

**SECOND AMENDED
REVISED AND RESTATED
WORKERS' COMPENSATION RISK RETENTION
PROGRAM AGREEMENT**

**between the
MONTANA MUNICIPAL INSURANCE AUTHORITY
as Authority**

and

**THE CITIES AND TOWNS SET FORTH
ON EXHIBIT A HERETO,
as Members**

DECEMBER 1, 2002

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SECOND AMENDED REVISED AND RESTATED

WORKERS' COMPENSATION RISK RETENTION PROGRAM AGREEMENT

This **SECOND AMENDED REVISED AND RESTATED WORKERS' COMPENSATION RISK RETENTION PROGRAM AGREEMENT**, by and among the MONTANA MUNICIPAL INSURANCE AUTHORITY, an interlocal agency duly organized and existing under the laws of the State of Montana, (the "Authority"), and the CITY (TOWN) OF _____, a municipal entity and political subdivision duly organized and existing under the Constitution and laws of said State, (the "Member");

WITNESSETH:

WHEREAS, Article XI, Section 7 of the Montana Constitution provides that a political subdivision may (a) cooperate in the exercise of any function, power, or responsibility with, (b) share the services of any officer or facilities with, and (c) transfer or delegate any function, power responsibility, or duty of any officer to one or more other local government units, school districts, the state or the United States;

WHEREAS, Title 7, Chapter 11, Part 1, Montana Code Annotated (MCA), (the Interlocal Cooperation Act) authorizes political subdivisions to create interlocal agreements to perform jointly any undertaking that each such political subdivision unit is authorized by law to perform;

WHEREAS, Section 2-9-211, MCA, authorizes political subdivisions of the state to procure insurance separately or jointly with other subdivisions, and to use a deductible or self-insurance plan, wholly or in part;

WHEREAS, Section 39-71-403, MCA, authorizes public corporations, which term includes cities and towns, to self-insure, either separately or jointly with other public corporations for workers' compensation coverage;

WHEREAS, the Authority has been created pursuant to the Interlocal Cooperation Act for the purpose of providing insurance and self-insurance workers' compensation coverage pursuant to such statutes to Montana municipalities becoming members of the Authority and executing the necessary program documents for such coverage;

WHEREAS, the Member has determined it to be in its best interest to join with other political subdivisions in forming and creating the Authority through the Interlocal Cooperation Act for the purposes of:

- (a) developing effective risk management programs to reduce the amount and frequency of their losses;
- (b) sharing some portion, or all, of their losses;
- (c) jointly purchasing or otherwise acquiring insurance, excess insurance or reinsurance through a group program;
- (d) jointly purchasing administrative and other services through a group program when

related to any of the other purposes;

(e) jointly making Premium Deposits which may take the form of contributions to an account or surplus account and pay premiums for the purposes of participating in group insurance, excess insurance, or reinsurance programs, in whole or in part; and

WHEREAS, the Authority is authorized to exercise necessary powers to implement the purposes of the Authority as established by the Interlocal Agreement;

WHEREAS, the Authority and the Member, in consultation with independent professional insurance consultants, have formulated a Workers' Compensation Risk Retention Program, administered by the Authority to meet the workers' compensation insurance needs of the Member, and which provides for joint and several liability of the Member along with all other Members for the full amount of any and all known or unknown claims of each Member arising during the Member's participation in the Program, and which will provide the following advantages, among others, to the Member:

(a) mutual agreement by the Members to pay annual premium on an experience-rated basis calculated actuarially to spread and moderate the cost of claims loss to each Member,

(b) relief from the burden of paying premiums to commercial insurers at levels reflecting the insurers' high costs of underwriting, administration and brokerage fees since the Authority's costs will be limited to reasonable administrative costs,

(c) relief from commercial insurers' rights under excess liability policies to force claim settlements which are payable primarily in each case from the Member's self-insurance funds,

(d) access to group insurance, excess insurance, reinsurance or other insurance programs which may provide such insurance at reasonable rates and on advantageous terms and conditions,

(e) actuarially determined premium payments calculated to provide amounts in each year necessary to maintain the workers' compensation risk retention program at an actuarially sound level and therefore sufficient to reserve against the incurred losses of the Member;

WHEREAS, the Authority has established and offered to its members since January 1, 1986 the Program which has been approved annually as a duly authorized and existing self-insurance program by the regulatory agency authorized by statute to review and approve such programs;

WHEREAS, the governing body of the Member has authorized the execution of this Second Amended Revised and Restated Workers' Compensation Risk Retention Program Agreement (Second Revised Agreement) for the purpose of providing Coverage for the Member for the benefit of the Member's residents and taxpayers and for the health and safety of its employees;

WHEREAS, it is a matter for the governing board of the Member to determine the amount of premiums which the Member shall pay for proper workers' compensation insurance coverage;

WHEREAS, the Member has heretofore determined and does hereby confirm that the premiums and other charges to be required by this Second Revised Agreement are reasonable and advantageous and to the public benefit of the citizens of such Member;

WHEREAS, the Authority has determined that Workers' Compensation Program Bonds, Series 1990, of the Authority in the aggregate principal amount of \$7,610,000.00 (hereinafter the Series 1990 Bonds), have been issued, sold and delivered to finance a deposit to the Excess Claims Payment Fund (as hereinafter defined), to finance a deposit to the Supplemental Program Fund (as hereinafter defined), to establish a debt service reserve for the Series 1990 Bonds (as hereinafter defined) and to pay costs and expenses related to the sale and issuance of the Series 1990 Bonds;

WHEREAS, the Authority has obligated itself to execute, and has executed, an Indenture of Trust (the Indenture) with a duly qualified Trustee under the terms of which the proceeds of the sale of the Series 1990 Bonds have been deposited with the Trustee and the Authority has assigned such premium or other income as described herein and in the Indenture to the Trustee for the purpose of securing the payment of the principal of and interest on the Bonds and to secure the performance and observance by the Authority of all the covenants expressed and implied in the Indenture and in the Series 1990 Bonds; and,

WHEREAS, Workers' Compensation Program Bonds, Refunding Series 1994, of the Authority in the aggregate principal amount of \$6,155,000.00 (hereinafter the Series 1994 Bonds), have been issued, sold and delivered to finance a deposit to the Excess Claims Payment Fund (as hereinafter defined), to finance a deposit to the Supplemental Program Fund (as hereinafter defined), to establish a debt service reserve for the Series 1994 Bonds (as hereinafter defined) and to pay costs and expenses related to the sale and issuance of the Series 1994 Bonds;

WHEREAS, the Authority has obligated itself to execute, and has executed, a First Supplemental Indenture of Trust (the Supplemental Indenture) with a duly qualified Trustee under the terms of which the proceeds of the sale of the Series 1994 Bonds have been deposited with the Trustee and the Authority has assigned such premium or other income as described herein and in the Supplemental Indenture to the Trustee for the purpose of securing the payment of the principal of and interest on the Bonds and to secure the performance and observance by the Authority of all the covenants expressed and implied in the Supplemental Indenture and in the Series 1994 Bonds; and,

WHEREAS, each of the Members of the Authority who are also signatories to this Second Amended Revised and Restated Workers' Compensation Risk Retention Program Agreement (the Second Revised Agreement) have also adopted or will adopt as a condition precedent to participation in the Revised Program a resolution (the Note Resolution) authorizing the Authority to issue the Series 1994 Bonds on its behalf to fund its proportionate share of a deposit in each of the funds created pursuant to the terms of the Indenture and more fully described herein and authorizing the issuance to the Authority of a note of the Member (the Note) evidencing its obligation to pay a proportionate share of the principal of and interest on the Series 1994 Bonds;

WHEREAS, under Section 11.10 of the Original Revised and the First Amended Revised and Restated Workers' Compensation Risk Retention Program Agreement the parties reserved the right to amend the Program Agreement by written instrument duly authorized and executed by the Authority and a majority of the Members, if such amendment is not prohibited by Article XII of the Indenture;

WHEREAS, it is determined that the Original Revised and First Amended Program Agreement should be amended to authorize the Authority to purchase or otherwise acquire workers' compensation insurance, excess insurance or reinsurance; as well as make Premium Deposits or participate in group or captive insurance programs for the acquisition of workers' compensation insurance, excess insurance or reinsurance for the benefit of the Members;

NOW THEREFORE, in consideration of the above recitals and of the mutual covenants hereinafter contained and for other good and valuable consideration , the parties hereto agree as follows:

DEFINITIONS

Unless the context shall require otherwise, the terms defined below shall, for all purposes of the Second Revised and Restated Workers' Compensation Risk Retention Program Agreement, have the meanings herein specified.

"Allocable Share" has the meaning prescribed in paragraph 5.9 of the Second Revised Agreement.

"Annual Recomputed Amount" means the recomputation of an Individual Member's Account as provided in paragraph 5.5 of the Second Revised Agreement based upon changes in incurred losses and investment income during the year for which the recomputation is made.

"Attachment Point" means the point, determined by the Board annually for each Policy Year, at or above which a single Claim, known as a "specific excess claim," or all Claims, known as "aggregate excess claims," will be paid from the Excess Claims Payment Fund

"Authority" means the Montana Municipal Insurance Authority, an interlocal agency, duly organized and existing under the Constitution and laws of Montana, its successors and assigns.

"Board" means the Board of Directors or its successor or governing body of the Authority.

"Bonds" means the Bonds issued by the Authority pursuant to the Indenture. ABonds@ includes, without limitation, the Series 1990 Bonds and the Series 1994 Bonds.

"Claim" means a demand, action or suit against one or more Members or the Authority to recover for losses or damages within or alleged to be within the scope of Coverage.

"Contingency Reserve" means the fund from which claim payments for incurred and incurred-but-not-reported claims up to the Attachment Points established by the Board of Directors shall be paid.

"Costs of Issuance" means, with reference to any series of Bonds, all items of expense directly or indirectly payable by or reimbursable to the Authority related to the issuance of the Bonds, including but not limited to preparation and reproduction of documents, printing costs, binding costs, initial fees and charges of the Registrar and Paying Agent, bond insurance premiums, legal fees and charges, financing and other professional consultant fees, costs of rating agencies or credit ratings, fees for execution, transportation and safekeeping of the Bonds and charges and fees in connection with the foregoing.

"Costs of Issuance Fund" means by the Fund by that name described in Article IV of the Second Revised Agreement.

"Coverage" means the insurance, excess insurance, reinsurance and other services provided pursuant to and in accordance with and on the terms set forth in this Agreement and the Policy attached to the Second Revised Agreement as Exhibit B.

"Coverage Period" means the Policy Year or portion thereof set forth in the Policy.

"Debt Service Fund" means the Fund by that name described in Article IV of the Second Revised Agreement.

"Debt Service Reserve Fund" means the account by that name described in Article IV of the Second Revised Agreement.

"Excess Claims Payment Fund" means the Fund by that name described in Article IV of the Second Revised Agreement.

ⒶFirst Amendment to Agreement@ means the First Amendment to Revised and Restated Workers= Compensation Risk Retention Program Agreement, dated as of February 1, 1994, between the Members and the Authority.

ⒶFirst Supplemental Indenture@ means the First Supplemental Indenture of Trust, dated as of February 1, 1994, between the Authority and the First Trust Company of Montana, National Association, the successor Trustee.

"Funds" means the Primary Program Fund, the Supplemental Primary Program Fund, the Costs of Issuance Fund, the Excess Claims Payment Fund, the Debt Service Fund, and the Debt Service Reserve Fund.

"Indenture" means the Original Indenture as amended and supplemented by the First Supplemental Indenture, as such may be further amended or supplemented from time to time in accordance with its terms.

"Interlocal Agreement" means that Interlocal Agreement dated initially as of August 1986, establishing the Montana Municipal Insurance Authority, including any amendment thereof .

"Member" means that municipal entity or other political subdivision of the State of Montana duly organized and existing under the Constitution and laws of said State and which has complied with the terms and conditions for participation in either the Original Program or the Revised Program, as set forth in the Original Program Agreement or the Revised Program Agreement, respectively.

"Note" means a promissory note of a Member, substantially in the form set forth in Exhibit A to the Original Indenture (as to the Series 1990 Notes), the form set forth in Exhibit A to the First Supplemental Indenture (as to the Series 1994 Notes), or in the form set forth in a Supplemental Indenture, including any amendment thereof permitted under the provision of the applicable Note Resolution and the Indenture. ⒶNotes@ include, without limitation, the Series 1990 Notes and the Series 1994 Notes.

"Note Resolution" means a resolution duly and validly adopted by a Member authorizing the issuance and delivery to the Authority of a Note, substantially in the form set forth in Exhibit A to the Original Indenture (as to the Series 1990 Notes), the form set forth in Exhibit B to the First Supplemental Indenture (as to the Series 1994 Notes), or in the form set forth in a Supplemental Indenture, including any amendment thereof permitted under the provision of the Indenture.

ⒶOriginal Indenture@ means the Indenture of Trust, dated September 1, 1990, between the Authority and First Trust Company of Montana, the original Trustee.

"Original Program" means the Workers' Compensation Risk Retention Program in effect prior to the effective date of the Revised Program Agreement.

"Original Program Agreement" means the Workers' Compensation Risk Retention Program Agreement executed between and among the Authority and the participants in the Original Program.

ΔOriginal Revised Program Agreement@ means the Revised and Restated Workers' Compensation Risk Retention Program Agreement, dated September 1990 and effective as of October 1, 1990, between the Members and the Authority.

"Policy" means the Workers' Compensation and Occupational Disease Insurance Policy attached as Exhibit B to the Second Amended Revised Program Agreement.

"Policy Year" means the twelve month period commencing on July 1 of each year and ending on June 30 of the following year, or such other 12 -month period as the Board may adopt by resolution and designate to the Trustee by a certificate of an authorized officer of the Authority.

ΔPremium Deposit@ means an amount which the Authority may contribute to an account or surplus account of any group or captive insurance, excess insurance or reinsurance program in which the Authority is a participant.

"Primary Program Fund" means the fund by that name described in Article IV of the Second Revised Agreement.

"Primary Program Account" means the account within the Primary Program Fund described in Article IV of the Second Revised Agreement.

"Program Costs and Expenses" means all costs and expenses of the Program including administrative costs, costs of administering and adjusting claims, legal accounting and actuarial fees, premiums and brokerage fees.

"Proportionate Share" means the ratio of the outstanding principal of a Note to the aggregate of the outstanding principal amounts of the Notes of all Members on the date the determination was made. If the outstanding principal amount of Notes then exceeds the principal amount of Outstanding Bonds, ΔProportionate Share@ shall still be based on the outstanding principal amounts of the Notes of all Members.

"Rebate Fund" means the fund by that name established pursuant to the Indenture.

"Redemption Date" when used with respect to any Bond to be redeemed means the date on which it is to be redeemed pursuant to the Indenture.

"Reserve Requirement" means the amount required by the Indenture to be maintained in the Debt Service Reserve Fund.

"Revised Agreement" or ΔRevised Program Agreement@ means the Original Revised Program Agreement, as amended and supplemented by the First Amendment to Agreement and this Second Amended Revised Program Agreement, as such may be further amended or supplemented from time to time in accordance with its terms and the terms of the Indenture.

"Revised Program" means the Revised Workers' Compensation Risk Retention Program, the general terms and conditions of which are set forth in this Agreement.

ΔSecond Amended Revised Program Agreement@ or ΔSecond Revised Program

Agreement@ means the Second Revised and Restated Workers' Compensation Risk Retention Program Agreement, dated December 2002 and effective as of December 1, 2002, between the Members and the Authority.

ASeries 1990 Bonds@ means the Authority=s Workers= Compensation Program Revenue Bonds (Municipal Tax-Supported), Series 1990, dated as originally issued, as of September 1, 1990.

ASeries 1994 Bonds@ means the Authority=s Workers= Compensation Program Revenue Bonds (Municipal Tax-Supported), Refunding Series 1994, created by Section 2 of the First Supplemental Indenture.

ASeries 1990 Note@ means a Note relating to the Series 1990 Bonds, substantially in the form set forth in Exhibit A to the Original Indenture, duly authorized, executed and delivered by a Member to the Authority pursuant to a Series 1990 Note Resolution of such Member, including any amendment thereof permitted under the provisions of the applicable Series 1990 Note Resolution and the Indenture.

ASeries 1994 Note@ means a Note, substantially in the form set forth in Exhibit A to the First Supplemental Indenture, duly authorized, executed and delivered by a Member to the Authority pursuant to a Series 1994 Note Resolution of such Member, including any amendment thereof permitted under the provisions of the applicable Series 1994 Note Resolution and the Indenture.

ASeries 1990 Note Resolution@ means a resolution, substantially in the form set forth in Exhibit A to the Original Indenture, duly and validly adopted by a Member and authorizing the issuance and delivery to the Authority of the Series 1990 Note of such Member, including an amendment thereof permitted under the provisions of the Indenture.

ASeries 1994 Note Resolution@ means a resolution, substantially in the form set forth in Exhibit B to the First Supplemental Indenture, duly and validly adopted by a Member and authorizing the issuance and delivery to the Authority of the Series 1994 Note of such Member, including any amendment thereof permitted under the provisions of the Indenture.

"Special Assessment" means an additional payment or payments which a Member may be required to remit to the Authority in the event the Revised Program expenses for the fiscal year exceed premium and interest income.

ASupplemental Indenture@ means a supplement to the Indenture entered into pursuant to Article XII thereof.

"Supplemental Program Fund" means the fund by that name described in Article IV of the Revised Agreement.

"Trustee" means First Trust Company of Montana, a state banking corporation organized and existing under the laws of the State, having its principal corporate trust office in Billings, Montana, or its successor.

"Unencumbered Reserve Account" means the account within the Primary Program Fund described in Article IV of the Second Revised Agreement.

ARTICLE I

REPRESENTATIONS, COVENANTS AND WARRANTIES

1.1 Representations, Covenants and Warranties of the Member. The Member represents, covenants and warrants to the Authority as follows:

(a) Due Organization and Existence. Such Member is a municipal entity and political subdivision of the State, duly organized and existing under the Constitution and laws of the State.

(b) Authorization; Enforceability. The Constitution and laws of the State authorize the Member to enter into this Second Revised Agreement and the Interlocal Agreement and to enter into the transactions contemplated by and to carry out its obligations under all of the aforesaid agreements, and the Member has duly authorized and executed all of the aforesaid agreements. This Second Revised Agreement and the Interlocal Agreement constitute the legal, valid, binding and enforceable obligations of such Member in accordance with their respective terms, except to the extent limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles affecting the rights of creditors generally and except as to the limitations on remedies against public agencies generally.

(c) No Violations. Neither the execution and delivery of this Second Revised Agreement or the Interlocal Agreement, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which such Member is now a party or by which the Member is bound, or constitutes a default under any of the foregoing.

(d) The Note. The principal amount of the Note on the date of issuance does not or will not exceed 3 percent of the taxable valuation of the taxable property within the boundaries of the Member and the Member has authorized the Authority to issue Bonds on its behalf in a principal amount equal to the Note.

(e) Indenture. The Member has reviewed the Indenture of Trust attached as Exhibit B to this Second Revised Agreement and which is incorporated by reference herein. The Member approves or has approved the terms and conditions contained therein. No Member consent shall be required for any amendment to the Indenture.

(f) Risk Management Guidelines. The Member covenants to implement and follow risk management programs, guidelines and policies as adopted by the Authority for the Revised Program from time to time.

(g) Payment of Premiums and Acceptance of Coverage. The Member agrees to pay when due premium for and accept the coverage as described herein and the Policy upon the terms and conditions set forth herein.

(h) Observance of Laws and Regulations by the Member. The Member agrees to keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States, or of the State of Montana, or by an officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the Member, including its right to exist and carry on business as a municipal corporation or other local government agency, to the end that such rights, privileges and franchises shall be maintained and

preserved, and shall not become abandoned, forfeited or in any manner impaired.

(i) Defense of Suits. The Member shall promptly, and also upon the request of the Trustee, from time to time take such action as may be necessary or proper to defend against all claims, actions and other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee harmless from all loss, cost, damage and expense, including attorneys' fees, which it may incur by reason of any such suit.

1.2 Representations, Covenants and Warranties of the Authority. The Authority represents, covenants and warrants to each Member as follows:

(a) Recitals Correct. The recitals to this Agreement are true and correct.

(b) Due Organization and Existence; Enforceability. The Authority is an interlocal agency duly organized, existing and in good standing under and by virtue of the laws of the State of Montana; has the power to enter into this Second Revised Agreement; possesses by virtue of the Interlocal Agreement full power to provide a risk retention program to parties signatory to the Interlocal Agreement; and has duly authorized the execution and delivery of all of the afor esaid agreements. This Second Revised Agreement and the Interlocal Agreement constitute the legal, valid, binding and enforceable obligations of the Authority in accordance with their terms, except to the extent limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles affecting the rights of creditors generally and except as to the limitations on remedies against public agencies generally.

(c) No Encumbrances. The Authority will not pledge the premium or its rights under this Second Revised Agreement or the Indenture except as provided under th e terms of this Second Revised Agreement or the Indenture.

(d) Equitable Exercise of Responsibilities. The Authority will exercise all rights and responsibilities hereunder reasonably and equitably for the benefit of all Members without preference or discrimination among Members.

(e) No Violations. Neither the execution and delivery of this Second Revised Agreement, nor the fulfillment of or compliance with the terms and conditions hereof or thereby, conflicts with or results in a breach of the terms, conditions or provisions of the Bylaws of the Authority or any restriction on any agreement or instrument to which the Authority is now a party or by which the Authority is bound, or constitutes a default under any of the foregoing.

(f) Covenant to Comply with Regulations. The Authority covenants that it will comply with the regulations concerning self-insurance and group self-insurance for workers' compensation insurance duly and lawfully promulgated by the Employment Relations Division of the Montana Department of Labor and Industry, and its successors.

(g) Agreement to Provide Coverage. The Authority agrees to provide the coverage to the Member described herein and in the Policy and upon the terms and conditions set forth in this Second Revised Agreement.

(h) Compliance with and Enforcement of the Indenture. The Authority covenants and agrees to perform all obligations and duties imposed on it under the Indenture.

(i) Defense of Suits. The Authority shall promptly, and also upon the request of the Trustee, from time to time take such action as may be necessary or proper to defend against all claims, actions and other proceedings as may be appropriate for such purpose and shall

indemnify and save the Trustee harmless from all loss, cost, damage and expense, including attorneys' fees, which it may incur by reason of any such suit.

ARTICLE II

COVERAGE, PAYMENT OF CLAIMS AND AWARDS, PURCHASE OR ACQUISITION OF OTHER INSURANCE, EXCESS INSURANCE OR REINSURANCE

2.1 Coverage. The Authority through the Revised and Restated Workers' Compensation Risk Retention Program hereby provides the Coverage to the Member, and the Member hereby agrees to accept the Coverage, upon the terms and conditions set forth in this Second Revised Agreement and the Policy attached hereto as Exhibit B.

2.2 Payment of Claims and Awards.

(a) All Claims will be investigated by the designated claims adjusting service company or duly licensed officers, agents or employees of the Authority who are authorized to perform claims adjusting services. Claims may be settled by the service company or officers, agents, or employees of the Authority, as the Board of Directors may direct, up to a designated amount established by the Board of Directors without advance notice or approval of the Board. In such cases, the provider of claims adjusting services will file a subsequent report to the Chief Executive Officer and Board of Directors on each such Claim which is settled. On Claims in excess of that amount, the provider of claims adjusting services shall present the Claim to the Board of Directors for settlement authorization. In those cases where timely action is necessary prior to a scheduled meeting of the Board of Directors, a five-member committee designated by the Board of Directors (the Claims Settlement Committee) is authorized to act on behalf of the Board of Directors to authorize settlements or take other appropriate action. Settled Claims made pursuant to the Workers' Compensation and Occupational Disease Acts of Montana shall be paid from the Revised Program assets.

(b) With respect to all Claims that are not settled, the Authority shall pay from the Revised Program assets all lawful awards by the Workers' Compensation Court, or other court of competent jurisdiction if the award is appealed, against any Member predicated on a claim by an employee of any Member, arising out of and in the course of such claimant's employment.

(c) Any lawful award entered against a Member shall be a liability of the Revised Program of the Authority and a joint and several liability of each Member as provided in this Second Revised Agreement.

(d) If the Revised Program assets are insufficient to pay the award, the Authority shall individually assess each Member to the extent necessary to pay the award, and the assessment charged each Member shall be determined on a proportionate basis in accordance with each Member's net contribution to the Revised Program of the Authority. An assessment shall be a contractual obligation of the Member. Provided that nothing contained in this subparagraph shall be construed as a limitation upon the joint and several liability of each Member.

(e) The liability of the Revised Program of the Authority is specifically limited to such obligations as are imposed by the Workers' Compensation Act and the Occupational Disease Act of the State of Montana.

2.3 Subrogation. Each Member agrees that in the event of the payment of any loss by

the Revised Program under this Agreement, the Revised Program shall be subrogated to the extent of such payment to all the rights of the Member against any person or other entity legally responsible for damages for said loss, and in such event the Member hereby agrees to render all reasonable assistance, other than pecuniary, to effect recovery.

2.4 Other Insurance, Excess Insurance or Reinsurance. The Authority may provide Coverage, or a portion of Coverage, to the Members by purchase of specific and/or aggregate workers compensation insurance, excess insurance, or reinsurance with such self-insurance attachment points as at the time are in the best interests of the Second Revised Program and the Members as determined by the Board; by purchase of workers compensation insurance, excess insurance or reinsurance from a group or captive insurance program or pool; or by participation in a group or captive insurance program or pool for the purposes of acquiring workers compensation insurance, excess insurance or reinsurance.

ARTICLE III

PREMIUM CONTRIBUTIONS AND PAYMENTS, SPECIAL ASSESSMENTS, DELINQUENT PREMIUM PAYMENTS, COMMINGLING OF FUNDS PROHIBITED

3.1 Premium Contributions. The Authority shall periodically, in no event less often than once each year, calculate the amount which the Authority will need to receive from the Members during a specified period, in no event longer than one year, in order that (i) the Revised Program will be, throughout such period, actuarially sound and in full compliance with this Second Revised Agreement and with the statutes and regulations authorizing the establishment and operation of this Revised Program and (ii) the Authority will be able to meet and perform all of its obligations under the Indenture, based upon the Authority's estimate of the amount required to satisfy the terms and conditions set forth in the Indenture for such specified period, including the payment of principal of and interest on the Bonds when due and maintaining a reserve therefor equal to the Reserve Requirement. The aggregate amount computed, including any Special Assessments as hereinafter defined in paragraph 3.6 which may be required as provided in this Second Amended Revised and Restated Agreement and which the Authority determines shall be collected during such period, shall be the aggregate premium for such period. Based upon the aggregate premium requirement for such period, the Board of Directors shall set premium rates for the individual Members utilizing the appropriate NCCI classification categories and commonly accepted actuarial principles developed by a qualified actuary or actuaries. These rates shall then be applied to each Member's estimated payroll by rating classification and further adjusted by an experience rating modification. The amount so allocated to each Member shall be the premium due and owing by the Member to the Revised Program for such period. The aggregate premium and the premium due and owing by each Member shall be computed and adopted by the Board of Directors on a fiscal year basis to be effective July 1, provided that the Board of Directors may make such mid-term adjustments to premium rates as appropriate and in the best interests of the Revised Program and the Members to accomplish the goals of the Revised Program in accordance with the Workers' Compensation and Occupational Disease Acts of Montana.

In addition to premium charges to the Members, the Revised Program will realize investment income which shall be treated as income to the Revised Program. In establishing the premiums to be charged the Members, the actuary will be instructed to give appropriate credit for anticipated investment income.

3.2 Administrative Costs As Part of Premium. The aggregate premium and the premium charged each Member, in addition to the factors set forth in paragraph 3.1 herein, will be

sufficient to secure and pay for the following services:

- a. General administrative
- b. Loss prevention
- c. Claims adjusting and legal defense
- d. Investment
- e. Legal
- f. Accounting
- g. Actuarial
- h. Risk management consulting
- i. Brokerage
- j. Trustee
- k. Costs of other insurance, excess insurance, or reinsurance.

3.3 Payments of Premium and Special Assessments. Upon joining the Revised Program as a new Member or renewal of a Member whose membership in the Revised Program has lapsed, the new or renewing Member shall pay one-half of the projected annual premium in advance upon joining or renewal as a deposit premium. The new or renewing Member shall also pay at the time of joining or renewal in advance the projected quarterly premium for the first quarter or portion thereof for which Coverage is being afforded; the balance of the annual premium shall be due in three successive installments of 25%, each payable quarterly in advance or as the Board of Directors may otherwise direct.

The obligation of any Member to pay premium under this Agreement will terminate upon the earliest of the following events:

- (a) withdrawal of such Member from the Coverage pursuant to paragraph 5.4 hereof;
- (b) expulsion or suspension of such Member from Coverage pursuant to paragraphs 5.6 and 5.7

Provided however, that no such expulsion or withdrawal shall extinguish (i) the obligations of such Member to pay premium with respect to Coverage Periods of such Member prior to such withdrawal or expulsion, (ii) the obligations of such Member to pay Special Assessments as provided in paragraph 3.6 hereof with respect to Coverage Periods of each Member, whether such Special Assessments are imposed either prior or subsequent to such withdrawal or expulsion, (iii) the obligations of such Member as set forth in the Indenture, Note and Note Resolution executed by each such Member or (iv) the right to receive the benefits of such Coverage with respect to Coverage Periods of such Member prior to such withdrawal or expulsion.

3.4 Budget and Appropriation of Premium Payments. The Member covenants to take such action as may be necessary to include premium payments payable hereunder in its annual budget. The covenants on the part of the Member herein contained shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the Member to take such action and do such things as are required by law in the performance of the official duty of such official and to enable each Member to carry out and perform the covenants and agreements in this Agreement agreed to be carried out and performed by such Member.

3.5 Obligation to Pay Premiums.

(a) No Withholding. Subject to the provisions of Article V hereof, notwithstanding any dispute between the Revised Program and a Member, including a dispute as to the scope or

nature of Coverage provided by the Revised Program or the availability of funds to pay Claims made against any Member, or any other reason (other than the termination of the obligation to pay Premium and Special Assessments pursuant to paragraph 3.3 hereof), the Member shall appropriate to pay and make all premium payments when due and shall not withhold any premium payments pending the final resolution of such dispute.

(b) Rate on Overdue Payments. In the event a Member fails to make any of the payments required in this Article when due, the payment in default shall continue as an obligation of the Member until the amount in default shall have been fully paid, and in addition to any remedies available with respect to such default, the Member agrees to pay the same with interest thereon, at the rate of 1% per month until paid, from the date such amount was overdue.

(c) Abatement. There shall be no abatement of premium or other payments except as provided in Article VI hereof.

3.6 Assessments In The Event of Losses and Expenses In Excess of the Revised Program Funds. In the event the Revised Program expenses for the fiscal year exceed premium and interest income for the same fiscal year, incurred losses and the difference shall be charged to the Contingency Reserve as established in paragraph 4.2, if funds are available. If funds are not available, the Board of Directors, after receiving the advice of a qualified actuary, may impose a Special Assessment. The total amount of such Special Assessment shall be determined after review by a qualified actuary.

Should funds be subsequently obtained by the Revised Program from borrowing or from any other appropriate source for the next fiscal year, then such funds shall be used to pay Claims. In the event of such borrowing of funds by the Revised Program, the Authority shall advise the Employment Relations Division of the Montana Department of Labor and Industry, or its successor responsible for the Revised Program.

Any sums expended by the Member in the interim to pay Claims covered by the Revised Program shall be reimbursed, if they would otherwise be covered by the Revised Program.

Provided that nothing in this paragraph 3.6 shall be construed to limit the joint and several liability of individual Members.

3.7 Commingling of Funds Prohibited. Premium contributions, investment income, Special Assessments, profits or other income paid to or derived from the Revised Program shall not be commingled with the funds of any other risk retention or other program which is or may be sponsored, operated, or controlled by the Authority. Nothing in this Second Revised Agreement shall be construed to permit any Member or any other person to attach, assign, transfer, or otherwise have any right or title to or interest in the assets of the Revised Program for any purpose other than as set forth in this Second Revised Agreement or in the Indenture. Nothing in this Second Revised Agreement shall be construed to permit any Member or any other person to attach, assign, transfer, or otherwise have any right or title to or interest in the assets of any other risk retention or other program which is or may be sponsored, operated, or controlled by the Authority for purposes of satisfying any obligation, debt, or covenant arising from or related to this Second Revised Agreement or the Indenture. Provided, however, that the Authority may grant to the Trustee, as security for the Bonds, a security interest in the Authority's interest in this Second Revised Agreement and amounts payable to the Authority hereunder to the extent provided in the Indenture.

This prohibition on commingling of funds does not apply to the Montana Municipal Insurance Authority Workers' Compensation Program's proportionate share of the total amounts of any

Premium Deposits or premiums received by Government Entities Mutual (AGEM@) from all participants of GEM, or held in any account or surplus account by GEM.

ARTICLE IV

ISSUANCE OF BONDS; ESTABLISHMENT OF ACCOUNTS; DEPOSIT OF MONEYS

4.1 Sale of Bonds. The Authority will issue and sell \$7,610,000 aggregate principal amount of Montana Municipal Insurance Authority Workers' Compensation Program Bonds, Series 1990 pursuant to the Indenture for the purpose of making a deposit to the various funds as described in paragraph 4.2 herein.

4.2 Revised Program Funds and Accounts. The Authority hereby creates the following Funds and Accounts as set forth herein:

(a) Primary Program Fund. The Authority shall deposit in the Primary Program Fund all premiums, Special Assessments, investment income and other funds or revenues not required to be deposited by the Indenture with the Trustee. The Primary Program Account shall have three accounts:

(i) a Primary Program Account from which shall be paid program costs and expenses, and transfers to the accounts established pursuant to the Indenture as may be required by that instrument;

(ii) a Contingency Reserve Account from which Claims payments for incurred and incurred-but-not-reported Claims up to the Attachment Points established by the Board of Directors shall be made, from which losses and expenses in excess of the Revised Program income as provided in paragraph 3.6 may be made, and from which the Board at its discretion may make transfers to the Debt Service Fund or the Debt Service Reserve Fund; and

(iii) an Unencumbered Reserve Account into which shall be placed any monies from the Primary Program Fund not allocated as provided herein above and the proceeds of which shall be used to satisfy the Individual Member Accounts of withdrawing Members or which the Board of Directors may at its sole discretion utilize to fund reductions in premium, premium rebates, credits to Individual Member Accounts of eligible Members, or transfers to the Debt Service Fund or the Debt Service Reserve Fund.

(b) Excess Claims Payment Fund. There shall be an Excess Claims Payment Fund which shall be held by the Trustee and which shall consist of two accounts as established by the Indenture:

(i) a Bond Proceeds Account; and

(ii) a Premium Account.

There shall be deposited in the Bond Proceeds Account of the Excess Claims Payment Fund from the proceeds of the sale of the Series 1990 Bonds the amount of \$4,925,000 and the proceeds, if any, of such other series of Bonds as a Supplemental Indenture shall so direct. Money in the Excess Claims Payment Fund shall be used to: (i) make Claims payments for Claims incurred after October 1, 1990 in excess of the Attachment Points established by the Board of Directors; (ii)

pay premiums or make Premium Deposits for insurance, excess insurance or reinsurance obtained by the Authority in substitution, in whole or in part, for the level of coverage provided in the Excess Claims Payment Fund; (iii) restore a deficiency in the Debt Service Reserve Fund as provided in the Indenture; or (iv) purchase or redeem Bonds as provided in the Indenture. Money in the Excess Claims Payment Fund shall be disbursed to the Authority, first from the Bond Proceeds Account, to the extent available, and then from the Premium Account in the amount necessary to pay Claims as provided herein and to pay premiums for insurance or reinsurance obtained by the Authority as described herein.

(c) Supplemental Program Fund. There shall be a Supplemental Program Fund which shall be held by the Trustee and into which shall be deposited from the proceeds of the sale of the Series 1990 Bonds the amount of \$1,620,800. Money in the Supplemental Program Fund shall be used to pay future loss development on Claims incurred and incurred -but-not-reported prior to October 1, 1990. At such time as a qualified actuary determines that there are no longer Claims payable from the Supplemental Program Fund or that the balance therein exceeds the amount necessary to be maintained therein for payment of claims eligible to be paid therefrom, then the Authority may direct the Trustee pursuant to the Indenture to transfer such amount as remains after all Claims have been paid or is in excess of the amount required to pay remaining Claims to (i) the Excess Claims Payment Fund, (ii) the Debt Service Fund for the purpose of redeeming Bonds as provided in the Indenture, or (iii) the Primary Program Fund of the Revised Program.

(d) Costs of Issuance Fund. There shall be credited to the Costs of Issuance Fund which shall be held by the Trustee \$121,300 from the proceeds of the sale of the Series 1990 Bonds and the proceeds of any other series of Bonds as provided in any Supplemental Indenture. Money in the Costs of Issuance Fund shall be disbursed for Costs of Issuance. Any money remaining in the Costs of Issuance Fund after the Date of Closing shall be transferred to the Bond Proceeds Account in the Excess Claims Payment Fund.

(e) Debt Service Fund. There shall be deposited in the Debt Service Fund which shall be held by the Trustee money from the following sources: (i) the accrued interest received from the sale of the Series 1990 Bonds and the proceeds of any other series of Bonds as provided in any Supplemental Indenture; (ii) income from investment of the Excess Claims Payment Fund and the Supplemental Program Fund as provided in the Indenture; (iii) any money transferred from the Primary Program Fund to satisfy the requirement to pay principal of and interest on the outstanding Bonds as provided in the Indenture; (iv) any money transferred from the Excess Claims Payment Fund or the Debt Service Reserve Fund as provided in the Indenture; (v) any other money deposited by the Members to pay principal of and interest on outstanding Notes as may be required by the Indenture; and (vi) any other money required to be deposited therein pursuant to this Second Amended Revised Program Agreement or the Indenture. Money in the Debt Service Fund shall be used to pay the principal of and the interest on the Bonds as the same may become due and payable. Income on the money invested in the Debt Service Fund, net of any amounts required to be transferred to the Rebate Fund as provided in the Indenture, shall remain in the Debt Service Fund.

(f) Debt Service Reserve Fund. There shall be deposited in the Debt Service Reserve Fund which shall be held by the Trustee (i) \$761,000 from the proceeds of the sale of the Series 1990 Bonds; (ii) any money transferred from the Excess Claims Payment Fund, but only in the event that the money in the Debt Service Fund, after making any required transfer from the Debt Service Reserve Fund, is inadequate to pay the principal of and interest on the outstanding Bonds on the date due as provided in the Indenture; (iii) assessments made by the Authority upon Members in the event that the money in the Debt Service Reserve Fund is less than the Reserve Requirement as provided in the Indenture; (iv) any money transferred from the Excess Claims Payment Fund as provided in the Indenture; and (v) such other funds as may be deposited in Debt

Service Reserve Fund. Such money shall be held in trust by the Trustee as a reserve for the payment when due of the principal of and interest on the outstanding Bonds. All earnings on money in the Debt Service Reserve Fund in excess of the amount necessary to maintain the Reserve Requirement shall be transferred to the Debt Service Fund.

(g) Rebate Fund. The Trustee shall establish a special fund designated as the Rebate Fund with such accounts within that fund as may be required by the Indenture. All money at any time deposited by the Trustee in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the rebate requirement provisions of the Internal Revenue Code and regulations promulgated thereunder or other applicable law and as described more fully in the Indenture, for payment to the United States.

4.3. Transfer of Unexpended Funds Held by the Trustee. Upon the payment and discharge of all outstanding Bonds in full pursuant to the Indenture, upon direction of the Authority, there shall be paid into the Rebate Fund remaining money in the Excess Claims Payment Fund, the Supplemental Program Fund, the Debt Service Fund, and the Debt Service Reserve Fund, to the extent required to satisfy the Rebate Requirement, and then any excess moneys shall be transferred to the Primary Program Fund of the Revised Program.

4.4 Individual Member Accounts. An Individual Member Account in the name of each Member will be established; and in the case of Members of the Original Program, the balance in their respective Individual Member Accounts will be continued and carried over to the Revised Program. Such Individual Member Account will be used to identify the current financial condition of each Member's participation in the Revised Program. The Individual Member Accounts will represent each Member's share of premiums less claims and expenses which have been made against the Primary Program Fund.

The Individual Member Accounts are for the purpose of determining each Member's share of funds which:

- a) may be credited against future premium contributions or payable as dividends;
- b) shall be payable to each Member who withdraws from the Revised Program;
- c) may be charged against each Member to create or restore the Contingency Reserve Fund; or
- d) may be payable to each Member on termination of the Revised Program.

4.5 Annual Computation. Within 180 days of the end of each fiscal year, the Individual Member Account of each Member shall be computed by computing for the Revised Program as a whole and by allocating to each Member its proportionate share of: the aggregate premium collected plus the investment income and other revenues of the Revised Program in the Primary Program Fund at the end of the fiscal year less the operating expenses, claims paid, claims incurred, claims incurred-but-not-reported, and loss development for such fiscal year. For purposes of determining the annual balance in each Member's Individual Member Account, any surplus in the Primary Program Fund shall be allocated as follows:

- (a) Fifty percent (50%) shall be credited to the Contingency Reserve Account;
- (b) Twenty-five percent (25%) shall be credited on a pro rata basis to all Members; and
- (c) Twenty-five percent (25%) shall be credited to each Member with favorable loss

experience during the fiscal year for which the allocation is being made.

The term pro rata as used in (b) above means each Member's proportionate contribution of income deposited in the Primary Program Fund in relationship to the total income of the Revised Program without regard to any expenses of the Revised Program. However, in the allocation of investment income derived from the Primary Program Fund among the Members, the ratio shall consist of the relationship between each Member's premium contribution for the current year plus the average balance in each Member's Individual Account during the year in relationship to the total of all such premium contributions and the average balance in all Individual Members' Accounts.

Provided, however, that no Member shall be entitled to receive any money or credit on account of having a positive balance in its Individual Member Account unless the Unencumbered Reserve Account of the Primary Program Fund has a positive fund balance, and in such event the individual Member shall be entitled to a proportionate share of the assets in the Unencumbered Reserve Account in satisfaction of its Individual Member Account as determined in Article V, paragraph 5.5.

ARTICLE V

ADMISSION TO, WITHDRAWAL FROM AND EXPULSION FROM THE WORKERS' COMPENSATION RISK RETENTION PROGRAM

5.1 Transition Period. This Second Revised Agreement shall be effective December 1, 2002. Members of the Workers' Compensation Risk Retention Program who execute this Second Revised Agreement prior to the effective date shall continue to be covered under the terms and conditions of the Original Program Agreement until the effective date of this Agreement. The retroactive effective date for those Members of the Workers' Compensation Risk Retention Program who execute this Second Revised Agreement after December 1, 2002, will be December 1, 2002.

5.2 Requirements for Participation in the Second Revised and Restated Program. (A) In addition to executing this Second Revised Agreement, a Member wishing to participate in the Revised Program must adopt, or have adopted, a Note Resolution and execute and deliver to the Authority a promissory note (the Series 1990 Note) in the principal amount of its Proportionate Share of the principal amount of the Series 1990 Bonds evidencing its obligation to pay a Proportionate Share of principal of and interest on the Series 1990 Bonds. As of January 1, 1991 the Authority shall have re-determined the principal amounts of the Series 1990 Notes of the Members. As of January 1, 1991 the principal amount of each Series 1990 Note shall be an amount equal to the product of (i) the ratio of each Member's annual payroll for the fiscal year ending June 30, 1990 to the aggregate payroll of all Members as of that date as determined by the Authority, times (ii) the aggregate principal amount of all then outstanding Series 1990 Notes, which amount is equal to the principal amount of all then outstanding Series 1990 Bonds. The principal amount of any Series 1990 Note issued in a principal amount greater than that determined as of January 1, 1991 pursuant to the preceding sentence shall be reduced accordingly and a new schedule of payments shall be attached to the Series 1990 Note so amended. There will be no adjustment in the principal amount of the Series 1990 Note of any Member as a result of the execution of additional Series 1990 Notes by an additional Member after January 1, 1991.

(a) Each Member who participates in the Revised Program by executing this Revised Program Agreement and by having adopting a Note Resolution as provided in this paragraph 5.2

of the Original Revised Agreement hereby acknowledges and agrees that, commencing with the effective date of its participation in the Revised Program, the Member shall be obligated to pay premium as computed pursuant to paragraph 3.1 of this Second Revised Program Agreement, including the payment of principal of and interest on the Bonds and maintaining a reserve therefor equal to the Reserve Requirement, notwithstanding that the Member may not have as of the effective date of its participation in the Revised Program executed and delivered to the Authority its Series 1990 Note or its Series 1994 Note as otherwise provided in this paragraph 5.2.

(b) In connection with the issuance of the Series 1994 Bonds, each Member has adopted a Note Resolution and each Member which is an initial participant in the issuance of the Series 1994 Bonds has executed and delivered to the Authority a Series 1994 Note in a principal amount sufficient, when combined with the outstanding principal amount of the Notes of all other Members to equal an amount not less than the aggregate principal amount of the outstanding Series 1990 Bonds maturing prior to September 1, 2000 (less amounts on deposit in the Debt Service Fund available for payment of such principal amount) and the Series 1994 Bonds. Subsequent to the date of issuance of the Series 1994 Bonds, additional Members will become participants in the issuance of the Series 1994 Bonds upon delivery to the Trustee of the items set forth in Section 5.01(B) of the Indenture. As of April 1, 1994, the Authority shall reduce the principal amounts of the Series 1994 Notes delivered by the Members which are initial participants, in proportion to the respective Proportionate Shares of the Series 1994 Notes, by the amount of the aggregate original principal amounts of the Series 1994 Notes of the Members which have become additional participants as of such date, but not in the aggregate more than \$741,491, and a new schedule of payments shall be attached to such Series 1994 Notes as so amended. The principal amounts of the Series 1994 Notes shall not be reduced by any Member becoming an additional participant after April 1, 1994, except as provided in Section 5.09 of the Indenture.

(c) All Notes shall, upon execution and issuance to the Authority, be assigned, without recourse, by the Authority to, and deposited with, the Trustee.

5.3 Conditions for Providing Coverage to a New Member. Applications for memberships in the Revised Program shall be submitted on an approved form to the Insurance Coordinator or Chief Executive Officer. The Board of Directors will consider and act upon each application. Concurrence by a majority of the Board and the Authority's excess insurance carrier is required in order for an applicant to be admitted as a Member. The Authority may provide Coverage to a new Member of the Revised Program which is not currently a Member under this Agreement, subject to the following conditions:

- (a) such new Member shall be a municipal entity and political subdivision of the state;
- (b) at least 30 days prior to the commencement of coverage under the Revised Program, such new Member shall be signatory to the Interlocal Agreement and a member of the Authority;
- (c) at least 30 days prior to the commencement of coverage under the Revised Program, such new Member shall have submitted a completed application for admission to the Revised Program as may be required by the Board of Directors; and
- (d) at least 30 days prior to the commencement of coverage under the Revised Program, such new Member shall have provided for its capital contribution to the Excess Claims Payment Fund and the Supplemental Program Fund by delivering to the Authority a Note in a principal amount equal to such Member's Proportionate Share as determined by the Indenture of Trust.

The minimum time requirements for execution and submission of documents as provided in subparagraphs (b), (c) and (d) hereinabove may be waived by the Board of Directors at their discretion.

Coverage of such new Member shall be effective on the first day of the month next succeeding the approval of the new Member's application by the Authority and the execution of the documents as provided herein.

5.4 Conditions of Withdrawal From Membership. Any Member may withdraw from the Revised Program by giving at least sixty (60) days notice in writing to the Board of Directors of its desire to withdraw if it meets the following conditions:

(a) such Member shall not be in default as to payment of any premium then or theretofore due;

(b) at least 60 days preceding the effective date of such withdrawal, such Member shall have provided written notice to the Authority of its intent to withdraw;

(c) such Member shall have paid (or there shall have been applied on its behalf as described in paragraph 5.9) the full amount necessary to prepay its Note pursuant to and satisfied its obligation under the Indenture;

(d) the Authority shall have received from a qualified actuary a certificate or written report that such withdrawal will not reduce or impair the actuarial soundness of the Revised Program; and

(e) the Authority shall have received an opinion of Bond Counsel that such withdrawal will not adversely affect the tax-exempt status of interest paid or to be paid with respect to the any Bonds.

The Authority shall continue to pay Claims relating to the withdrawn Member which were incurred prior to withdrawal as provided herein. Unearned premium shall be returned to the withdrawing Member on a short-rate basis.

In no event shall withdrawal from Coverage or termination of a Member's participation in the Revised Program release a Member from its obligation to pay damages resulting from default under the terms of this Second Revised Agreement, nor shall such withdrawal or termination release a Member from its obligation to pay premiums or Special Assessments as provided in paragraph 3.3 hereof. Notice of withdrawal shall be revocable by the Member only with the consent of the Authority.

5.5 Settlement of Individual Member Account upon Withdrawal. In the event a Member withdraws from the Revised Program in good standing as provided in paragraph 5.4, the withdrawing Member's Individual Member Account will be calculated as of that date and 10% of the amount due the withdrawing Member based upon the status of its Individual Member's Account and subject to the provisions contained in paragraphs 4.4 and 4.5 will be paid to the Member at that time. At the end of each of the next three years, the Individual Member's Account will be recomputed based upon changes in incurred losses and investment income during the year and the amount then due the withdrawing Member shall be computed as provided in paragraph 4.5 (the Annual Recomputed Amount). At the end of the first year, twenty-five percent (25%) of the Annual Recomputed Amount due based upon the Individual Member's Account will be paid to the Member plus interest on that amount for one year and computed at the then rate of one-year U.S. Treasury Notes. At the end of the second year, the Member shall be paid fifty percent (50%) of the

Annual Recomputed Amount due based upon the Individual Member's Account plus interest on that amount for two years and computed for each of those two years at the rate of one-year U.S. Treasury Notes at the end of each such year. At the end of the third year, the Member shall be paid fifteen percent (15%) of the Annual Recomputed Amount due based upon the Individual Member's Account plus interest on that balance for three years computed for each of those three years at the rate of one-year U.S. Treasury Notes at the end of such year. During the three-year period, the right of a withdrawing Member to receive a settlement of its Individual Member's Account is subject to the availability of funds in the Unencumbered Reserve Account as provided in paragraph 4.5.

5.6 Conditions of Membership Review, Suspension and Termination Procedure

(a) The Authority may suspend or expel a Member from the Revised Program (i) if the Member is in default under the terms of this Second Revised Agreement or (ii) when, in the determination of the Chief Executive Officer, a Member has engaged in conduct, other than a default under this Second Revised Agreement, that warrants expulsion from membership in the Revised Program. Suspension, termination or expulsion is subject to the conditions provided in paragraph 5.7 herein.

(b) When a Member has been determined by the Authority to be in default under the terms of the Second Revised Agreement, the Member shall be given written notice of such default and shall be required to cure such default within ten (10) calendar days of receipt of such notice. If such default is not cured within the time prescribed herein, said Member will be suspended from the Revised Program and Coverage of Claims under the Revised Program shall be terminated during the period of suspension, which shall be effective, without the need for a meeting of the Board of the Authority, at 12:01 a.m. on the 30th day after notice of termination has been received by the Member. Such period of suspension shall continue until the conditions of termination or expulsion stated in paragraph 5.7 of this Revised Program Agreement have been met, at which time the defaulting Member's participation in the Revised Program shall be immediately terminated without a meeting.

(c) In the event the Chief Executive Officer has determined that the Member has engaged in conduct that warrants expulsion other than a default under this Second Revised Agreement, the Chief Executive Officer shall file a written report with the Board of Directors. Said report shall contain a summary of the facts and the recommendations regarding continued membership status. A copy of the report shall be served by mail to the Member along with a Notice of Meeting of the Board of Directors. Said Notice of Meeting shall include the place, date and time of the meeting. At its discretion, the Board of Directors may submit written questions to the Member, written answers to which must be mailed to the Chief Executive Officer no later than seven (7) calendar days prior to the date of the meeting. A Member objecting to the report and recommendations of the Chief Executive Officer shall submit a written statement to the Board of Directors setting out in detail the basis for the objection and any other information the Member desires to submit. Said statement must be mailed to the Chief Executive Officer no later than seven (7) calendar days prior to the meeting. The Board of Directors shall meet at the time and place designated in the Notice of Meeting. The Member shall be entitled to be represented at the meeting and present an oral statement and other information. Following the meeting, the Board of Directors shall affirm, modify, or reject the recommendation of the Chief Executive Officer. The Board of Directors shall have the authority: (i) to place a Member on probation, the terms and duration of which it shall determine; (ii) to suspend a Member from Coverage of Claims; or (iii) to expel a Member from the Revised Program. A copy of the Board of Directors' decision shall be served by mail on the Member. In the event that the Board of Directors votes to suspend or terminate membership, such suspension or termination shall not take place for at least thirty (30) days after the Member has received notice of the suspension or termination. The duration of the

notice period shall be determined by the Board.

Until such time as the conditions of paragraph 5.7 have been met, a Member whose participation in the Revised Program is to be terminated or who is expelled from the Revised Program pursuant to this paragraph 5.6(c) shall be deemed to be suspended from the Revised Program and Coverage of Claims under the Revised Program shall be terminated during the period of suspension, which shall be effective at 12:01 a.m. on the 30th day after notice of termination or expulsion has been received by the Member. Such period of suspension shall continue until the conditions of termination or expulsion stated in paragraph 5.7 have been met, at which time the Member's participation in the Revised Program shall be immediately terminated.

5.7 Conditions of Suspension from, Termination of or Expulsion from Membership. In addition to the provisions set forth in paragraph 5.6, the Authority may only suspend, terminate or expel a Member from this Revised Program subject to the following conditions:

(a) The Authority shall have received from a qualified actuary a certificate or written report that such withdrawal will not reduce or impair the actuarial soundness of the Revised Program;

(b) the Authority shall have received an opinion of Bond Counsel that such withdrawal will not adversely affect the tax-exempt status of interest paid or to be paid with respect to the Series 1990 Bonds; and

(c) such Member shall have paid (or there shall have been applied on its behalf as described in paragraph 5.9) the full amount necessary to prepay its Note pursuant to and shall have satisfied its obligations under the Indenture of Trust.

In no event shall involuntary termination or expulsion from the Revised Program release a Member from its obligation to pay premiums, Special Assessments, or comply with the other terms or conditions of this Second Revised Agreement, nor shall involuntary termination or expulsion release a Member from its obligation to pay damages resulting from a default under the terms of this Second Revised Agreement.

In the event of involuntary termination or expulsion from the Program as provide in paragraphs 5.6 and this paragraph, the terminated or expelled Member shall not be entitled to receive any settlement by virtue of its having any credit in its Individual Member Account as of the effective date of involuntary termination or expulsion.

5.8 Obligation to Notify Employment Relations Division Upon Withdrawal or Termination. Upon withdrawal or termination of a Member, the Authority and the Member shall promptly notify the Employment Relations Division of the Montana Department of Labor and Industry or its successor.

5.9 Computation of Allocable Share Upon Withdrawal, Involuntary Termination or Expulsion.

In connection with withdrawal of the Member from Coverage pursuant to paragraph 5.4 herein or expulsion or suspension of a Member pursuant to paragraphs 5.6 and 5.7 herein, the Authority shall determine the allocable share of the Member. "Allocable Share" means a portion of the unencumbered reserves in the Excess Claims Payment Fund in the proportion which the principal and interest paid or deemed paid on such Member's Note to the date of withdrawal or expulsion bears to the principal and interest paid or deemed paid on all Members' Notes to such date, as to which the calculation of the Authority shall be conclusive absent manifest mathematical

error. (Provided, however, that if the Board determines, at any time before the first Member withdraws or is expelled, by the affirmative vote of at least two-thirds of its members, and after consideration of the views of a qualified financial consultant, that the foregoing basis for calculation of Allocable Share would be unfair to a Member with drawing or being expelled or to the other members, the Board may, by the same vote, modify the basis upon which Allocable Share is to be calculated.) The Allocable Share of the Member withdrawing or being expelled shall be applied first to the prepayment of such Member's Note (the Prepayment) pursuant to sections 5.03 and 5.04 of the Indenture. The amount, if any, of such allocable share in excess of such Prepayment and all other obligations due from such Member under the terms of this Second Revised Agreement (the Excess Allocable Share) shall be held by the Authority and any interest thereon in a segregated account for the benefit of such Member. The Authority will transfer to such Member its Excess Allocable Share, if any, on the earliest practicable date when the Authority is no longer subject to assessment for any obligations under the terms of this Second Revised Agreement, which will be the date when all claims incurred during any Coverage Period prior to withdrawal or expulsion of such Member have been finally determined and/or paid.

ARTICLE VI

ABATEMENT

6.1 Abatement of Premium in the Event of Failure to Pay Settlements. In the event that the Revised Program fails to pay a Settlement of a Member pursuant to the terms of this Agreement, other than by reason of good faith dispute as to the scope of Coverage, the obligation of the Member to pay any premium hereunder shall be abated in full. The Obligation of a Member to pay premium shall otherwise be discharged only in the event of withdrawal of such Member from Coverage pursuant to paragraph 5.4 hereof, or expulsion of such Member pursuant to paragraphs 5.6 and 5.7 hereof.

ARTICLE VII

JOINT AND SEVERAL LIABILITY

7.1 Guarantee to Pay Claims. The Member agrees to assume and guarantee to pay, or otherwise discharge promptly, any and all the liabilities and obligations which the Revised Program may incur for Claims for which Coverage has been provided pursuant to the terms of this Second Revised Agreement and the Workers' Compensation and Occupational Disease Acts of the State of Montana.

7.2 Joint and Several Liability. This Second Revised Agreement represents a direct financial guarantee to the employees of all Members of the Revised Program and dependents of the deceased employees of all Members of the Revised Program for the full amount of any and all liabilities or obligations for which Coverage has been provided pursuant to the terms of this Second Revised Agreement and the Policy in amounts not limited to this Member's "pro rata" share. The Member understands and agrees that it shall be jointly and severally liable with the other Members for the full amount of any and all known and unknown Claims incurred and incurred-but-not-reported during the Member's participation in the Original Program and for the full amount of any and all known and unknown claims incurred and incurred-but-not-reported during the membership of the Member in this Revised Program.

7.3 Other Insurance Excluded. This Second Revised Agreement shall not cover or extend to any workers' compensation or occupational disease liabilities of said Revised Program

which are expressly insured by a carrier duly authorized to write Montana workers' compensation and occupational disease insurance, provided that the liabilities assumed by an excess insurance or reinsurance provider shall also remain the primary liabilities of the Revised Program and its Members.

7.4 Enforcement of Guarantee. In the event the Revised Program shall fail to pay compensation, as compensation is defined in the Montana Workers' Compensation and Occupational Disease Acts, when due, the Member will pay the same, and the payment may be enforced against the Member to the same extent as if said payment was its sole liability. The Member understands and agrees that it shall be jointly and severally liable with the other Members for the full amounts of any and all known or unknown Claims of the Revised Program arising during the membership of the Member in the Revised Program.

ARTICLE VIII

INSPECTION OF FACILITIES AND EQUIPMENT; SAFETY CONSIDERATIONS AND NOTIFICATION OF ACCIDENT

8.1 Inspection of Facilities, Equipment and Records. The Board of Directors and any of their agents, employees or attorneys shall be permitted at all reasonable times to inspect the work places, plants, works, machinery and appliances covered by this Second Revised Agreement and shall be permitted at all reasonable times to examine Members' payroll, personnel, injury and accident records, and Members' books, vouchers, contracts, documents and records of any and every kind which show or tend to show or verify the premium which is payable under the terms hereof. This right to inspect or examine shall continue after termination of membership with respect to all claims or matters arising during or relating to membership status.

8.2 Safety Considerations. Each Member must follow the safety recommendations of the Board of Directors and the service company or any other agent of the Authority in order to provide safe and sanitary working conditions.

8.3 Notification of Accident and Reimbursement to Authority for Penalty. Each Member must give immediate notification to the claims service provider on the prescribed forms of any accident and reported Claim for any benefits whatsoever payable under the Workers' Compensation and Occupational Disease Acts.

Any penalty levied for failure to pay compensation benefits, medical expenses or travel allowances resulting from a Member's failure to give timely notice to the claims adjuster of an accident or claim for any benefits as heretofore described may, by a vote of a majority of the Board of Directors, be assessed against the Member.

ARTICLE IX

PROHIBITION OF UNAUTHORIZED PAYMENTS; PENALTY FOR EMPLOYMENT WITHOUT WORKERS' COMPENSATION COVERAGE

9.1 Prohibition of Unauthorized Payments By Members. No Member shall make voluntary payment of weekly benefits or medical expenses or enter into any agreement with any employee or his agent committing payment or admitting liability for any workers' compensation benefits as provided in the Workers' Compensation and Occupational Disease Acts without the prior approval of the Board of Directors or the designated service company. Any Member making

such voluntary payments or entering into such an agreement may, by a vote of a majority of the Board of Directors, be held individually and separately liable for reimbursement to the Revised Program for all benefits and medical expenses paid or committed.

9.2 Penalty for Employment of Persons Without Workers' Compensation Coverage. No Member shall contract with any person, including contractors or subcontractors, who has not produced evidence of current workers' compensation insurance according to the provisions of the Workers' Compensation and Occupational Disease Acts. Any Member who contracts with any person who does not have current workers' compensation insurance will be charged an additional non-discounted premium based upon the full amount of the contract.

ARTICLE X

10.1 Agreements with Service Providers. The Board of Directors may enter into agreements with various service companies or employ individuals to provide the following services:

(a) Assist the Authority in securing specific and aggregate excess insurance or reinsurance.

(b) Inspect the work places, operations, machinery and equipment owned or operated by the participating Members of the Revised Program.

(c) Compile and file notices and reports required under the Workers' Compensation and Occupational Disease Acts upon receipt of initial report from either the Authority or any participating Member; conduct any necessary investigation in order to determine the liability of the participating Member under the Workers' Compensation and Occupational Disease Acts; and, process any and all lawful claims under rules established pursuant to applicable law and by such additional rules as may be promulgated.

(d) Furnish the Authority and participating Members in the Revised Program with periodic reports of all accidents and occupational disease, and of all payments made and reserves set up for benefits and expenses on account of liability and/or reasonably anticipated liability for accidental injuries and occupational diseases sustained by employees.

(e) Adjust the normal premium payable by participating Members in the Revised Program by allowing for favorable or unfavorable experience so as to determine and assign premium modifications for each Member in the Revised Program annually in accordance with policies established by the Board of Directors.

(f) Bill for and maintain records of all premium payments to the Revised Program in accordance with such rules as the Board of Directors adopt.

(g) Make annual payroll audits of participating Members in the Revised Program.

(h) Prepare on behalf of the Authority and the participating Members in the Revised Program for all scheduled hearings and generally administer all other details pertaining to participating Members' obligations to their employees under the Workers' Compensation and Occupational Disease Acts.

(i) Perform such other related services as may be reasonably necessary for the operation of the Revised Program.

ARTICLE XI

MISCELLANEOUS

11.1 Notices. All notices, bonds or other communications hereunder shall be sufficiently given and shall be deemed to have been received five (5) business days after de posit in the United States mail, certified, postage prepaid, to the Members, the Authority at the following addresses:

If to the Member: _____

If to the Authority: Montana Municipal Insurance Authority
Attn: Workers' Compensation Risk Retention
Program
PO Box 6669
Helena, Montana 59604-6669

The Authority and Member, by notice given hereunder, may designate different addresses to which subsequent notices, bonds or other communications will be sent.

11.2 Binding Effect. This Second Revised Agreement shall inure to the benefit of and shall be binding upon the Authority and the Members and their respective successors and assigns.

11.3 Enforceability. This Second Revised Agreement is enforceable by the Authority, Members of the Revised Program, the employees of such Members, and/or the Employment Relations Division of the Montana Department of Labor and Industry or its successor. The parties to this Second Revised Agreement are held and firmly bound for the payment of all legal fees and costs incurred by the State of Montana in any actions taken to enforce this Second Revised Agreement.

11.4 Severability. If any provision of this Second Revised Agreement is held or deemed to be or shall be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction because it conflicts with any other provision or provisions hereof, of the Original Revised Program Agreement, or of the First Amendment to Agreement, or any constitution or statute or rule of public policy or for any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstances or of rendering any other provision or provisions herein or in the Original Revised Program Agreement or in the First Amendment to Agreement, contained invalid, inoperative or unenforceable to any extent whatever.

11.5 Further Assurances and Corrective Instruments. The Authority and the Members agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Coverage hereby provided or intended so to be or for carrying out the expressed intention of this Second Revised Agreement.

11.6 Waiver of Notice as to Current Condition of Authority. The Member waives any notices as to the current condition of said Authority, insurance plan , any changes therein, and the manner of conducting or closing said guaranteed plan or otherwise. The Undersigned also waives, in the event of non-compliance by the Authority, any demand or notice in respect thereof and any requirement of legal or equitable proceedings or otherwise on the part of the Employment Relations Division of the Montana Department of Labor and Industry or its successor against the Authority as a condition precedent to enforcing the obligations of the Member hereunder.

11.7 Counterparts. This Second Amended Revised and Restated Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

11.8 Applicable Law. This Second Amended Revised and Restated Agreement shall be governed by and interpreted in accordance with the laws of the State of Montana.

11.9 Amendments. This Second Revised Agreement may be amended by th e affirmative vote of a majority of the Members, provided such Amendment is not prohibited by Article XII of the Indenture of Trust. All amendments hereto shall be further conditioned upon receipt by the Authority of (i) an opinion of Bond Counsel to the effect that such amendment does not adversely affect the tax exempt status of the interest paid or to be paid with respect to the Series 1990 Bonds and (ii) a certificate or written report of a qualified actuary that such amendment does not reduce or impair the actuarial soundness of the Revised Program.

11.10 Effect of First Amendment. This Second Amended Revised and Restated Agreement amends and supplements the First Amendment to Agreement and the Original Revised Program Agreement, and this Second Amended Revised and Restated Agreement shall form a part of the First Amendment to Agreement and the Original Revised Program for all purposes.

**MONTANA MUNICIPAL INSURANCE AUTHORITY
SECOND AMENDED REVISED AND RESTATED
WORKERS' COMPENSATION RISK RETENTION
PROGRAM AGREEMENT**

IN WITNESS WHEREOF, The Authority has caused this **SECOND AMENDED REVISED AND RESTATED WORKERS' COMPENSATION RISK RETENTION PROGRAM AGREEMENT** to be executed in its name by its duly authorized officers;

MONTANA MUNICIPAL INSURANCE AUTHORITY ,
as Authority

By _____
Chair

Date Signed _____

ATTEST:

CEO

and the Members have caused this Second Revised Agreement to be executed in its name by its duly authorized officers, as of the date first above written.

Town of _____
as Member

By _____

Title _____

Date Signed _____

ATTEST:

Title _____