

**EXHIBIT B
TO FUNDING AGREEMENT**

I. BUILDERS' RISK INSURANCE

The Borrower shall provide, or cause its Contractor to provide, Builders Risk insurance for the construction of the Development in an amount equal to the full Development construction cost. The Borrower may require its General Contractor or Construction Manager at Risk to procure the Builders Risk insurance on the entire Development.

1. Coverage shall be written on a special causes of loss (all risk) form, replacement cost value basis, and shall include coverage for soft costs, flood and earth movement unless otherwise waived by the City.
2. If the policy is purchased by the General Contractor or Construction Manager at Risk, the Borrower must also be a named insured under the policy.
3. A standard Lender's Loss Payment Endorsement naming the City of Flagstaff shall be endorsed onto the policy. Nothing herein shall be construed to waive or modify the Borrower's right to use insurance proceeds under the Deed of Trust Section 1.5 to restore and rebuild the Development.
4. A Permit to Occupy Endorsement shall be included if tenants can move in before construction is completed.
5. The policy must provide coverage from the commencement of foundation work, and continue without interruption during construction, renovation or installation.
6. Policy shall contain a waiver of subrogation in favor of the City.

II. OPERATIONAL PHASE (AFTER CONSTRUCTION IS COMPLETED)

After construction is completed, the Borrower shall maintain or cause any of its Contractors performing maintenance, operation, improvement or other services on the Premises to maintain for the duration of the Deed of Trust, or until the City has no further interest in the Development, insurance coverages and limits as described below.

1. Commercial General Liability – Occurrence Form

Policy shall include bodily injury and broad form contractual liability coverage for the ownership, operation and management of the completed Development and include coverage for premises, operations, independent contractors, products-completed operations, personal and advertising injury, and liability assumed under an insured contract. Policy shall include coverage for management operations on and off-site of the Development. Limits can be satisfied via a combination of commercial general liability and excess and umbrella liability.

General Aggregate	\$5,000,000
Products – Completed Operations Aggregate	\$5,000,000
Personal and Advertising Injury	\$5,000,000
Each Occurrence	\$5,000,000
Fire Damage (damage to rented premises)	\$100,000

- a. The policy shall include the City as an additional insured with respect to liability arising out of ownership, operations, management or occupancy of the Development.

III. WORKER'S COMPENSATION AND EMPLOYERS' LIABILITY

If the Borrower has employees, evidence of Worker's Compensation insurance as described shall be provided. All Contractors providing services during the Operational Phase must also provide Worker's Compensation insurance.

Worker's Compensation	Statutory
Employers' Liability	\$100,000
Disease – Each Employee	\$100,000
Disease – Policy Limit	\$100,000

- a. Policy shall contain a waiver of subrogation in favor the Landlord.
- b. This requirement shall not apply when a Contractor is exempt under A.R.S. 23-901 AND when such Contractor executes the appropriate sole proprietor waiver form.

IV. ALL RISK PROPERTY INSURANCE

The Borrower shall maintain or cause the Property Manager to maintain in effect property insurance for all improvements, sufficient to satisfy the requirements of all lenders including the City, and including buildings, unattached structures, fencing, swimming pools and playground equipment. Policy shall include:

- a. Special form all risk insurance including the perils of flood and earthquake, unless otherwise waived by the City, which waiver shall not be unreasonably withheld.
- b. 100% replacement cost coverage less foundations.
- c. Mechanical breakdown/boiler and machinery.
- d. Business interruption/loss of rents coverage.
- e. Lender's Loss Payable Endorsement naming the City of Flagstaff.
- f. The Borrower is responsible for any policy deductibles.
- g. Policy shall contain a waiver of subrogation in favor of the City.