has been surrendered under duress; and
2. before agreeing to its payment **you** have made all reasonable efforts to:
 - a. determine the threat is genuine and not a hoax; and
 - b. ensure at least one **executive** has agreed to the payment of the ransom.

Cyber extortion event

means **your** receipt, directly or indirectly, of an illegal threat from a person or entity who is not an **insured** threatening to:

1. damage, destroy, or corrupt **your** website, intranet, network, computer system, any programs **you** use, or data **you** hold electronically, including by introducing a computer virus, worm, logic bomb, or Trojan horse; or
2. disseminate, divulge, or use any confidential information for which **you** are legally responsible,

who then demands a ransom for their own benefit as a condition of not carrying out this threat.

Event

means a **business interruption event**, **cyber extortion event**, or **hacker damage event**.

Hacker

means anyone, including an **employee**, who gains unauthorized access to **your** website, intranet, network, computer system, or data **you** hold electronically via the internet or other external electronic link, solely by circumventing electronically the security systems in place to protect against such unauthorized access. **Hacker** does not include any **executive**, or any person who, while on **your** premises (other than an **employee** or a third party **you** have expressly permitted to enter the premises), directly gains unauthorized access to any computer system.

Hacker damage event

means a **hacker** either:

1. damaging, destroying, altering, corrupting, or misusing **your** website, intranet, network, computer system, programs, or data **you** hold electronically; or
2. copying or stealing any program or data **you** hold electronically.

Hacker damage costs

means:

1. the reasonable and necessary expenses **you** incur with **our** prior written consent to repair or replace **your** website, intranet, network, computer system, programs, or data **you** hold electronically to the same standard and with the same contents as before it was damaged, destroyed, altered, corrupted, copied, stolen, or misused; or
2. in the event that **your** website, intranet, network, computer system, programs, or data **you** hold electronically cannot be restored to the same standard and with the same contents as before it was damaged, destroyed, altered, corrupted, copied, stolen, or misused, **hacker damage costs** will mean the reasonable and necessary expenses **you** incur to make that determination.

Hacker damage costs includes the reasonable and necessary expenses **you** incur to mitigate the **hacker damage event** if **you** satisfy **us** such expenses are:

Cyber Enhancements Coverage Part

1. less than the **hacker damage costs** that would have been incurred otherwise; and
2. in excess of the expenses **you** would have incurred if the **hacker damage event** had not occurred.

Hacker damage costs will not mean, and **we** will not be obligated to pay, any amounts to research and/or develop the website, intranet, network, computer system, programs, or data.

Income interruption

means **your** gross profit generated on an hourly basis has been reduced to less than 75% of the average hourly gross profit for the 90-day period immediately prior to the **business interruption event**.

Property damage

means physical loss of, physical damage to, or destruction or loss of use of any tangible property.

Retention

means:

1. for a **business interruption event**, the length of time stated as such under the Cyber Business Interruption section of the Declarations;
2. for a **cyber extortion event**, the amount stated as such under the Cyber Extortion section of the Declarations; or
3. for a **hacker damage event**, the amount stated as such under the Hacker Damage section of the Declarations.

You, your, or insured

means a **named insured, subsidiary, employee, executive, or acquired entity**, as defined in Section III. Who is an insured.

Endorsement 1

NAMED INSURED: Mendocino Unified School District dba Mendocino Community Network

E9182.1 California Amendatory Endorsement

In consideration of the premium charged, and on the understanding this endorsement leaves all other terms, conditions, and exclusions unchanged, it is agreed the Technology Professional Liability Coverage Part is amended as follows:

The definition of Damages in Section VII. Definitions is modified to the extent necessary to provide the following:

Punitive and exemplary damages shall not be insurable in cases where California law governs the **claim**.

Endorsement effective:	08/08/2024	Certificate No.:	MPL1790263.24
Endorsement No:	1	Processed Date:	07/08/2024

Hiscox Inc.



Authorized Representative
Kevin Kerridge

Endorsement 2

NAMED INSURED: Mendocino Unified School District dba Mendocino Community Network

E9122. California Amendatory Endorsement

In consideration of the premium charged, and on the understanding this endorsement leaves all other terms, conditions, and exclusions unchanged, it is agreed the Media Liability Coverage Part is amended as follows:

The definition of Damages in Section VII. Definitions is modified to the extent necessary to provide the following:

Punitive and exemplary damages shall not be insurable in cases where California law governs the **claim**.

Endorsement effective:	08/08/2024	Certificate No.:	MPL1790263.24
Endorsement No:	2	Processed Date:	07/08/2024

Hiscox Inc.



Authorized Representative
Kevin Kerridge

Endorsement 3

NAMED INSURED: Mendocino Unified School District dba Mendocino Community Network

E9102.1 California Amendatory Endorsement

In consideration of the premium charged, and on the understanding this endorsement leaves all other terms, conditions, and exclusions unchanged, it is agreed the Data Breach and Privacy Security Liability Coverage Part is amended as follows:

The definition of Damages in Section VII. Definitions is modified to the extent necessary to provide the following:

Punitive and exemplary damages shall not be insurable in cases where California law governs the **claim**.

Endorsement effective:	08/08/2024	Certificate No.:	MPL1790263.24
Endorsement No:	3	Processed Date:	07/08/2024

Hiscox Inc.



Authorized Representative
Kevin Kerridge

Endorsement 4

NAMED INSURED: Mendocino Unified School District dba Mendocino Community Network

E8643.2 Cyber Enhancements Notification Endorsement

In consideration of the premium charged, and on the understanding this endorsement leaves all other terms, conditions, and exclusions unchanged, it is agreed:

For any **business interruption event, hacker damage event, or cyber extortion event** you must also notify the breach coach at 1-855-447-2627.

Endorsement effective:	08/08/2024	Certificate No.:	MPL1790263.24
Endorsement No:	4	Processed Date:	07/08/2024

Hiscox Inc.



Authorized Representative
Kevin Kerridge

Endorsement 5

NAMED INSURED: Mendocino Unified School District dba Mendocino Community Network

E8649.1 Amend Definition of Business Interruption Costs (Remove Hourly Loss Amount)

In consideration of the premium charged, and on the understanding this endorsement leaves all other terms, conditions, and exclusions unchanged, it is agreed the Cyber Enhancements Coverage Part is amended as follows:

- I. In Section I. What is covered, A. Cyber business interruption, paragraph 2 is deleted in its entirety and replaced with the following:
 2. ends on the earlier of the date and time that the interruption to or degradation in the availability of **your** website, intranet, network, computer system, programs, or data:
 - a. ends; or
 - b. could have ended had **you** acted with due diligence and dispatch.In no event will **we** be obligated to pay **business interruption costs** for more than 60 days from the date the **business interruption event** first occurs.
- II. In Section VII. Definitions, the definition of "**Business interruption costs**" is deleted in its entirety and replaced with the following:

Business interruption costs means **income loss** and **extra expense** actually sustained by **you** due to a **business interruption event**.
- III. In Section VII. Definitions, the definition of "**Business interruption event**" is deleted in its entirety and replaced with the following:

Business interruption event means the total or partial interruption to or degradation in the availability of **your** website, intranet, network, computer system, programs, or data resulting in **business interruption costs** as a direct result of:

 1. the activities of a third party that maliciously blocks electronic access to **your** website, intranet, network, computer system, programs, or data **you** hold electronically; or
 2. a **hacker**.
- IV. The following definitions are added to the end of Section VII. Definitions:

Income loss means the sum of the following:

 1. Net Income (Net Profit or Loss before income taxes) that would have been earned if the **business interruption event** had not occurred; and
 2. continuing normal operating expenses incurred, including payroll.

Extra expense means reasonable and necessary expenses **you** incur to mitigate the **business interruption event** if **you** satisfy to **us** that such expenses are:

 1. less than the **business interruption costs** that would have been incurred otherwise; and
 2. in excess of the expenses **you** would have incurred if the **business interruption event** had not occurred.
- V. In Section VII. Definitions, the definition of "**Income interruption**" is deleted in its entirety.
- VI. The "Business Interruption Hourly Loss Amount" stated in the Cyber Enhancements Coverage Part section of the Declarations is deleted in its entirety.

Endorsement 5

NAMED INSURED: Mendocino Unified School District dba Mendocino Community Network

Endorsement effective: 08/08/2024

Certificate No.: MPL1790263.24

Endorsement No: 5

Processed Date: 07/08/2024

Hiscox Inc.



Authorized Representative
Kevin Kerridge

Endorsement 6

NAMED INSURED: Mendocino Unified School District dba Mendocino Community Network

E6017.3 Nuclear Incident Exclusion Clause-Liability-Direct (Broad) Endorsement

In consideration of the premium charged, and on the understanding this endorsement leaves all other terms, conditions, and exclusions unchanged, it is agreed:

We will have no obligation to pay any sums under this policy, including any **damages, claim expenses, or other covered amounts, for any claim, event, or occurrence:**

- A. Under any liability coverage, for injury, sickness, disease, death, or destruction:
1. for which **you** are also insured under a nuclear energy liability policy issued by the Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters, or Nuclear Insurance Association of Canada, or would be insured under any such policy but for exhaustion of its limit of liability; or
 2. resulting from the **hazardous properties of nuclear material** and with respect to which:
 - a. any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act of 1954, as amended; or
 - b. **you** are, or had this policy not been issued would be, entitled to indemnity from the United States of America, or any agency thereof, under any agreement entered into by the United States of America, or any agency thereof, with any person or organization.
- B. Under any Medical Payments coverage, or under any Supplementary Payments provision relating to immediate medical or surgical relief, for expenses incurred with respect to bodily injury, sickness, disease, or death resulting from the **hazardous properties of nuclear material** and arising out of the operation of a **nuclear facility** by any person or organization.
- C. Under any liability coverage, for injury, sickness, disease, death, or destruction resulting from the **hazardous properties of nuclear material**, if:
1. the **nuclear material** is at any **nuclear facility** owned or operated by **you** or on **your** behalf, or has been discharged or dispersed from such a facility;
 2. the **nuclear material** is contained in **spent fuel or waste** which is or was at any time possessed, handled, used, processed, stored, transported, or disposed of by **you** or on **your** behalf; or
 3. the injury, sickness, disease, death, or destruction arises out of the furnishing by **you** of services, materials, parts, or equipment in connection with the planning, construction, maintenance, operation, or use of any **nuclear facility**, but if such facility is located within the United States of America, its territories or possessions, or Canada, this exclusion (3) applies only to injury to or destruction of property at such **nuclear facility**.

As used in this endorsement:

Hazardous properties includes radioactive, toxic, or explosive properties;

Nuclear material means **source material, special nuclear material, or byproduct material;**

Nuclear reactor means any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of fissionable material;

Source material, special nuclear material, and byproduct material have the meanings given them in the Atomic Energy Act of 1954, as amended;

Spent fuel means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a **nuclear reactor;**

Waste means any waste material:

Endorsement 6

NAMED INSURED: Mendocino Unified School District dba Mendocino Community Network

1. containing **byproduct material**; and
2. resulting from the operation by any person or organization of any **nuclear facility** included in paragraph 1 or 2 of the definition of **nuclear facility**;

Nuclear facility means:

1. any any **nuclear reactor**;
2. any any equipment or device designed or used for:
 - a. separating the isotopes of uranium or plutonium;
 - b. processing or utilizing **spent fuel**; or
 - c. handling, processing, or packaging **waste**;
3. any equipment or device used for the processing, fabricating, or alloying of **special nuclear material**, if at any time the total amount of such material in **your** custody at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235; or
4. any structure, basin, excavation, premises, or place prepared or used for the storage or disposal of **waste**.

Nuclear facility includes the site on which any of the foregoing is located, all operations conducted on such site, and all premises used for such operations;

With respect to injury to or destruction of property, "injury" or "destruction" includes all forms of radioactive contamination of property.

Endorsement effective: 08/08/2024 Certificate No.: MPL1790263.24

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Hiscox Inc.



Authorized Representative
Kevin Kerridge

Endorsement 7

NAMED INSURED: Mendocino Unified School District dba Mendocino Community Network

E6020.4 War, Civil War, Cyberwarfare, and NCBR Exclusion Endorsement

In consideration of the premium charged, and on the understanding this endorsement leaves all other terms, conditions, and exclusions unchanged, it is agreed the General Terms and Conditions are amended as follows:

- I. This policy does not apply to and **we** will have no obligation to pay any sums under this policy, including any **damages, claim expenses**, or other **covered amounts**, for any **claim, event, or occurrence** based upon or arising out of, directly or indirectly occasioned by, happening through, or in consequence of:
1. war, invasion, acts of foreign enemies, hostilities (whether war is declared or not), civil war, rebellion, revolution, insurrection, military, or usurped power;
 2. confiscation, nationalization, requisition, destruction of, or damage to property by or under the order of any government, public, or local authority;
 3. **cyberwarfare**, to the extent not otherwise excluded by paragraph 1; or
 4. any **NCBR malicious act**.

However, this exclusion will not apply to coverage under the General Liability Coverage Part (if purchased) for damage by fire to premises while rented to **you** or temporarily occupied by **you** with the owner's permission. Any payments **we** make for **property damage** to such premises will be subject to the Damage to Premises Limit.

- II. For purposes of this Endorsement, the following definitions apply:

Cyberwarfare

means any:

1. unauthorized access to, or use, alteration, corruption, damage, manipulation, misappropriation, theft, deletion, or destruction of, any computer hardware or electronic data;
2. creation, transmission, or introduction into a computer system, computer network, or electronic data of a computer virus or harmful code; or
3. restriction or inhibition of access to a computer system, computer network, or electronic data, including through a denial-of-service (DoS) attack,

committed by, or on behalf of, a **state**.

In determining by whom any action listed in parts 1. through 3. above is committed **we** will consider to whom any governing body (including the governing body's intelligence, law enforcement, or military services) attributes such action, regardless of whether:

- A. the computer system, computer network, or electronic data is physically located within the jurisdiction of that governing body; or
- B. there are inconsistent statements within different branches or agencies of that governing body (including intelligence, law enforcement, or military services) as to whom the action is attributable to.

However, if:

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NAMED INSURED: Mendocino Unified School District dba Mendocino Community Network

- i. a governing body has not attributed any such action to a **state**, or any person, group, association, or entity acting on the **state's** behalf; and
- ii. there is at least one **media report** or a cybersecurity forensic firm report indicating that such action is attributed to a **state** or any person, group, association, or entity acting on the **state's** behalf,

then **we** will not pay any **damages, claim expenses**, or other **covered amounts** resulting from any action listed in parts 1. through 3. above until any governing body attributes such action to a **state** or any person, group, association, or entity acting on the **state's** behalf.

If a governing body does not attribute such action to a **state** or any person, group, association, or entity acting on the **state's** behalf, or declares it is unable to do so, then a **media report** or cybersecurity forensic firm report will be conclusive evidence that the act was committed by, or on behalf of, a **state**.

For purposes of this definition, "**media report**" means an article published by the Associated Press, Reuters, Wall Street Journal, or the British Broadcasting Corporation.

For purposes of this definition, "**state**" means a sovereign state, state-like entity, quasi-state, proto-state, or a state-sponsored actor or group.

NCBR malicious act

means an act or series of acts that harms another person or damages property through the physical release or dispersal of **nuclear, chemical, biological, or radiological agents or materials**, which is carried out by any person or group of persons, whether acting alone, on behalf of, or in connection with any organization.

Nuclear, chemical, biological, or radiological agents or materials

means:

- 1. nuclear reaction, nuclear radiation or radioactive particles, whether released or dispersed by nuclear or conventional devices;
- 2. any chemical compound; or
- 3. any pathogen,

in sufficient concentration to cause harm to people or damage to property.

Endorsement effective:	08/08/2024	Certificate No.:	MPL1790263.24
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Hiscox Inc.			

Endorsement 7

NAMED INSURED: Mendocino Unified School District dba Mendocino Community Network



Authorized Representative
Kevin Kerridge

Endorsement 8

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E9003.2 California Amendatory Endorsement

In consideration of the premium charged, and on the understanding this endorsement leaves all other terms, conditions, and exclusions unchanged, it is agreed the General Terms and Conditions are amended as follows:

I. In Section V. Other provisions affecting coverage, C. Cancellation, part 2 is deleted in its entirety and replaced with the following:

2. Policies in Effective for 60 Days or Less

If this policy has been in effect for 60 days or less, and is not a renewal of a policy **we** have previously issued, **we** may cancel this policy by mailing (or emailing) to the **named insured** at the mailing address (or email address) shown in the Declarations and to the producer of record, if any, advance written notice of cancellation stating the reason for cancellation at least:

a. Ten days before the effective date of cancellation if **we** cancel for:

i. Non-payment of premium; or

ii. Discovery of fraud by:

(a) The **insured** or the **insured's** representative in obtaining this insurance; or

(b) The **insured** or the **insured's** representative in pursuing a **claim** under the policy.

b. 30 days before the effective date of cancellation if **we** cancel for any other reason.

Policies In Effect For More Than 60 Days

If this policy has been in effect for more than 60 days, **we** may also cancel this policy by mailing (or emailing) to the **named insured** at the address (or email address) shown in the Declarations, and the producer of record, if any, written notice, including the reason for cancellation, stating when not less than 30 days thereafter (or ten days thereafter when cancellation is due to non-payment of premium or discovery of fraud), the cancellation will be effective.

We may only cancel this policy for one or more of the following reasons:

a. Non-payment of premium, including payment due on a prior policy issued by **us** and due during the current policy term covering the same risks;

b. Discovery of fraud or material misrepresentation by:

Endorsement 8

NAMED INSURED: Mendocino Unified School District dba Mendocino Community Network

- i. The **insured** or the **insured's** representative in obtaining this insurance; or
- ii. The **insured** or the **insured's** representative in pursuing a **claim** under the policy.
- c. A judgment by a court or an administrative tribunal that the **insured** has violated a California or Federal law, having as one of its necessary elements an act which materially increases any of the risks insured against;
- d. Discovery of willful or grossly negligent acts or omissions, or of any violations of state laws or regulations establishing safety standards, by the **insured** or the **insured's** representative, which materially increase any of the risks insured against;
- e. Failure by the **insured** or the **insured's** representative to implement reasonable loss control requirements, agreed to by the **insured** as a condition of policy issuance, or which were conditions precedent to **our** use of a particular rate or rating plan, if that failure materially increases any of the risks insured against;
- f. A determination by the Commissioner of Insurance that the:
 - i. Loss of, or changes in, our reinsurance covering all or part of the risk would threaten **our** financial integrity or solvency; or
 - ii. Continuation of the policy coverage would:
 - a. Place **us** in violation of California law or the laws of the state where **we** are domiciled; or
 - b. Threaten **our** solvency.
- g. A change by the **insured** or the **insured's** representative in the activities or property of the commercial or industrial enterprise, which results in a materially added, increased or changed risk, is included in the policy.

II. The following is added to Section V. Other provisions affecting coverage::

NR- A Non-renewal

- 1. If **we** elect not to renew this policy, **we** will mail (or email where allowed by applicable law) to the **named insured** written notice of nonrenewal, stating the reason for nonrenewal, not less than 60 days, but not more than 120 days before the end of the **policy period**.
- 2. **We** are not required to send notice of nonrenewal in the following situations:

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NAMED INSURED: Mendocino Unified School District dba Mendocino Community Network

- a. If the transfer or renewal of a policy, without any changes in terms, conditions or rates, is between **us** and a member of **our** insurance group.
- b. If the policy has been extended for 90 days or less, provided that notice has been given in accordance with paragraph 1 above.
- c. If the **named insured** has obtained replacement coverage, or if the **named insured** has agreed, in writing, within 60 days of the termination of the policy, to obtain that coverage.
- d. if the policy is for a period of no more than 60 days and the **named insured** is notified at the time of issuance that it will not be renewed.
- e. If the **named insured** requests a change in the terms or conditions or risks covered by the policy within 60 days of the end of the **policy period**.
- f. If **we** made a written offer to the **named insured**, in accordance with the timeframes shown in paragraph 1 above, to renew the policy under changed terms or conditions or at an increased premium rate, when the increase exceeds 25%.

Endorsement effective:	08/08/2024	Certificate No.:	MPL1790263.24
Endorsement No:	8	Processed Date:	07/08/2024

Hiscox Inc.



Authorized Representative
Kevin Kerridge

Endorsement 9

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E6085.1 Full Prior Acts Endorsement

In consideration of the premium charged, and on the understanding this endorsement leaves all other terms, conditions, and exclusions unchanged, it is agreed the General Terms and Conditions are amended as follows:

In Section VI. Definitions applicable to all Coverage Parts, the definition of “**Retroactive date**” is deleted in its entirety and replaced with the following:

Retroactive date means the date any **named insured, subsidiary, joint venture, or predecessor in business** first began performing **professional services**.

For purposes of this definition, **predecessor in business** means any individual or entity of which the **named insured** has assumed the majority of assets and liabilities, provided that the **named insured** has continued to perform the **professional services** that the individual or entity was performing prior to such transfer of assets and liabilities.

Endorsement effective:	08/08/2024	Certificate No.:	MPL1790263.24
Endorsement No:	9	Processed Date:	07/08/2024

Hiscox Inc.



Authorized Representative
Kevin Kerridge

Endorsement 10

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E8511.3 Cyber Crime & Cyber Deception Endorsement (DBPSL)

In consideration of the premium charged, and on the understanding this endorsement leaves all other terms, conditions, and exclusions unchanged, it is agreed the Data Breach and Privacy Security Liability Coverage Part is amended as follows:

I. The following is added to the end of Section II. Coverage enhancements:

Cyber crime and deception sublimit	CC-A.	<p>We will pay up to the Cyber Crime and Deception Limit of Liability identified below for loss:</p> <ol style="list-style-type: none">1. resulting directly from a fraudulent instruction directing a financial institution to transfer, pay, or deliver money and/or securities from your transfer account; or2. of money, securities, and/or other property transferred, paid, or delivered as a result of a cyber deception, <p>provided the loss is first discovered by you during the policy period and is reported to us in accordance with Section V. Your obligations.</p> <p>Any payment we make under this subsection CC-A will be in excess of the Cyber Crime and Deception Retention identified below, and such payments will be a part of, and not in addition to, the coverage part limit.</p>
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II. Solely with respect to the coverage provided by this endorsement, the following is added to the end of Section V. Your obligations:

Notifying us of losses	If you discover a loss, or circumstances reasonably likely to lead to a loss of money, securities, and/or other property that in your best estimate will exceed 50% of the Cyber Crime and Deception Retention identified below, you must give written notice to us as soon as possible, but in any event no later than: (i) the end of the policy period ; or (ii) 30 days after the end of the policy period for a loss first discovered by you in the last 30 days of the policy period . If you have reason to believe that any loss involves a violation of law, you must also inform, or allow us to inform, the appropriate law enforcement authorities.
Proof of loss	Within 120 days of notification to us of a loss, you must give us a detailed, sworn proof of loss.
Examination of your books and records	We have the right to examine and audit your books and records as they relate to the coverage provided by this endorsement at any time during the policy period and up to three years afterward.

III. Solely with respect to the coverage provided by this endorsement, the following exclusions are added to the end of Section VI. Exclusions – What is not covered:

We will have no obligation to pay any sums under this Coverage Part for any:

CC-A.	loss resulting from the use or purported use of credit, debit, charge, access, convenience, identification, stored-value, or other cards or the information contained on such cards.
CC-B.	loss that is an indirect result of an occurrence or event covered by this Coverage Part, including but not limited to loss resulting from: <ol style="list-style-type: none">1. your inability to realize income that you would have realized had there been no loss covered by this endorsement;

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2. payment of damages of any type for which **you** are legally liable, but **we** will pay compensatory damages arising directly from a loss covered by this endorsement; or
 3. payment of costs, fees, or other expenses **you** incur in establishing the existence or the amount of loss covered by this endorsement.
- CC-C. **claim expenses** incurred by **you** which are related to any legal action resulting from a loss covered by this endorsement.
- CC-D. loss resulting from seizure or destruction of property by order of governmental authority.
- CC-E. loss resulting from any dishonest act committed by **you**, if the **named insured** is an individual, or any **employee**.
- CC-F. loss resulting from any actual or alleged unauthorized acquisition, access, use, or disclosure of **personally identifiable information** or confidential corporate information that is held or transmitted in any form; however, this exclusion will not apply to a **fraudulent instruction** or a **cyber deception** directly resulting from the use of such **personally identifiable information** or confidential corporate information.
- IV. Solely with respect to the coverage provided by this endorsement, in Section VI. Exclusions – What is not covered, the “Funds transfer” exclusion is deleted in its entirety and replaced with the following:
for any actual or alleged loss, theft, or transfer of:
- a. **your** funds, monies, or securities;
 - b. the funds, monies, or securities of others in **your** care, custody, or control; or
 - c. the funds, monies, or securities in the care, custody, or control of any third party for whom **you** are legally liable, including the value of any funds, monies, or securities transferred by **you** or others on **your** behalf.
- However, this exclusion will not apply to the loss, theft, or transfer of any **money** or **securities** in **your transfer account**, or to the loss, theft, or transfer of any **money**, **securities** and/or **other property** resulting from a **cyber deception**.
- V. Solely with respect to the coverage provided by this endorsement, the following definitions are added to the end of Section VII. Definitions:
- Cyber deception** means the intentional misleading or deception of an **employee** through social engineering, pretexting, phishing, spear phishing, or any other confidence trick communicated by email, text, instant message, telephone, or other electronic means, by a person falsely purporting to be **your** vendor or **client**, or an **employee**, which results in **your** transfer, payment, or delivery of **money**, **securities**, and/or **other property**.
- Fraudulent instruction** means:
1. an electronic, telegraphic, cable, teletype, telefacsimile, or telephone instruction which purports to have been transmitted by **you**, but which was in fact fraudulently transmitted by someone else without **your** knowledge or consent;
 2. a written instruction issued by **you**, which was forged or altered by someone other than **you** without **your** knowledge or consent, or which purports to have been issued by **you**, but was in fact fraudulently issued without **your** knowledge or consent; or
 3. an electronic, telegraphic, cable, teletype, telefacsimile, telephone, or written instruction initially received by **you** which purports to have been transmitted by an **employee** but which was in fact fraudulently transmitted by someone else without **your** or the **employee's** knowledge or consent.
- Money** means:

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1. currency, including Bitcoin or any other digital currency, cryptocurrency, or electronic currency, coins, and bank notes in current use anywhere in the world and having a face value; or
2. traveler's checks, register checks, and money orders held for sale to the public.

Other property

means any tangible property other than **money** that has intrinsic value. **Other property** does not include software, electronic data, or any other intangible property.

Securities

means negotiable or nonnegotiable instruments or contracts representing either **money** or property and includes:

1. tokens, tickets, revenue, and other stamps (whether represented by actual stamps or unused value in a meter) in current use;
2. casino chips issued by **you**; or
3. evidences of debt issued in connection with credit or charge cards, which cards are not issued by **you**,

but does not include **money**.

Transfer account

means any account maintained by **you** at a financial institution from which **you** can initiate the transfer, payment, or delivery of **money** or **securities**:

1. by means of electronic, telegraphic, cable, teletype, telefacsimile, or telephone instructions communicated directly through an electronic funds transfer system; or
2. by means of written instructions establishing the conditions under which such transfers are to be initiated by such financial institution through an electronic funds transfer system.

Cyber Crime and Deception Limit of Liability: \$100,000

Cyber Crime and Deception Retention: \$2,500

Endorsement effective: 08/08/2024

Certificate No.: MPL1790263.24

Endorsement No: 10

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Hiscox Inc.



Authorized Representative
Kevin Kerridge

Endorsement 11

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E8627.1 Intellectual Property Enhancement Endorsement

In consideration of the premium charged, and on the understanding this endorsement leaves all other terms, conditions, and exclusions unchanged, it is agreed the Technology Professional Liability Coverage Part is amended as follows:

I. Section I. What is covered is deleted in its entirety and replaced with the following:

We will pay up to the **coverage part limit** for **damages** and **claim expenses** in excess of the **retention** for covered **claims** against **you** resulting from the performance of **your technology services** by **you** or anyone on **your** behalf (including **your** subcontractors, outsourcers, or independent contractors) on or after the **retroactive date**, for any actual or alleged:

1. negligent act, error, or omission;
2. negligent misstatement or negligent misrepresentation;
3. unintentional breach of a written contract with **your client**;
4. breach of any duty of confidentiality, unauthorized interception or recording of images or sound in violation of any civil anti-wiretap statute, or invasion of privacy, including false light, intrusion upon a person's seclusion, or misappropriation of a person's picture, name, or voice for commercial gain;
5. intellectual property infringement (but not any patent infringement or misappropriation of trade secret), including but not limited to copyright infringement (including software copyright infringement), trademark infringement, trademark dilution, trade dress infringement, publicity rights violations, cyber squatting violations, moral rights violations, any act of passing-off, or any misappropriation of formats, characters, trade names, character names, titles, plots, musical compositions, voices, slogans, graphic material, or artwork;
6. unfair competition, deceptive trade practices, or false designation of origin, but only if alleged in connection with a covered **claim** under 5 above;
7. defamation, including but not limited to libel, slander, trade libel, product disparagement, or injurious falsehood; or
8. unintentional infliction of emotional distress, but only if alleged in connection with a covered **claim** for negligent publication, invasion of privacy, or defamation under 1, 4, or 7 above,

provided the **claim** is first made against **you** during the **policy period** and is reported to **us** in accordance with Section V. Your obligations.

II. In Section II. Coverage enhancements, subsection A. Software copyright sublimit is deleted in its entirety.

III. The following is added to the end of Section II. Coverage enhancements:

Declaratory relief IP-A. **We** will pay reasonable attorney fees incurred by **you** to prosecute **your** own declaratory relief action if:

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NAMED INSURED: Mendocino Unified School District dba Mendocino Community Network

1. a claimant has advised **you** in writing that **you** are committing copyright or trademark infringement;
2. after that claimant has made such a written assertion, and after **you** have filed a declaratory relief action directly in response, the claimant files a counterclaim against **you** alleging copyright or trademark infringement; and
3. the counterclaim is covered under this policy and pending against **you** while **you** are prosecuting **your** declaratory relief action.

You must pay the **retention** stated in the Declarations in connection with any payment **we** make under this subsection IP-A, and any payments **we** make will be a part of, and not in addition to, the **coverage part limit**.

- IV. In Section VI. Exclusions – What is not covered, the “Antitrust/deceptive trade practices” exclusion is deleted in its entirety and replaced with the following:

based upon or arising out of any actual or alleged:

- a. false, deceptive, or unfair trade practices;
- b. unfair competition, impairment of competition, restraint of trade, or antitrust violations;
- c. violation of the Sherman Anti-Trust Act, the Clayton Act, the Robinson-Patman Act, all including as may be amended, or any similar foreign, federal, state, or local statutes, rules, or regulations; or
- d. deceptive or misleading advertising;

however, this exclusion will not apply to the extent any **claim** is covered under part 6 of Section I. What is covered.

- V. In Section VI. Exclusions – What is not covered, the “Bodily injury” exclusion is deleted in its entirety and replaced with the following:

based upon or arising out of any actual or alleged **bodily injury**; however, this exclusion will not apply to the extent any **claim** is covered under part 8 of Section I. What is covered.

- VI. In Section VI. Exclusions – What is not covered, the “Intellectual property” exclusion is deleted in its entirety and replaced with the following:

Patent/trade secret	IP-1.	based upon or arising out of any actual or alleged infringement, use, disclosure, or misappropriation of any patent or trade secret.
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- VII. The following exclusion is added to the end of Section VI. Exclusions – What is not covered:

Client content	IP-2.	based upon or arising out of any content provided to you by your client ; however, we will pay claim expenses for any claims against you based upon or arising out of such content.
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Endorsement effective: 08/08/2024

Certificate No.: MPL1790263.24

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Processed Date: 07/08/2024

Hiscox Inc.



Authorized Representative
Kevin Kerridge

Endorsement 12

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E8621.2 Breach of Contract Enhancement Endorsement (Tech)

In consideration of the premium charged, and on the understanding this endorsement leaves all other terms, conditions, and exclusions unchanged, it is agreed the Technology Professional Liability Coverage Part is amended as follows:

I. Section I. What is covered is deleted in its entirety and replaced with the following:

We will pay up to the **coverage part limit** for **damages** and **claim expenses** in excess of the **retention** for covered **claims** against **you** resulting from the performance of **your technology services** by **you** or anyone on **your** behalf (including **your** subcontractors, outsourcers, or independent contractors) on or after the **retroactive date**, for any actual or alleged:

1. negligent act, error, or omission;
2. negligent misstatement or negligent misrepresentation; or
3. unintentional breach of a written contract with **your client**, including a written service level agreement forming part of such contract,

provided the **claim** is first made against **you** during the **policy period** and is reported to **us** in accordance with Section V. Your obligations.

II. The following is added to the end of Section II. Coverage enhancements:

Contractual indemnities - BR-A. client breach costs If **you** have purchased the Data Breach and Privacy Security Liability Coverage Part, **we** will pay **breach costs** for which **you** have contractually agreed to indemnify **your client**, provided the **breach costs** are incurred as a result of a **breach** occurring on or after the **retroactive date**, which is first discovered by **you** during the **policy period**, and is reported to **us** in accordance with Section V. Your obligations. **We** will pay such **breach costs** only to the same extent such costs would have been paid by **us** under the Data Breach and Privacy Security Liability Coverage Part had **you** incurred them.

You must pay the **retention** stated in the Declarations in connection with any payment **we** make under this subsection BR-A, and any payments **we** make will be a part of, and not in addition to, the **coverage part limit**.

III. In Section VI. Exclusions – What is not covered, the “Breach of warranty/guarantee” exclusion is deleted in its entirety.

IV. In Section VI. Exclusions – What is not covered, the “Return of fees” exclusion is deleted in its entirety.

V. In Section VI. Exclusions – What is not covered, the “Assumption of liability” exclusion is deleted in its entirety and replaced with the following:

based upon or arising out of any actual or alleged liability of others **you** assume under any contract or agreement; however, this exclusion will not apply to the extent any **claim** is covered under Section II. Coverage enhancements, BR-A. Contractual indemnities - client breach costs.

VI. In Section VI. Exclusions – What is not covered, the “Excluded costs and damages” exclusion is deleted in its entirety and replaced with the following:

to the extent it seeks or includes:

- a. fines, penalties, taxes, or sanctions against **you**;

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- b. overhead costs, general business expenses, salaries, or wages incurred by **you**;
- c. liquidated or multiple damages;
- d. restitution, disgorgement of profits, any advantage to which **you** were not legally entitled, or unjust enrichment;
- e. the cost of complying with injunctive relief; or
- f. service credits.

VII. The following definitions are added to the end of Section VII. Definitions:

Breach means the unauthorized acquisition, access, use, or disclosure of non-public personally identifiable information or confidential corporate information, including but not limited to that resulting from the loss or theft of a device containing such information.

Breach costs means any of the following reasonable and necessary costs **your client** incurs in response to a **breach** that triggers **your client's** notification obligations pursuant to any foreign, federal, state, or local statute, rule, or regulation, or that **you** satisfy **us** poses a significant risk of financial, reputational, or other harm to the affected **data subjects**:

1. Computer Forensic Costs: costs up to the limit stated in the Declarations for computer forensic analysis conducted by outside forensic experts to confirm a **breach** and to identify the affected **data subjects**, as well as outside attorney fees associated with the forensic reports and findings.
2. Notification Costs: the following costs up to the limit stated in the Declarations:
 - a. Mandatory Notification Costs: for legal services, call center services, and to notify a **data subject**, a regulator, or any others, as required to satisfy **your client's** notification obligations; and/or
 - b. Voluntary Notification Costs: to voluntarily notify affected **data subjects**, but only if **you** satisfy **us** that the **breach** poses a significant risk of financial, reputational, or other harm to the affected **data subjects**.
3. Credit or Identity Protection Costs: costs up to the limit stated in the Declarations to provide each affected **data subject** with one year (or more as required by law) of services to monitor and/or protect such **data subject's** credit or identity:
 - a. if required by law; or
 - b. if **you** satisfy **us** it mitigates a significant risk of financial, reputational, or other harm to the **data subject**.
4. Crisis Management and Public Relations Costs: costs up to the limit stated in the Declarations for a public relations or crisis management consultant (and related costs) to:
 - a. reduce the likelihood of or costs of any **claim** covered by this policy; or
 - b. to assist **your client** in re-establishing their business reputation.

Breach costs will not mean, and **we** will have no obligation to pay, any of **your** or **your client's** own costs, salaries, or overhead expenses.

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Endorsement effective:	08/08/2024	Certificate No.:	MPL1790263.24
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Hiscox Inc.			



Authorized Representative
Kevin Kerridge

Endorsement 13

NAMED INSURED: Mendocino Unified School District dba Mendocino Community Network

E8530.1 Telephone Toll Fraud Sublimit Endorsement

In consideration of the premium charged, and on the understanding this endorsement leaves all other terms, conditions, and exclusions unchanged, it is agreed the Data Breach and Privacy Security Liability Coverage Part is amended as follows:

- I. The following is added to the end of Section II. Coverage enhancement(s):
- Telephone toll fraud sublimit TT-A. **We** will pay up to the Telephone Toll Fraud Limit of Liability identified below for long distance telephone charges incurred by **you** as a result of a **telephone toll fraud**, provided the **telephone toll fraud** first occurs and is discovered by **you** during the **policy period** and is reported to **us** in accordance with Section V. Your obligations.
- If **you** incur charges for a period exceeding 30 days from the date on which the **telephone toll fraud** first occurs, **we** will only be obligated to pay such charges that are incurred during the first 30 days.
- Any payment **we** make under this subsection TT-A will be subject to the Telephone Toll Fraud Retention identified below, and such payments will be a part of, and not in addition to, the **coverage part limit**.
- II. Solely with respect to the coverage provided by this Endorsement, the following is added to the end of Section V. Your obligations:
- Notifying us of telephone toll fraud **You** must give written notice to **us** of any **telephone toll fraud**, or circumstances reasonably likely to lead to a **telephone toll fraud**, that in **your** best estimate will exceed 50% of the Telephone Toll Fraud Retention identified below, as soon as possible after it is first discovered by **you**, but in any event no later than 90 days after **you** discover such **telephone toll fraud** or circumstances.
- IV. Solely with respect to the coverage provided by this Endorsement, the following Section is added to the policy:
- TT-I. Conditions applicable to telephone toll fraud losses** The following are conditions precedent to the payment by **us** of any long distance telephone charges incurred by **you** as a result of a **telephone toll fraud**:
- TT-1. **you** must inform, or allow **us** to inform, the appropriate law enforcement authorities if **you** have reason to believe that any **telephone toll fraud** involves a violation of law;
- TT-2. **you** must give **us** a detailed, sworn proof of **loss** within 120 days of notification to **us** of a **telephone toll fraud**; and
- TT-3. **we** have the right to examine and audit **your** books and records as they relate to the coverage provided by this Endorsement at any time during the **policy period** and up to three years afterward.
- V. The following exclusions are added to the end of Section VI. Exclusions – What is not covered:
- We** will have no obligation to pay any sums under this Coverage Part for:
- TT-1. any **telephone toll fraud** resulting from the use of telephone lines directly controlled by more than one **voice computer system**;
- TT-2. any **telephone toll fraud** resulting from the failure to install and maintain in operating condition a call disconnect feature to terminate a caller's access after three unsuccessful attempts to enter an **account code**;
- TT-3. any **telephone toll fraud** resulting from the failure to incorporate a **system password** or change a **system password** every 60 days;

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- TT-4. **claim expenses** incurred by **you** which are related to any legal action resulting from a **telephone toll fraud**;
- TT-5. any **telephone toll fraud** resulting from any dishonest act committed by **you**, if the **named insured** is an individual, or by any **employee**, or board member, trustee, director, or officer (or equivalent position) of the **named insured** or **subsidiary**; or
- TT-6. any **telephone toll fraud** resulting from any actual or alleged unauthorized acquisition, access, use, or disclosure of **personally identifiable information** or confidential corporate information that is held or transmitted in any form; however, this exclusion will not apply to a **telephone toll fraud** directly resulting from the use of such **personally identifiable information** or confidential corporate information.

VII. The following definitions are added to the end of Section VII. Definitions:

- Account code** means a confidential and protected string of characters that identifies or authenticates a person and permits that person to gain access to **your voice computer system** for the purpose of making long distance toll calls or utilizing voice mail box messaging capabilities or similar functional features of the system.
- System administration** means the performance of any security function, including but not limited to:
 1. defining authorized persons to access the system;
 2. adding, deleting, or changing **account codes** or passwords;
 3. installing or deleting any system option which directs telephone call routing or adds, drops, or moves telephone lines; or
 4. any other activity allowed by a hardware or software-based system option that has been incorporated by a manufacturer or a vendor into a **voice computer system**, provided the system is not intended for the sole use of the manufacturer or vendor.
- System maintenance** means performing hardware and software installation, diagnostic and correction, and similar activities that are performed in the usual custom and practice by a manufacturer or vendor to establish or maintain the basic operational functionality of a **voice computer system**.
- System Password** means a confidential and protected string of characters that identifies or authenticates a person and permits that person to gain access to **your voice computer system** to perform **system administration** or **system maintenance** or a component of either.
- Telephone toll fraud** means the fraudulent use or fraudulent manipulation of an **account code** or **system password** required to gain access into **your voice computer system** which results in long distance telephone charges incurred by **you**.
- Voice computer system** means a computer system installed in one location which functions as a private branch exchange (PBX), voice mail processor, or automated call attendant, or provides a similar capability used for the direction or routing of telephone calls in a voice communications network.

Telephone Toll Fraud Limit of Liability: \$100,000 in the aggregate
 Telephone Toll Fraud Retention: \$2,500

Endorsement effective:	08/08/2024	Certificate No.:	MPL1790263.24
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Hiscox Inc.			

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Authorized Representative
Kevin Kerridge

Endorsement 14

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E8531.1 Amend Personally Identifiable Information and Regulatory Action Endorsement (EU General Data Protection Regulation)

In consideration of the premium charged, and on the understanding this endorsement leaves all other terms, conditions, and exclusions unchanged, it is agreed the Data Breach and Privacy Security Liability Coverage Part is amended as follows:

I. In Section VII. Definitions, the definition of “**Personally identifiable information**” is deleted in its entirety and replaced with the following:

Personally identifiable information

means the following, in any form, that is in **your** care, custody, or control, or in the care, custody, or control of any third party for whom **you** are legally liable:

1. non-public individually identifiable information as defined in any foreign, federal, state, or local statute, rule, or regulation, including but not limited to:
 - a. unsecured protected health information as defined by the Health Insurance Portability and Accountability Act of 1996 (HIPAA), or
 - b. personal data, as defined by the EU General Data Protection Regulation (2016/679),both as amended, and any rule or regulation promulgated thereunder; or
2. any:
 - i. social security number or individual taxpayer identification number;
 - ii. driver’s license number or state identification number;
 - iii. passport number;
 - iv. credit card number; or
 - v. financial account number or debit card number in combination with any required security code.

II. In Section VII. Definitions, the definition of “**Regulatory action**” is deleted in its entirety and replaced with the following:

Regulatory action

means any civil regulatory action brought against **you** by a regulator, including any action arising under the EU General Data Protection Regulation (2016/679), as amended, and any rule or regulation promulgated thereunder.

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Endorsement 14

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Authorized Representative
Kevin Kerridge

Endorsement 15

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E6314.2 Coverage Enhancement Amendatory Endorsement

In consideration of the premium charged, and on the understanding this endorsement leaves all other terms, conditions, and exclusions unchanged, it is agreed:

The General Terms and Conditions is amended as follows:

Amend Cancellation (Pro-Rata)

1. In Section V. Other provisions affecting coverage, C. Cancellation, is deleted in its entirety and replaced with the following:
 - C. Cancellation
 1. This policy may be canceled by the **named insured** by giving written notice, which must include the date the cancellation will be effective, to **us** at the address stated in the Declarations.
 2. This policy may be canceled by **us** by mailing to the **named insured** by registered, certified, or other first class-mail, at the **named insured's** address stated in Item 1. of the Declarations, written notice stating when the cancellation will be effective, such date not to be less than 60 days after the date of the notice of cancellation, or ten days if the cancellation is due to non-payment of premium.
 3. The mailing of such notice will be sufficient proof of notice, and this policy will terminate at the date and hour specified in such notice.
 4. If this Policy is canceled by **us** or the **named insured**, **we** will return a pro rata portion of the premium.
 5. Payment or tender of any unearned premium by **us** will not be a condition precedent to the effectiveness of the cancellation, but such payment will be made as soon as possible.

Amend Other Insurance Provision (Reputational Harm)

2. In Section V. Other provisions affecting coverage, the following is added to the end of part H. Other insurance:

In the event **you** sustain **reputational harm** under the Reputational harm sublimit which is covered under both the Data Breach and Privacy Security Liability Coverage Part and the Cyber Enhancements Coverage Part, whether due to the publication of related or continuing acts, errors, incidents, **breaches**, or **events**, **we** will pay only under one Coverage Part, which will be the Coverage Part that provides the most favorable coverage.

The Cyber Enhancements Coverage Part is amended as follows:

Amend Definition of Business Interruption Costs (Remove Hourly Loss Amount)

3. A. In Section I. What is covered, A. Cyber business interruption, paragraph 2 is deleted in its entirety and replaced with the following:
 2. ends on the earlier of the date and time that the interruption to or degradation in the availability of **your** website, intranet, network, computer system, programs, or data:
 - a. ends; or
 - b. could have ended had **you** acted with due diligence and dispatch.

In no event will **we** be obligated to pay **business interruption costs** for more than 60 days from the date the **business interruption event** first occurs.
- B. In Section VII. Definitions, the definition of "**Business interruption costs**" is deleted in its entirety and replaced with the following:

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Business interruption costs means **income loss** and **extra expense** actually sustained by **you**.

- C. In Section VII. Definitions, the definition of "**Business interruption event**" is deleted in its entirety and replaced with the following:

Business interruption event means the total or partial interruption to or degradation in the availability of **your** website, intranet, network, computer system, programs, or data resulting in **business interruption costs** as a direct result of:

1. the activities of a third party that maliciously blocks electronic access to **your** website, intranet, network, computer system, programs, or data **you** hold electronically; or
2. a **hacker**.

- D. The following definitions are added to the end of Section VII. Definitions:

Income loss means the sum of the following:

1. Net Income (Net Profit or Loss before income taxes) that would have been earned; and
2. continuing normal operating expenses incurred, including payroll.

Extra expense means reasonable and necessary expenses **you** incur to mitigate the **business interruption event** if **you** satisfy to **us** that such expenses are:

1. less than the **business interruption costs** that would have been incurred otherwise; and
2. in excess of the expenses **you** would have incurred if the **business interruption event** had not occurred.

- E. In Section VII. Definitions, the definition of "**Income interruption**" is deleted in its entirety.

- F. The "Business Interruption Hourly Loss Amount" stated in the Cyber Enhancements Coverage Part section of the Declarations is deleted in its entirety.

Bricking Costs Sublimit (\$100k)

4. A. The following is added to the end of Section II. Coverage enhancements:

Bricking costs sublimit BC-A. **We** will pay up to \$100,000, in the aggregate, for **bricking costs** resulting from a **bricking event** that first occurs on or after the **retroactive date** and is discovered by **you** during the **policy period**.

You must pay the **retention** before **we** will be obligated to make any payment under this subsection BC-A, and any payments **we** make will be a part of, and not in addition to, the Hacker Damage limit stated in the Declarations.

- B. Solely with respect to the coverage provided by this endorsement, the following definitions are added to the end of Section VII. Definitions:

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Bricking costs

means the reasonable and necessary expenses incurred by **you** with **our** prior consent to rebuild, repair, or replace any hardware on which any **data asset** is stored due to a **bricking event**, provided:

1. such hardware, or any component thereof, can no longer be used for any or all of its purposes, and either:
 - a. the hardware or component cannot be restored to functionality after reasonable efforts have been made; or
 - b. it is reasonably estimated:
 - i. to cost less to replace the hardware or component than it would to restore the hardware or component's functionality; or
 - ii. that the cost to replace the hardware or component will be less than the additional loss that will be incurred if the hardware or component is not replaced; and
2. replacement of such hardware or component is reasonable and necessary to reduce or mitigate loss.

Bricking costs will not mean costs to rebuild, repair, or replace the hardware to a level beyond which existed prior to the **bricking event**, unless:

1. the hardware can only be reasonably replaced with an upgraded or enhanced hardware or component; and
2. the updated or enhanced hardware or component is necessary to repair, rebuild, or replace the hardware.

Bricking event

means the total or partial loss of hardware caused by the unauthorized reprogramming of software (including firmware).

- C. Solely with respect to the coverage provided by this endorsement, in Section VI. Exclusions – What is not covered, the “Property damage” exclusion is deleted in its entirety and replaced with the following:

- | | |
|-----------------|--|
| Property damage | 14. for any actual or alleged property damage ; however, this exclusion will not apply to: <ol style="list-style-type: none"> a. damage to data, or destruction or loss of use of data; or b. a bricking event covered under Section II. Coverage enhancements, BC-A. Bricking costs sublimit. |
|-----------------|--|

Dependent Business Interruption and System Failure Extension

5. A. The following are added to the end of Section II. Coverage enhancements:

Dependent business interruption and dependent system failure sublimit

DB-A. **We** will pay up to:

1. \$1,000,000, in the aggregate, for **business interruption costs you** incur in excess of the **retention** resulting from:
 - a. a **cyber extortion event**;
 - b. a **hacker damage event**; and/or
 - c. the acquisition, access, or disclosure of personally identifiable information or confidential corporate information by a person or

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entity, or in a manner, that is unauthorized by the **dependent business**,

experienced by or made against any **dependent business** that first occurs on or after the **retroactive date** and is discovered by **you** during the **policy period**.

2. \$1,000,000, in the aggregate, or the Cyber Business Interruption limit stated in the Declarations, whichever is lower for **business interruption costs you** incur in excess of the **retention** resulting from any **dependent system failure**,

experienced by or made against any **dependent business** that first occurs on or after the **retroactive date** and is discovered by **you** during the **policy period**.

Any payments **we** make for **business interruption costs you** incur under this subsection DB-A will be a part of, and not in addition to, the Cyber Business Interruption limit stated in the Declarations.

System failure sublimit

DB-B.

We will pay up to \$1,000,000, in the aggregate, limit stated in the Declarations for **business interruption costs you** incur in excess of the **retention** resulting from a **system failure** that first occurs on or after the **retroactive date** and is discovered by **you** during the **policy period**.

Any payments **we** make for **business interruption costs you** incur under this subsection DB-B will be a part of, and not in addition to, the Cyber Business Interruption limit stated in the Declarations.

- B. Solely with respect to the coverage provided by Section II. Coverage enhancements, DB-A. Dependent business interruption and dependent system failure sublimit, the definitions of "**Cyber extortion event**", "**Event**", "**Hacker**", and "**Hacker damage event**" are deleted in their entirety and replaced with the following:

Cyber extortion event

means a **dependent business's** receipt, directly or indirectly, of an illegal threat from a person or entity who is not an **insured** threatening to:

1. damage, destroy, or corrupt the **dependent business's** website, intranet, network, computer system, any programs the **dependent business** uses, or data the **dependent business** holds electronically, including by introducing a computer virus, worm, logic bomb, or Trojan horse; or
2. disseminate, divulge, or use any confidential information for which the **dependent business** is legally responsible,

who then demands a ransom for their own benefit as a condition of not carrying out this threat.

Event

means a **business interruption event**, **cyber extortion event**, **hacker damage event**, **system failure**, or **dependent system failure**.

Hacker

means anyone, including an employee of the **dependent business**, who gains unauthorized access to the **dependent business's** website, intranet, network, computer system, or data the **dependent business** holds electronically via the internet or other external electronic link, solely by circumventing electronically the security systems in place to protect against such unauthorized access. **Hacker** does not include any

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executive, or any person who, while on the **dependent business's** premises (other than an employee or a third party the **dependent business** has expressly permitted to enter the premises), directly gains unauthorized access to any computer system.

Hacker damage event

means a **hacker** either:

1. damaging, destroying, altering, corrupting, or misusing the **dependent business's** website, intranet, network, computer system, programs, or data it holds electronically; or
2. copying or stealing any program or data the **dependent business** holds electronically.

C. The following definitions are added to the end of Section VII. Definitions:

Dependent business

means an individual or entity that:

1. is not owned, operated, or controlled by the **named insured** or any **subsidiary** or **acquired entity**; and
2. provides **outsourced business processes** or **information technology services** for the **named insured** or any **subsidiary** or **acquired entity** pursuant to a written contract.

Dependent system failure

means any unintentional and unplanned total or partial outage of a **dependent business's** computer system that is not caused by the:

1. unauthorized acquisition, access, use, or disclosure of personally identifiable information, including but not limited to that resulting from the loss or theft of a device containing such personally identifiable information; or
2. failure by the **dependent business** or by others on the **dependent business's** behalf (including its subcontractors, outsourcers, or independent contractors) in securing the **dependent business's** computer system.

Information technology services

means computer and electronic technology services, including cloud computing and other hosted computer resources.

Outsourced business processes

means services supporting the operation of the **named insured** or any **subsidiary** or **acquired entity's** business, including human resources, call center, and fulfillment.

System failure

means any unintentional and unplanned total or partial outage of the **named insured** or any **subsidiary** or **acquired entity's** computer system that is not caused by the:

1. unauthorized acquisition, access, use, or disclosure of personally identifiable information, including but not limited to that resulting from the loss or theft of a device containing such personally identifiable information; or
2. failure by **you** or by others on **your** behalf (including **your** subcontractors, outsourcers, or independent contractors) in securing the **named insured** or any **subsidiary** or **acquired entity's** computer system.

D. In Section VI. Exclusions – What is not covered, the “Infrastructure interruption” exclusion is deleted in its entirety and replaced with the following:

Infrastructure interruption

8. based upon or arising out of any actual or alleged failure or interruption of service provided by an internet service provider, telecommunications provider, utility provider, or other infrastructure provider; however, this exclusion will not apply

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to **business interruption costs** otherwise covered under Section II. Coverage enhancements, DB-A. Dependent business interruption and dependent system failure sublimit.

- E. Solely with respect to the coverage provided by Section II. Coverage enhancements, DB-A. Dependent business interruption sublimit, the following exclusion is added to the end of Section VI. Exclusions – What is not covered:
- Supply chain providers DB-1. with respect to **business interruption costs** only, based upon or arising out of any total or partial interruption of the **insured's** business due to any failure or act committed by, event or breach impacting, or outage of, a supply chain provider of the **named insured** or any **subsidiary** or **acquired entity**.
- F. Solely with respect to the coverage provided by Section II. Coverage enhancements, DB-B. System failure sublimit, the following exclusion is added to the end of Section VI. Exclusions – What is not covered:
- Excluded system failure losses DB-2. with respect to **business interruption costs** resulting from a **system failure** only, based upon or arising out of any:
- total or partial interruption of computer system owned or leased by any person or entity that is not an **insured**;
 - unauthorized acquisition, access, use, or disclosure of personally identifiable information, including but not limited to that resulting from the loss or theft of a device containing such personally identifiable information, that is not under the **insured organization's** direct control; or
 - any **security failure** or **extortion threat** against an entity that is not an **insured**.

Reputational Harm Coverage(\$250k)

6. A. The following is added to the end of Section II. Coverage enhancements:
- Reputational harm sublimit RH-A. **We** will pay up to \$250,000, per incident, for **reputational harm** resulting directly from the **publication** of an otherwise covered **event**, provided:
- the **event** first occurs during the **policy period** and is reported to **us** in accordance with Section VII. Notice; and
 - the **publication** of such **event** occurs no later than the end of the **policy period** or 90 days after the end of the **policy period** for **events** first discovered by **you** in the last 90 days of the **policy period**.
- You** must pay the **retention** before **we** will be obligated to make any payment under this subsection RH-A, and any payments **we** make will be a part of, and not in addition to, the limit stated in the Declarations as applicable.
- B. The following definitions are added to the end of Section VII. Definitions:
- Publication** means any report or communication that has been publicized to the general public through any media channel, including but not limited to television, print media, radio or electronic networks, the internet, or electronic mail.
- Reputation** means trust that **your** customers or clients have in doing business with **you** or in purchasing **your** products or services.

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Reputational harm means **income loss you** sustain for a period greater than ten hours but no greater than six months due to **your** loss of clients, customers, or sales resulting from damage to **your reputation** or brand.

Reputational harm does not include any costs:

1. to rehabilitate **your reputation** or brand, including legal costs or expenses; or
2. directly caused by a **publication** of any occurrence other than a covered **event**.

C. Solely with respect to **reputation harm**, the following provision is added to the end of the Coverage Part:

VIII. Conditions applicable to reputational harm The following are conditions precedent to the payment by **us** of any **reputational harm**:

1. **You** must complete and sign a written, detailed, and affirmed proof of loss within 90 days after **your** discovery of the **publication** of an **event** (unless such period has been extended by **us** in writing) which will include, at a minimum, the following information:
 - a. a full description of the circumstances surrounding the **reputational harm**, including, without limitation, the time, place, and cause of the loss;
 - b. a detailed calculation of any **reputational harm**; and
 - c. all underlying documents and materials that reasonably relate to or form part of the basis of the proof of such **reputational harm**.
2. Any costs incurred by **you** in connection with establishing or proving **reputational harm**, including but not limited to preparing a proof of loss, will be **your** obligation, and are not covered under this policy.
3. In determining the amount of **income loss** covered under Section II. Coverage enhancements, RH-A. Reputational harm, due consideration will be given to the prior experience of **your** business, and to the probable business **you** could have performed had no **publication** of an **event** occurred.

Provided, such **income loss** will not include income that would likely have been earned as a result of an increase in volume of business due to favorable business conditions caused by the interruption of any other entity's business. **Income loss** will be calculated on a daily basis.
4. If **we** and the **named insured** do not agree on the amount of **reputational harm**, either party may make a written demand for an appraisal of the **reputational harm**. If such demand is made, each party will select a competent and impartial appraiser. The appraisers will then jointly select an umpire. If the appraisers cannot agree on an umpire, they may request that such selection be made by a judge of a court having jurisdiction. Each appraiser will separately state the amount of **reputational harm**. If the appraisers do not agree on the amount of the **reputational harm**, they will submit their differences to the umpire. Agreement by the umpire and at least one of the appraisers regarding the amount of the **reputational harm** will be binding on **you** and **us**. Each party will pay their respective chosen appraiser and will equally share the costs of the umpire.

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The Data Breach and Privacy Security Liability Coverage Part is amended as follows:

Amend Personally Identifiable Information and Regulatory Action Endorsement (EU General Data Protection Regulation)

7. A. In Section VII. Definitions, the definition of “**Personally identifiable information**” is deleted in its entirety and replaced with the following:
- Personally identifiable information** means the following, in any form, that is in **your** care, custody, or control, or in the care, custody, or control of any third party for whom **you** are legally liable:
1. non-public individually identifiable information as defined in any foreign, federal, state, or local statute, rule, or regulation, including but not limited to:
 - a. unsecured protected health information as defined by the Health Insurance Portability and Accountability Act of 1996 (HIPAA), or
 - b. personal data, as defined by the EU General Data Protection Regulation (2016/679),
both as may be amended, and any rule or regulation promulgated under such law act or regulation; or
 2. any:
 - i. social security number or individual taxpayer identification number;
 - ii. driver’s license number or state identification number;
 - iii. passport number;
 - iv. credit card number; or
 - v. financial account number or debit card number in combination with any required security code.
- B. In Section VII. Definitions, the definition of “**Regulatory action**” is deleted in its entirety and replaced with the following:
- Regulatory action** means any civil regulatory action brought against **you** by a regulator, including any action arising under the EU General Data Protection Regulation (2016/679), as amended, and any rule or regulation promulgated thereunder.

Reputational Harm Coverage

8. A. The following is added to the end of Section II. Coverage enhancements:
- Reputational harm sublimit RH-A. **We** will pay up to \$250,000, per incident, for **reputational harm** resulting directly from the **publication** of an otherwise covered **breach**, provided:
1. the **breach** first occurs during the **policy period** and is reported to **us** in accordance with Section VII. Notice; and
 2. the **publication** of such **breach** occurs no later than the end of the **policy period** or 90 days after the end of the **policy period** for **breaches** first discovered by **you** in the last 90 days of the **policy period**.
- You** must pay the **retention** before **we** will be obligated to make any payment under this subsection RH-A, and any payments **we** make will be a part of, and not in addition to, the **coverage part limit**.
- B. The following definitions are added to the end of Section VII. Definitions:

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- Income loss** means the sum of the following:
1. Net Income (Net Profit or Loss before income taxes) that would have been earned; and
 2. continuing normal operating expenses incurred, including payroll.
- Publication** means any:
1. report or communication that has been publicized to the general public through any media channel, including but not limited to television, print media, radio or electronic networks, the internet, or electronic mail; or
 2. notice to **data subjects** affected by a **breach**.
- Reputation** means trust that **your** customers or clients have in doing business with **you** or in purchasing **your** products or services.
- Reputational harm** means **income loss you** sustain for a period greater than ten hours but no greater than six months due to **your** loss of clients, customers, or sales resulting from damage to **your reputation** or brand.
- Reputational harm** does not include any:
1. costs to rehabilitate **your reputation** or brand, including legal costs or expenses;
 2. **breach costs**; or
 3. costs directly caused by a **publication** of any occurrence other than a covered **breach**.

C. Solely with respect to the coverage provided in this Endorsement, the following provision is added to the end of the Coverage Part:

VIII. Conditions applicable to reputational harm The following are conditions precedent to the payment by **us** of any **reputational harm**:

1. **You** must complete and sign a written, detailed, and affirmed proof of loss within 90 days after **your** discovery of the **publication** of a **breach** (unless such period has been extended by **us** in writing) which will include, at a minimum, the following information:
 - a. a full description of the circumstances surrounding the **reputational harm**, including, without limitation, the time, place, and cause of the loss;
 - b. a detailed calculation of any **reputational harm**; and
 - c. all underlying documents and materials that reasonably relate to or form part of the basis of the proof of such **reputational harm**.
2. Any costs incurred by **you** in connection with establishing or proving **reputational harm**, including but not limited to preparing a proof of loss, will be **your** obligation, and are not covered under this policy.
3. In determining the amount of **income loss** covered under Section II. Coverage enhancements, RH-A. Reputational harm, due consideration will be given to the

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prior experience of **your** business, and to the probable business **you** could have performed had no **publication** of a **breach** occurred.

Provided, such **income loss** will not include income that would likely have been earned as a result of an increase in volume of business due to favorable business conditions caused by the interruption of any other entity's business. **Income loss** will be calculated on a daily basis.

4. If **we** and the **named insured** do not agree on the amount of **reputational harm**, either party may make a written demand for an appraisal of the **reputational harm**. If such demand is made, each party will select a competent and impartial appraiser. The appraisers will then jointly select an umpire. If the appraisers cannot agree on an umpire, they may request that such selection be made by a judge of a court having jurisdiction. Each appraiser will separately state the amount of **reputational harm**. If the appraisers do not agree on the amount of the **reputational harm**, they will submit their differences to the umpire. Agreement by the umpire and at least one of the appraisers regarding the amount of the **reputational harm** will be binding on **you** and **us**. Each party will pay their respective chosen appraiser and will equally share the costs of the umpire.

Telephone Toll Fraud Sublimit

9. A. The following is added to the end of Section II. Coverage enhancements:

Telephone toll fraud sublimit TT-A. **We** will pay up to \$100,000, in the aggregate, for long distance telephone charges incurred by **you** as a result of a **telephone toll fraud**, provided the **telephone toll fraud** first occurs and is discovered by **you** during the **policy period** and is reported to **us** in accordance with Section V. Your obligations.

If **you** incur charges for a period exceeding 30 days from the date on which the **telephone toll fraud** first occurs, **we** will only be obligated to pay such charges that are incurred during the first 30 days.

Any payment **we** make under this subsection TT-A will be subject to the **retention** and not the amount stated as such in the Declarations, and such payments will be a part of, and not in addition to, the **coverage part limit**.

- B. Solely with respect to the coverage provided by this Endorsement, the following is added to the end of Section V. Your obligations:

Notifying us of telephone toll fraud **You** must give written notice to **us** of any **telephone toll fraud**, or circumstances reasonably likely to lead to a **telephone toll fraud**, that in **your** best estimate will exceed 50% of the retention identified above, as soon as possible after it is first discovered by **you**, but in any event no later than 90 days after **you** discover such **telephone toll fraud** or circumstances.

- C. Solely with respect to the coverage provided by this Endorsement, the following Section is added to the Coverage Part:

TT-I. Conditions applicable to telephone toll fraud losses The following are conditions precedent to the payment by **us** of any long distance telephone charges incurred by **you** as a result of a **telephone toll fraud**:

TT-1. **you** must inform, or allow **us** to inform, the appropriate law enforcement authorities if **you** have reason to believe that any **telephone toll fraud** involves a violation of law;

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- TT-2. **you** must give **us** a detailed, sworn proof of **loss** within 120 days of notification to **us** of a **telephone toll fraud**; and
- TT-3. **we** have the right to examine and audit **your** books and records as they relate to the coverage provided by this Endorsement at any time during the **policy period** and up to three years afterward.

D. The following exclusions are added to the end of Section VI. Exclusions – What is not covered:

We will have no obligation to pay any sums under this Coverage Part for:

- TT-1. any **telephone toll fraud** resulting from the use of telephone lines directly controlled by more than one **voice computer system**;
- TT-2. any **telephone toll fraud** resulting from the failure to install and maintain in operating condition a call disconnect feature to terminate a caller's access after three unsuccessful attempts to enter an **account code**;
- TT-3. any **telephone toll fraud** resulting from the failure to incorporate a **system password** or change a **system password** every 60 days;
- TT-4. **claim expenses** incurred by **you** which are related to any legal action resulting from a **telephone toll fraud**;
- TT-5. any **telephone toll fraud** resulting from any dishonest act committed by **you**, if the **named insured** is an individual, or by any **employee**, or board member, trustee, director, or officer (or equivalent position) of the **named insured** or **subsidiary**;
- TT-6. any **telephone toll fraud** resulting from any actual or alleged unauthorized acquisition, access, use, or disclosure of **personally identifiable information** or confidential corporate information that is held or transmitted in any form; however, this exclusion will not apply to a **telephone toll fraud** directly resulting from the use of such **personally identifiable information** or confidential corporate information.

E. The following definitions are added to the end of Section VII. Definitions:

- Account code** means a confidential and protected string of characters that identifies or authenticates a person and permits that person to gain access to **your voice computer system** for the purpose of making long distance toll calls or utilizing voice mail box messaging capabilities or similar functional features of the system.
- System administration** means the performance of any security function, including but not limited to:
 - 1. defining authorized persons to access the system;
 - 2. adding, deleting, or changing **account codes** or passwords;
 - 3. installing or deleting any system option which directs telephone call routing or adds, drops, or moves telephone lines; or
 - 4. any other activity allowed by a hardware or software-based system option that has been incorporated by a manufacturer or a vendor into a **voice computer system**, provided the system is not intended for the sole use of the manufacturer or vendor.
- System maintenance** means performing hardware and software installation, diagnostic and correction, and similar activities that are performed in the usual custom and practice by a manufacturer or vendor to establish or maintain the basic operational functionality of a **voice computer system**.

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System password	means a confidential and protected string of characters that identifies or authenticates a person and permits that person to gain access to your voice computer system to perform system administration or system maintenance or a component of either.
Telephone toll fraud	means the fraudulent use or fraudulent manipulation of an account code or system password required to gain access into your voice computer system which results in long distance telephone charges incurred by you .
Voice computer system	means a computer system installed in one location which functions as a private branch exchange (PBX), voice mail processor, or automated call attendant, or provides a similar capability used for the direction or routing of telephone calls in a voice communications network.

The Cyber Enhancements Coverage Part, Data Breach and Security Liability Coverage Part, Technology Professional Liability Coverage Part, and Media Liability Coverage Part (if purchased) are amended as follows:

- I. In Section III. Who is an insured of the Media Liability Coverage Part, the definition of “**Acquired entity**” is deleted in its entirety and replaced with the following:

Acquired entity means an entity in which the **named insured**, during the **policy period**:

1. acquires substantially all of the assets;
2. acquires the majority of its voting securities, as a result of which it becomes a **subsidiary**; or
3. merges and leaves the **named insured** as the surviving entity.

With respect to an **acquired entity** whose revenues exceed 20% of the annual revenues of the **named insured** at the time of its creation or acquisition, any coverage under this policy will expire 90 days after the effective date of its creation or acquisition unless, within such 90 day period:

1. the **named insured** provides **us** with written notice of such creation or acquisition;
2. the **named insured** provides **us** with information related to such creation or acquisition as **we** may reasonably require;
3. the **named insured** accepts any special terms, conditions, exclusions, or additional premium charge as **we** may reasonably require; and
4. **we** agree by written endorsement to provide such coverage.

This policy will apply to an **acquired entity** only with respect to **your media activities** or **your advertising** of **your professional services** performed after the acquisition, merger, or creation.

- II. In Section III. Who is an insured of the Technology Professional Liability Coverage Part, the definition of “**Acquired entity**” is deleted in its entirety and replaced with the following:

Acquired entity means an entity in which the **named insured**, during the **policy period**:

1. acquires substantially all of the assets;
2. acquires the majority of its voting securities, as a result of which it becomes a **subsidiary**; or
3. merges and leaves the **named insured** as the surviving entity.

With respect to an **acquired entity** whose revenues exceed 20% of the annual revenues of the **named insured** at the time of its creation or acquisition, any coverage under this policy will expire 90 days after the effective date of its creation or acquisition unless, within such 90 day period:

1. the **named insured** provides **us** with written notice of such creation or acquisition;

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2. the **named insured** provides **us** with information related to such creation or acquisition as **we** may reasonably require;
3. the **named insured** accepts any special terms, conditions, exclusions, or additional premium charge as **we** may reasonably require; and
4. **we** agree by written endorsement to provide such coverage.

This policy will apply to an **acquired entity** only with respect to **your technology services** performed after the acquisition, merger, or creation. If a **claim** results from **technology services** performed both before and after the acquisition, merger, or creation of an **acquired entity**, this policy will apply only to that portion of the **claim** attributable to the **technology services** performed after the acquisition, merger, or creation.

- III. In Section III. Who is an insured of the Cyber Enhancements Coverage Part, the definition of “**Acquired entity**” is deleted in its entirety and replaced with the following:

Acquired entity means an entity in which the **named insured**, during the **policy period**:

1. acquires substantially all of the assets;
2. acquires the majority of its voting securities, as a result of which it becomes a **subsidiary**; or
3. merges and leaves the **named insured** as the surviving entity.

With respect to an **acquired entity** whose revenues exceed 20% of the annual revenues of the **named insured** at the time of its creation or acquisition, any coverage under this policy will expire 90 days after the effective date of its creation or acquisition unless, within such 90 day period:

1. the **named insured** provides **us** with written notice of such creation or acquisition;
2. the **named insured** provides **us** with information related to such creation or acquisition as **we** may reasonably require;
3. the **named insured** accepts any special terms, conditions, exclusions, or additional premium charge as **we** may reasonably require; and
4. **we** agree by written endorsement to provide such coverage.

This policy will apply to an **acquired entity** only with respect to an **event** which first occurs and is discovered after the acquisition, merger, or creation.

- IV. In Section III. Who is an insured of the Data Breach and Privacy Security Liability Coverage Part, the definition of “**Acquired entity**” is deleted in its entirety and replaced with the following:

Acquired entity means an entity in which the **named insured**, during the **policy period**:

1. acquires substantially all of the assets;
2. acquires the majority of its voting securities, as a result of which it becomes a **subsidiary**; or
3. merges and leaves the **named insured** as the surviving entity.

With respect to an **acquired entity** whose revenues exceed 20% of the annual revenues of the **named insured** at the time of its creation or acquisition, any coverage under this policy will expire 90 days after the effective date of its creation or acquisition unless, within such 90 day period:

1. the **named insured** provides **us** with written notice of such creation or acquisition;
2. the **named insured** provides **us** with information related to such creation or acquisition as **we** may reasonably require;

Endorsement 15

NAMED INSURED: Mendocino Unified School District dba Mendocino Community Network

3. the **named insured** accepts any special terms, conditions, exclusions, or additional premium charge as **we** may reasonably require; and
4. **we** agree by written endorsement to provide such coverage.

This policy will apply to an **acquired entity** only with respect to **your** business operations performed after the acquisition, merger, or creation.

Endorsement effective:	08/08/2024	Certificate No.:	MPL1790263.24
Endorsement No:	15	Processed Date:	07/08/2024

Hiscox Inc.



Authorized Representative
Kevin Kerridge

Endorsement 16

NAMED INSURED: Mendocino Unified School District dba Mendocino Community Network

E9998.2 TRIA Not Purchased Endorsement

**Terrorism Risk Insurance Act, as amended
Not Purchased Endorsement**

This Endorsement is issued in accordance with the terms and conditions of the federal Terrorism Risk Insurance Act.

It is hereby noted that the Company has made available coverage for insured losses directly or indirectly resulting from an "act of terrorism" and the Insured has declined or not confirmed to purchase this coverage.

This Insurance therefore affords no coverage for losses directly or indirectly resulting from an "act of terrorism" except to the extent, if any, otherwise provided by this Policy.

The term "act of terrorism" means an act that is certified by the Secretary of the Treasury, in accordance with the provisions of the federal Terrorism Risk Insurance Act, to be an act of terrorism pursuant to such Act. The criteria contained in the Terrorism Risk Insurance Act for an "act of terrorism" include the following:

- 1 The act resulted in insured losses in excess of \$5 million in the aggregate, attributable to all types of insurance subject to the Terrorism Risk Insurance Act; and
- 1 The act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

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

All other terms and conditions remain unchanged.

Endorsement effective:	08/08/2024	Certificate No.:	MPL1790263.24
Endorsement No:	16	Processed Date:	07/08/2024
Hiscox Inc.			



Authorized Representative
Kevin Kerridge

Endorsement 17

NAMED INSURED: Mendocino Unified School District dba Mendocino Community Network

E8673.2 Privacy, Biometrics, and Cyber Incidents Endorsement (Tech)

In consideration of the premium charged, and on the understanding this endorsement leaves all other terms, conditions, and exclusions unchanged, it is agreed:

I. The Technology Professional Liability Coverage Part (if purchased) is amended as follows:

A. Section I. What is covered is deleted in its entirety and replaced with the following:

I. What is covered

We will pay up to the **coverage part limit** for **damages** and **claim expenses** in excess of the **retention** for covered **claims** against **you** resulting from the performance of **your technology services** by **you** or anyone on **your** behalf (including **your** subcontractors, outsourcers, or independent contractors) on or after the **retroactive date**, for any actual or alleged:

1. negligent act, error, or omission, or negligent misstatement or negligent misrepresentation, including any of the foregoing that results:
 - a. from a cyber incident **you** sustain which prevents or impedes **your** performance of **technology services**; or
 - b. in a cyber incident impacting **your client**; however, this subsection b will not include an actual or suspected data breach sustained by **your client**; or
2. unintentional breach of a written contract with **your client**, including an unintentional breach resulting from a cyber incident **you** sustain that prevents or impedes **your** performance of **technology services**,

provided the **claim** is first made against **you** during the **policy period** and is reported to **us** in accordance with Section V. Your obligations.

B. In Section VI. Exclusions – What is not covered, the “Collection of data without knowledge/ consumer privacy” exclusion is deleted in its entirety and replaced with the following:

based upon or arising out of any actual or alleged:

- a. unauthorized or improper acquisition, access, use, disclosure, collection, possession, handling, storage, dissemination, destruction, capture, sale, purchase, or retention of, or failure to protect or safeguard any non-public personally identifiable information, biometric identifiers, biometric data, biometric information, confidential and sensitive information, genetic information, or confidential corporate information;
- b. violation of any federal, state, local, or foreign privacy law, biometric information law, consumer data protection law, or any common law governing, relating to, or protecting against the use, collection, or disclosure of any information about a person or any conduct, data, or information described in subpart a above;

C. In Section VII. Definitions, the following is added to the end of the definition of “**Damages**”:

Endorsement 17

NAMED INSURED: Mendocino Unified School District dba Mendocino Community Network

Damages does not include any amounts owed by **you** under a written contract, including a client services agreement, regarding an actual or suspected data breach of personally identifiable information or confidential corporate information that is held or transmitted in any form.

II. The General Liability Coverage Part (if purchased) is amended as follows:

In Section VI. Exclusions – What is not covered, D. Exclusions applicable to the entire general liability coverage part, the “Privacy” exclusion is deleted in its entirety and replaced with the following:

We will have no obligation to pay any sums under this Coverage Part for **medical expenses**, or for any **claim**, including any **damages** or **claim expenses**, for **bodily injury**, **property damage**, or **personal and advertising injury**:

Privacy, biometrics, and cyber incidents PR-1. based upon or arising out of any actual or alleged:

- a. unauthorized or improper acquisition, access, use, disclosure, collection, possession, handling, storage, dissemination, destruction, capture, sale, purchase, or retention of, or failure to protect or safeguard any non-public personally identifiable information, biometric identifiers, biometric data, biometric information, confidential and sensitive information, genetic information, or confidential corporate information;
- b. violation of any federal, state, local, or foreign privacy law, biometric information law, consumer data protection law, or any common law governing, relating to, or protecting against the use, collection, or disclosure of any information about a person or any conduct, data, or information described in subpart a above;
- c. denial of service or delay, disruption, impairment, failure, or outage of any part of a computer system or network;
- d. unauthorized or unlawful access to any electronic data or any part of a computer system or network, including through the transmission of any malicious code, such as a computer virus, worm, logic bomb, malware, spyware, Trojan horse, or other fraudulent or unauthorized computer code; or
- e. threat, hoax, trick, or demand relating to subparts a through d above.

This exclusion will apply even if the **claim** against **you** alleges negligence or other wrongdoing in the:

- i. failure to prevent any cyber incident listed in subparts a through d above or any resulting **property damage**, **bodily injury**, or **personal and advertising injury**; or
- ii. failure to report any incident to the authorities.

Endorsement 17

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Endorsement effective:	08/08/2024	Certificate No.:	MPL1790263.24
Endorsement No:	17	Processed Date:	07/08/2024
Hiscox Inc.			



Authorized Representative
Kevin Kerridge

Endorsement 18

NAMED INSURED: Mendocino Unified School District dba Mendocino Community Network

E6065.3 Change of Mailing Address Endorsement

In consideration of the premium charged, and on the understanding this endorsement leaves all other terms, conditions, and exclusions unchanged, it is agreed:

Solely for the purposes of mailing, the following address is added to Item 1 of the Declarations:

PO Box 2445 Mendocino, CA 95460

Endorsement effective:	08/08/2024	Certificate No.:	MPL1790263.24
Endorsement No:	18	Processed Date:	07/08/2024

Hiscox Inc.



Authorized Representative
Kevin Kerridge

Hiscox Inc.
 5 Concourse Parkway
 Suite #2150
 Atlanta, GA 30328

CYBER NOTICE

In light of the continually evolving cyber risk environment, starting January 1, 2021, Hiscox Inc. policies incepting on or after January 1, 2021 will include specific language affirmatively stating whether we are covering or excluding losses caused by cyber events.

Your **Hiscox Pro™** policy will include the following endorsement(s), depending on the type of coverage(s) you have purchased:

<p>Miscellaneous Professional Liability (Including all tailor-made products)</p>	<p><u>Cyber Exclusion Endorsement</u> explaining the intent to exclude losses arising from described cyber events or incidents.</p> <p>This endorsement potentially reduces the scope of coverage offered under the policy.</p>
<p>Technology Professional Liability</p>	<p><u>Cyber Clarification Endorsement</u> affirmatively stating our intent to cover specified covered losses arising from described cyber events or incidents.</p> <p>This endorsement clarifies and does not alter the intended scope of coverage offered under your policy.</p>
<p>General Liability</p>	<p><u>Cyber Exclusion Endorsement</u> explaining the intent to exclude losses arising from described cyber events or incidents.</p> <p>This endorsement potentially reduces the scope of coverage offered under the policy.</p>
<p>Any limitations contained in the above referenced endorsement(s) will not apply to otherwise covered losses explicitly described in the endorsement(s), or to loss covered in a Network Security and Privacy or other similar endorsement you have purchased, if applicable.</p>	

If you have additional questions or concerns about the endorsement or this Notice, please contact your authorized insurance agent or broker. Thank you for your business and we look forward to continue providing you with quality service.



Hiscox Inc.
5 Concourse Parkway
Suite #2150
Atlanta, GA 30328

Congratulations on your purchase of a Hiscox Privacy and Data Breach Protection Policy!

This Policyholder Guide provides details of the **risk management tools** made available to you, as a Hiscox Technology and Privacy policyholder, and how you access them.

Guide Contents

- I) How to notify Hiscox when you have a claim**
Provides details on Hiscox claims service and contact information for claim notification.
- II) How to access the complimentary risk management tools**
Provides details on how to access the value added services available to help you to reduce your risk, for which you have qualified for complimentary access as a Hiscox Technology Protection policyholder.
- III) Breach preparedness and response**
Suffered a data breach? This Policyholder Guide provides details on how to access available resources, including a toll-free hotline to a Breach Coach[®] to get your started.

I) How to notify Hiscox when you have a claim

Claims Service

We understand how important the claims handling process is to our policyholders, and **our dedicated in-house technology claims attorneys believe in a “fast and fair” claims approach**, which includes:

- A dedicated claims inbox for receiving claim notifications, monitored multiple times per day
- New claim acknowledgement within 1 business day
- Assigned claims representative contact with policyholder/broker within 2 business days
- An open dialogue throughout the claims process

Claim Notification

The specific provisions regarding proper notification of a claim against your policy are contained in your policy wording and endorsements. However, if you ever have any questions about when or how to notify us of a claim, please contact your agent or broker. Alternatively, you can contact the Hiscox Tech and Privacy/Data Breach Claims Department: tmtclaims@hiscox.com

II) How to access the complimentary risk management tools**Complimentary Risk Management Tools**

As a Hiscox Technology or Privacy Protection policyholder, you qualify for complimentary access to value added services meant to help you reduce your risk. Due to the coverage you have purchased, you have qualified for complimentary access to the following services (detailed on the following pages):

- a) Risk Management Assistance**
- b) BreachProtection™ Breach Prevention Resources**
- c) Hiscox eRisk Hub® Breach Response Resource and Information Web Portal**
- d) Control Risks Cyber Extortion Response (contingent on purchase of Hiscox Cyber Extortion policy)**

a) Risk Management Assistance

As a complimentary service to this policy, we are pleased to provide a free, confidential risk management and loss prevention service, consisting of an initial consultation and up to 1-hour of legal services to assist you in better understanding and minimizing risks that commonly lead to the types of claims covered under this policy.

If you have a question about minimizing these types of liability risks in your business, please email your question to: riskmanagement@hiscox.com

Please include your Hiscox Policy Number which can be found on the Declaration Page of your policy.

A Hiscox representative will get back to you within 1 (one) business day with a referral to a nationally recognized law firm with a practice specifically focused on your industry¹.

- Please note that any inquiries made to this service will not constitute a notice of claim or potential claim under your policy. For all claim or potential claim matters, please follow the notification provisions in your policy.
- Please also note that this service is not intended to respond to questions regarding your insurance policy or coverage. For all such inquiries, please contact your agent or broker.

b) BreachProtection™ Breach Prevention Resources²**Don't let a breach catch you unprepared.**

As a qualified Hiscox Technology Protection policyholder, you now have free access to BreachProtection™. BreachProtection provides comprehensive risk management tools through BreachProtection.com and subject-matter specialists to help answer your questions.

Getting Started Using breachprotection.com**BreachProtection.com provides unlimited access to:**

Online compliance materials: Federal and state compliance materials regarding data security, data breaches, and data privacy, including:

- summaries of federal and state laws with links to statutes and regulations
- sample policies and procedures
- continuing updates and electronic notification of changes to the online materials.

Email updates: Periodic newsletters provide information on changes in federal and state laws regarding data security, data breach, and data privacy issues. Additional emails provide notice of matters requiring immediate attention.

Online support: Receive support from privacy/security specialists regarding:

- healthcare, HIPAA and HITECH compliance issues
- data breach prevention and computer forensic issues
- data security best practices

Procedures and sample forms

- Risk assessment procedures
- Guidance to improve safeguards (administrative/physical/technical)
- Procedures for responding to a data breach and customizing an Incident Response Plan
- Pre-publication checklists

Workforce training

- Online training programs
- Employee training bulletins
- Periodic webinars

Data Breach Response

- Breach notification law summaries
- HIPAA/HITECH security breach guidance
- Links to your data breach response provider

Getting started

To ensure you get timely access to these services, email signup@breachprotection.com or call the BreachProtection Account Specialists at **559-577-1248**. Please provide: (1) the name of your business as it appears on your Hiscox insurance policy; (2) your Hiscox insurance policy or certificate number; and (3) your Hiscox insurance policy expiration date.

c) Hiscox eRisk Hub[®] Breach Response Resource and Information Web Portal³

Register now! Don't wait until you have suffered a breach. Be prepared.

As a qualified Hiscox Technology Protection policyholder, you now have free access to the Hiscox eRisk Hub[®] portal, powered by NetDiligence[®].

Hiscox eRisk Hub is a private, web-based portal containing information and technical resources provided to assist you in the timely reporting, response and recovery from a data breach event.

Key features of the Hiscox eRisk Hub[®] portal

- **Breach Response Services:**
 - **Incident Roadmap** – includes suggested steps to take following a breach event.
 - **Breach Coach[®]** – a resource to support you in managing your response, including a free initial consultation.
 - **Breach Response Team** – a list of data breach service providers at predetermined rates.
- **eRisk resources** – a directory to quickly find external resources with expertise in pre- and post-breach disciplines.

Please note the following:

1. The Hiscox eRisk Hub portal is a private site for Hiscox Technology Protection policyholders only. Do not share portal access instructions with anyone outside your organization. You are responsible for maintaining the confidentiality of the Hiscox access code provided to you.
2. Up to three individuals from your organization may register and use the portal. Ideal candidates include your company's Risk Manager, Compliance Manager, Privacy Officer, IT Manager or Legal Counsel.
3. This portal contains a directory of experienced providers of cyber risk management and breach recovery services. Hiscox does not endorse these companies or their respective services. Before you engage any of these companies, we urge you to conduct your own due diligence to ensure the companies and their services meet your needs. Unless otherwise indicated or approved, payment for services provided by these companies is your responsibility.
4. Should you experience a data breach event, you may choose to call the Breach Coach[®] listed in the portal for immediate triage assistance. Your initial consultation of up to one hour is free of charge. Please be aware that the Breach Coach[®] service is provided by a third-party law firm. Therefore, calling the Breach Coach[®] does not satisfy the claim notification requirements of your policy.

We are pleased to provide our qualified Hiscox Technology Protection Insurance policyholders with free access to this portal. To register:

1. go to www.eriskhub.com/hiscox.php
2. complete the registration form. Your **Hiscox access code** is **08663**
3. once registered, you can access the portal immediately.

For more information or questions, email hiscox@eriskhub.com.

d) Control Risks Cyber Extortion Response

Since 1975, Control Risks has advised clients on the resolution of more than 2,600 cases of extortive crime in 129 countries. Their dedicated team of Response consultants responds to an average of 155 cases of extortive crime per year, including threat extortions.

Alongside their Response division, Control Risks has a specialist Cyber team (with expertise in providing cyber threat intelligence, incident prevention and cyber breach response services).

For Cyber response services including cyber extortions, Control Risks' approach is to assist the affected business to manage the incident, identify its objectives and follow the resulting plan of action.

As part of their crisis management assistance, Control Risks will involve internal and external experts, including their IT Forensics partner, MWR InfoSecurity, whose technical experts will assist in IT forensic investigations, and legal and public relations experts to help clients respond to and contain the fallout from a cyber-attack⁴.

To contact Control Risks in the event of a cyber extortion incident or advise regarding cyber extortion management:

Control Risks

Control Risks Response Team

888 245 8654

III) Breach Preparedness and Response

Knowing what to do in the event of a data breach can make the situation much less daunting, helping to minimize the impact to your business. We have produced this quick guide to assist you in responding to a breach event.

Our philosophy: it is not our place to mandate exactly how you respond to such a critical event for your business, but rather we should provide you with the necessary resources and guidance to help minimize the impact the event has on your business. The following provides you with details on quickly accessing the resources available to guide you and assist you in responding to the event.

PRIOR TO A BREACH

Register at BreachProtection™ (see registration details in this document) for risk management policies, procedures, training, and other tools to help your company prevent and better respond to a breach of confidential information.

Register at Hiscox eRisk Hub® (see registration details in this document) to assist you in getting a response plan in place with access to the third party resources available to help you more efficiently and cost-effectively respond to and recover from a breach.

IF A BREACH OCCURS

Step 1: Engage the expert resources available to you

A) Contact the Breach Coach® at the toll free Hiscox Breach Response Hotline

Registered members of the Hiscox **eRisk Hub®** are entitled to one hour of free consultation with a Breach Coach®.

You may request the assistance of a Breach Coach® by phone or email. As part of your request, be sure to provide your company name, along with the names of all other companies and/or individuals that may be involved in the breach event.

1-855-HISCO-BR(447-2627)

HiscoxUSBreachCoach@eRiskHub.com

An attorney from Baker Hostetler is on call 24 hours a day/7 days a week.

B) Notify Hiscox

At such as critical time, it is important that the claims handling process be fast and fair. Engaging our dedicated in-house claim attorneys early in the process provides you with additional experienced professionals to assist you in your breach response. This also provides for an open dialogue throughout the process so you can worry about properly responding to the breach and not worry about your insurance.

Please work with your broker or agent to properly notify Hiscox of the breach event...the specific provisions for formal notification of a claim or breach event against your policy are contained in your policy wording and endorsements.

If you or your agent or broker have any questions or need to contact us regarding claim notification, you can contact the Hiscox Tech and Privacy/Data Breach Claims Department: tmtclaims@hiscox.com

Step 2: Work with the expert resources to determine next and appropriate steps

Hiscox Claims specialists and/or the Breach Coach[®] are available to assist you in determining what steps to take and how to engage the breach response providers from the pre-approved Hiscox Preferred Breach Response Providers List. This list is comprised of specialists available to provide the legal, forensics, notification, call center and credit or identity protection services in response to your breach.

The Hiscox Claims specialists and/or Breach Coach[®] can help you determine:

- if a forensics investigation is needed,
- if breach notifications are required,
- the potential for regulatory investigations,
- the potential for legal action,
- your next steps.

Be prepared

Today a breach of confidential information is almost inevitable. By registering for and using the breach prevention and breach response services as well as promptly engaging your Breach Coach[®] and the Hiscox Claims specialists in the event you have a breach, you are taking appropriate steps to lessen the impact the breach event has on your business.⁴

About Hiscox in the US

Hiscox, the international specialist insurer, is headquartered in Bermuda and listed on the London Stock Exchange (LSE:HSX). There are three main underwriting parts of the Group - Hiscox London Market, Hiscox UK and Europe and Hiscox International. Hiscox International includes operations in Bermuda, Guernsey and the USA. Hiscox ASM Ltd, Hiscox Underwriting Ltd and Hiscox Syndicates Ltd are authorized and regulated by the UK Financial Services Authority. The ability of syndicates at Lloyd's to do business in the USA, and its territories, is restricted as they are not US-based insurers.

Hiscox Inc., a Delaware corporation headquartered in New York, d/b/a Hiscox Insurance Agency in CA, is a licensed insurance intermediary for admitted and surplus lines business. Hiscox Inc. underwrites on behalf of, and places business with, Hiscox Insurance Company Inc., other domestic insurers, and syndicates at Lloyd's (www.lloyds.com). Hiscox Insurance Company Inc. (NAIC Number 10200) is a Chicago, IL domiciled insurer, which is admitted or licensed to do business in all 50 states and the District of Columbia.

Inquiries as to insurance or other products or services should be directed to an insurance agent or broker licensed to conduct business in the relevant US state. For further information about an insurer's ability to do business in the USA and US territories please contact a licensed agent or broker for advice.

This communication provides general information on Hiscox's products and services only and is not intended to be, and does not constitute, a solicitation of business by syndicates at Lloyd's from or in respect of the USA or US territories. Coverages are subject to underwriting and may not be available in all states. The information contained herein is not a part of an insurance policy, and may not be used to modify any insurance policy that might be issued. In the event the actual policy forms are inconsistent with any information provided herein, the language of the policy forms shall govern.

¹ The law firm, or other resource utilized for this risk management assistance, is solely responsible for all content and advice provided.

² BreachProtection™ is solely responsible for all content and advice provided on breachprotection.com. The information provided through breachprotection.com does not constitute legal or other professional advice. Please consult your attorney or other professional advisor to discuss your specific situation and obtain the appropriate legal or other expert advice.

³ Coverage for the costs of engaging the services of a law firm or breach response service provider are subject to the terms and conditions of your policy, which in some instances may require the prior approval by Hiscox. Please familiarize yourself with the terms and conditions of your policy. Information provided through the Hiscox eRisk Hub® portal does not constitute legal advice. Please consult your, attorney or other professional advisor to discuss your specific situation and obtain the appropriate legal or other expert advice.

⁴ Coverage for the costs of engaging the services of Control Risks are subject to the terms and conditions of your policy, which in some instances may require the prior approval by your insurance carrier. Please familiarize yourself with the terms and conditions of your policy.