AMENDED AND RESTATED LIABILITY COVERAGE

PROGRAM AGREEMENT

Dated as of July 1, 2009

Between the

MONTANA MUNICIPAL INTERLOCAL AUTHORITY
as Authority

and

The City/Town of _____

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AMENDED AND RESTATED

LIABILITY COVERAGE PROGRAM AGREEMENT

This AMENDED AND RESTATED LIABILITY COVERAGE PROGRAM AGREEMENT, dated as of July 1, 2009, by and among the MONTANA MUNICIPAL INTERLOCAL AUTHORITY, a joint exercise of powers entity duly organized and existing under the laws of the State of Montana, (the "Authority"), and the City or Town of _____, and such other political subdivisions that may hereafter become party hereto as provided herein, each a political subdivision duly organized and existing under the Constitution and laws of said State, (each a "Member Entity" and collectively the "Member Entities");

RECITALS

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; and

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

WHEREAS, Mont. Code Ann. § 2-9-211, 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; and

WHEREAS, Mont. Code. Ann. § 2-9-211, authorizes political subdivisions or a board created pursuant to an interlocal agreement acting on their be half to issue and sell bonds or notes for the purposes of funding a self-insurance or deductible reserve fund; and

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

1. Developing effective risk management programs to reduce the amount and frequency of their losses;

2. Sharing some portion, or all, of their losses;

3. Jointly purchasing or otherwise acquiring insurance, excess insurance or reinsurance;

4. Jointly issuing bonds or notes to fund a self-insurance or deductible reserve;

5. Jointly purchasing administrative and other services when related to any of the other purposes;

6. Jointly make deposits which may take the form of assessments to an account or surplus account and pay premiums for the purposes of participating in group or captive insurance, excess insurance or reinsurance programs, in whole or in part; and

WHEREAS, the Authority is a joint exercise of powers entity established pursuant to an Interlocal Cooperation Agreement in accordance with the provisions of the Interlocal Cooperation Act for the purpose of providing pooled risk coverage programs for the Member Entity and other political subdivisions executing the Interlocal Agreement; and

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

WHEREAS, the Authority and each Member Entity have heretofore determined following investigation that either general liability insurance, excess insurance or reinsurance is not available to the Member Entity from commercial insurers or from any other source or that such insurance, excess insurance or reinsurance is not available at a commercially reasonable cost, or general liability coverage may be available through the Authority at a cost which is advantageous to the Member Entity; and

WHEREAS, the Authority and each Member Entity have further determined that the periodic unwillingness or inability of the commercial insurance market to provide primary or excess liability insurance or reinsurance to local governments at reasonable rates or, in certain cases, at any rate, mandates that the Member Entities seek a long-term permanent solution to this problem which will free them from exposure to the vagaries of commercial insurance cycles; and

WHEREAS, the Authority and the Member Entities, in consultation with independent professional consultants, have formulated the Liability Coverage Program the terms and conditions of which are set forth in this Agreement to be administered by the Authority to meet the general liability coverage needs of the Member Entities which will provide the following advantages, among others, to each Member Entity:

(a) the funding of a Program Operations Fund for the purposes of paying claims and facilitating access to the reinsurance market, as well as paying operational costs of the Program.

(b) spread and moderate the cost of liability losses to each Member Entity by mutual agreement of the Member Entities to pay annual Assessments on both a prospective and a retrospective basis calculated actuarially;

(c) 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,

(d) access to the reinsurance market when reinsurance is available at rates deemed favorable by the Member Entities,

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

(f) assessment payments calculated to provide amounts necessary to maintain the Program Operations Fund at a sound level and therefore sufficient to reserve against the

incurred losses of the Member Entity; and

WHEREAS, in consideration of the factors recited above, the Authority has established and has offered to its Member Entities a Liability Program since August 1986, and which Liability Program has remained in operation since that time; and,

WHEREAS, by executing this Amended and Restated Liability Program Agreement the Member Entity signatory hereto has heretofore determined and does hereby confirm that the Assessments and other charges required by the Liability Program have been and are just and reasonable and advantageous to the public benefit of the citizens of such Member Entity; and,

WHEREAS, it is the intent of the Member Entity that in executing this Amended and Restated Liability Program Agreement that the Liability Program should remain in full force and effect and that continuity of the Liability Program should be and is maintained with the execution of this Amended and Restated Liability Program Agreement; and,

WHEREAS, the governing body of each Member Entity has authorized the execution of this Agreement for the purpose of providing Coverage for such Member Entity for the benefit of the Member Entity's residents and taxpayers and for the health and safety of the public who interact with the Member Entity; and

WHEREAS, it is a matter for the governing board of the Member Entity to determine whether the amount of assessments which the Member Entity pays for coverage is reasonable and advantageous and to the public benefit of the citizens of such Member Entity ; and

WHEREAS, each Member Entity has heretofore determined and does hereby confirm that the assessments to be required hereunder are reasonable and advantageous and to the public benefit of the citizens of such Member Entity; and

WHEREAS, each Member Entity has knowingly and willingly entered into this Agreement;

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

SECTION 1: DEFINITIONS,

1.1. Definitions and Rules of Construction. Unless the context otherwise requires, the capitalized terms and the additional terms defined in this Section shall, for all purposes of this Agreement, have the meanings herein specified.

Administrative Costs means those ordinary and necessary costs incurred in providing administrative services to the Program, including but not limited to , the following:

a. General administrative services
b. Loss prevention and risk assessment
c. Investment services
d. Legal services
e. Accounting services

f. Actuarial services
g. Risk management consulting
h. Brokerage services.

Agreement means this Amended and Restated Liability Coverage Program Agreement, dated as of July 1, 2009, by and among the Authority and the political subdivisions signatory hereto, as Member Entities.

Assessment means Risk Assessment and Risk Assessment Adjustments and Special Assessments payable on the Assessment Payment Date for any Coverage Year.

Assessment Payment Date means July 15 of each Coverage Year for Risk Assessments or such other date as the Board may specify for Risk Assessment Adjustments or Special Assessments.

Claim means a demand, action or suit against a Member Entity to recover for losses or damages within or alleged to be within the scope of Coverage set forth in the Memorandum.

Consultant means a consultant qualified in the area of political subdivision liability coverage or actuarial science, as the Authority deems appropriate.

Coverage means the coverage, excess insurance, reinsurance, and other services provided pursuant to and in accordance with and on the terms set forth in this Agreement and in the Memorandum provided to each Member Entity, or in such other agreements between the Authority and a Member Entity related to other Coverage options , including, but not limited to, rights to payment of Settlements and Judgments from funds on deposit in the Program Operations Fund under the terms of this Agreement

Coverage Year shall mean the period beginning each July 1 and the twelve (12) consecutive months thereafter during which this Agreement and the Memorandum shall be in effect for each Member Entity, unless the Board of Directors designates such other period of twelve (12) consecutive months as the period during which this Agreement and the Memorandum may be in effect. In the case of a Member Entity which joins the Program during a Coverage Year, the Coverage Year shall be the remaining portion of the Coverage Year from the effective date of Coverage until the end of such Coverage Year.

Interlocal Agreement means that Interlocal Cooperation Agreement establishing the Montana Municipal Interlocal Authority pursuant to Title 7, Chapter 11, Part 1, Mont. Code .Ann.

Judgment means a final judgment entered in a court of competent jurisdiction or by an administrative tribunal after all appeals have been exhausted with respect to a Claim for which Coverage is provided under this Program. The amount of any Judgment may include any costs or expenses deemed appropriate by the Authority in connection therewith, including defense costs as defined in the Memorandum.

Loss Reserve means amounts in the Program Operations Fund required to be designated as reserves for payment of Settlements and Judgments pursuant to Section 3.5 hereof in accordance with prudent practice as determined by the Qualified Claims Administrator, including additional reserves established because of changed circumstances subsequent to the year any such Claim is filed and including the amount determined by a Qualified Consultant for loss development of claims and unallocated loss adjustment expenses.

Memorandum shall mean the Memorandum of Liability Coverage, as the same may from time-to-time be amended setting forth the terms and conditions for which Coverage is provided under the Liability Program.

Program means the Liability Coverage Program, the terms and conditions of which are set forth herein.

Program Documents means this Agreement, the Interlocal Agreement, the Memorandum, the Bylaws of the Authority, and such policies and procedures as may be adopted by the Authority related to the Program, and all exhibits pertaining to such documents.

Program Operations Fund means the fund established to carry out the operations of the Liability Program, including but not limited to payment of Claims, payment of Administrative Costs, other insurance, excess insurance or reinsurance, loss reserves and unencumbered reserves.

Qualified Claims Administrator means an individual or an organization experienced in the handling of public entity liability claims, appointed by the Authority, or the Authority itself provided the Authority employs individuals who have such experience in the handling of public entity liability claims.

Settlement means the Settlement by the Authority or Member Entity in accordance with the Memorandum of a Claim against such Member Entity. The amount of any Settlement may include any costs or expenses deemed appropriate by the Authority in connection therewith, including defense costs as defined in the Memorandum.

Term of the Agreement means the time during which the Agreement is in effect, or provided in Section 4.1 of this Agreement.

Termination Assessment means the amount required to be paid by a Member Entity to voluntarily terminate Coverage as set forth in Section 9.1 of this Agreement.

Unencumbered Reserves means the amount in the Program Operations Fund in excess of the total amount that has been designated by the Authority as Loss Reserve and amounts required for operations.

1.2 Other Terms. Such other terms as may appear in this Agreement which are not defined in this Section 1 shall have such definitions as may be contained in the remainder of this Agreement.

SECTION 2: REPRESENTATIONS, COVENANTS AND WARRANTIES

2.1. Representations, Covenants and Warranties of the Member Entities. Each Member Entity represents, covenants and warrants to the Authority as follows:

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

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

(c) Authorization; Enforceability. The Constitution and laws of the State authorize the Member Entity to enter into, execute, approve and issue, as the case may be, and to enter into the transactions contemplated by and to carry out its obligations under all of the Program Documents, and the Member Entity has duly authorized and executed all of the applicable Program Documents. The Program Documents constitute the legal, valid, binding and enforceable obligations of such Member Entity in accordance with their respective terms, except to the extent limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principals affecting the rights of creditors generally and except as to the limitations on remedies against public agencies generally.

(d) No violations. Neither the execution and delivery of the Program Documents, nor the fulfillment of or compliance with the terms and conditions thereof, nor the consummation of the transactions contemplated 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 Entity is now a party or by which the Member Entity is bound, or constitute a default under any of the foregoing.

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

(f) Payment of Assessments and Acceptance of Coverage. The Member Entity agrees to pay when due Assessment for and accept the Coverage as described herein and the Memorandum of Coverage upon the terms and conditions set forth herein.

(g) Observance of Laws and Regulations by the Member Entity. The Member Entity 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 Entity, 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.

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

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

(b) Due Organization and Existence; Enforceability. The Authority is a legal entity created pursuant to the Interlocal Cooperation Act, Title 7, Chapter 11, Part 1, Montana Code Annotated, 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 Agreement and possesses by virtue of the Interlocal Agreement full power to provide Coverage to parties signatory to the Interlocal Agreement and this Agreement. This Agreement and the other Program Documents constitute the legal, valid, binding and enforceable obligations of the Authority 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.

(c) No Encumbrances. The Authority will not pledge the Assessments or its

rights under this Agreement except as provided under the terms of this Agreement .

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

(e) No Violations. Neither the execution and delivery of this Agreement nor the fulfillment of or compliance with the terms and conditions hereof nor the consummation of the transactions contemplated hereby conflicts with or results in a breach of the terms, conditions or provisions of the Bylaws of the Authority or any restriction or 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) Agreement to Provide Coverage. The Authority agrees to provide the Coverage to the Member Entity described herein and in the Memorandum of Coverage and upon the terms and conditions set forth in this Agreement.

SECTION 3: ESTABLISHMENT OF ACCOUNTS; COVERAGE; PAYMENT OF SETTLEMENTS AND OTHER PROGRAM COSTS; PURCHASE OR ACQUISITION OF OTHER INSURANCE, EXCESS INSURANCE OR REINSURANCE

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

(a) Program Operations Fund. The Authority shall deposit in the Program Operations Fund all Assessments, investment income, and other funds or revenues allocated to the Program. This fund shall be used to pay all claims, excess insurance, reinsurance, and administrative costs of the Program. These funds may also be expended for investment, contribution or assessment for participation in a group or captive insurance program or pool as provided in Section 3.6.

(b) The Program Operations Fund shall have the following accounts:

(i) one or more Program Checking Accounts into which assessments and other revenue items shall be deposited and from which shall be paid Program costs and expenses;

(ii) Program Investment accounts. The Liability Program shall maintain various investment accounts in compliance with MMIA's Investment Policy.

3.2. Coverage. The Authority hereby agrees to provide the Coverage to each Member Entity for the Coverage Year, and each Member Entity hereby agrees to accept the Coverage, upon the terms and conditions set forth in this Agreement , the Memorandum, or in such other agreements between the Authority and a Member Entity related to other Coverage options; provided, however, that the Authority may revise the Coverage during the Coverage Year by issuing endorsements to the Memorandum provided that such revisions during the Coverage Year do not result in an overall reduction of the Coverage.

3.3. Payment of Claims, Settlements, Judgments and Administrative Costs.

Settlements and Judgments which the Authority is obligated to pay under the terms of this Program Agreement and the Memorandum, or in such other agreements between the Authority and a Member Entity related to other Coverage options shall be paid on behalf of the Member Entities from the Program Operations Fund directly to the Claimants or designees. An amount representing the Administrative Costs incurred by the Authority with respect to the Program shall be paid to the Authority.

If the Program Operations Fund are insufficient to pay Settlements and Judgments as may be required, the Authority shall individually assess each Member Entity to the extent necessary to pay the award, and the assessment charged each Member Entity shall be determined on a proportionate basis as may be determined by the Board of Directors with the advice of its Consultant ("Special Assessment"). Any such Special Assessment shall be a contractual obligation of the Member Entity.

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

3.5 Loss Reserves. The Authority shall employ or retain a Qualified Claims Administrator for the purpose of adjusting Claims and submitting a report to the Authority and each Member Entity setting forth (a) the amount of Loss Reserves necessary to be established with respect to each Claim arising during the preceding full Coverage Year(s), and (b) any adjustments (whether increase or decrease) necessary to be made in the amount of each Loss Reserve previously established pursuant to this Section and to make supplemental reports from time to time throughout each year as needed in accordance with prudent practice. In determining the amount of Loss Reserves necessary to be established or adjusted as described above, the Qualified Claims Administrator shall consider such facts and circumstances occurring during the period covered by such report as it, in its independent judgment, deems necessary in accordance with prudent practice. Notwithstanding the foregoing, the Qualified Claims Administrator shall take into account Settlements of Claims in accordance with the criteria set forth in this Section.

The Authority shall adjust Loss Reserves in the Program Operations Fund annually, and additionally from time to time throughout each year as needed in accordance with prudent practice. In the event that any such adjustment to Loss Reserves results in the Unencumbered Reserves being reduced to zero, the Authority shall provide prompt written notice of such fact to the Member Entities and the Authority shall have the discretion to impose, and the Member Entities shall be obligated to pay, any Special Assessment which the Board of Directors may determine is necessary in order to fund the Unencumbered Reserves at a prudent level with the advice of a qualified actuary or other person knowledgeable about public entity liability programs.

3.6. Other Insurance, Excess Insurance or Reinsurance. The Authority may provide Coverage, or a portion of Coverage, to the Member Entities, by purchase of liability insurance, excess insurance or reinsurance from a commercial insurer, excess insurer or reinsurer upon the approval of the Board of Directors of the Authority; by purchase of liability 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 liability insurance, excess insurance or reinsurance. The Authority may use Unencumbered Reserves to purchase or make payments to acquire such insurance, excess insurance or reinsurance, or participate in such pool or program; provided, however, that the Authority may use Loss Reserves to purchase

or otherwise acquire such insurance, excess insurance or reinsurance if the policy of commercial insurance, excess insurance or reinsurance to be purchased or otherwise acquired covers the claim for which such Loss Reserves were established. In the event of a dispute between the Authority and any Member Entity and any insurer, excess insurer or reinsurer as to payment of a Settlement or Judgment, the failure by either to pay such Settlement or Judgment shall not result in a default by the Authority under the terms of this Agreement. .

In a Coverage Year for which the Authority has purchased or otherwise acquired insurance, excess insurance or reinsurance on behalf of a Member Entity, each such Member Entity shall be obligated to pay a proportion of the costs of such insurance, excess insurance or reinsurance, and Risk Assessment Adjustments.

SECTION 4: TERM OF AGREEMENT; ASSESSMENT

4.1. Term of Agreement; Termination of a Participant's Obligations to Pay Assessment. The Term of this Agreement shall commence on the date of its execution and shall, continue until the Member Entity's participation in the Program terminates as provided in Section 6 of this Agreement.

The obligation of any Member Entity to pay Assessments under this Agreement will terminate upon the terms and conditions set forth in Section 6 herein.

4.2. Budget and Appropriation of Assessment Payments. The Authority shall calculate the Assessments to be paid by each Member Entity for the next succeeding Coverage Year and provide a preliminary bill no later than April 15th of each year during the term of the Agreement. The Authority will deliver a final bill no later than June 1st of each year to Member Entities. Each Member Entity covenants to take such action as may be necessary to include Assessment payments payable hereunder in its annual budget, to levy ad valorem taxes outside its permitted mill levy limitation, if necessary, on all property within its jurisdiction to fund such Assessment payments and to make the necessary annual appropriations for all such Assessment payments. The covenants on the part of the Member Entity 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 Entity to take such action and do such things as are required by law in the performance of the official duty of such officials to enable each Member Entity to carry out and perform the covenants and agreements in this Agreement agreed to be carried out and performed by such Member Entity.

4.3. Obligation to Pay Assessments.

(a) No Withholding. Notwithstanding any dispute between the Authority and a Participant, including a dispute as to the scope or nature of Coverage provided by the Authority or the availability of amounts in the Program Operations Fund to pay Claims made against any Participant, or for any other reason (other than the termination of the obligation to pay Assessment pursuant to Section 4.1 hereof), the Member Entity shall appropriate funds sufficient to pay and shall make all Assessment payments when due and shall not withhold any Assessment payments pending the final resolution of such dispute.

(b) Rate on overdue Payments. In the event a Member Entity fails to make any of the payments required in this Section, the payment in default shall continue as an obligation of the Member Entity until the amount in default shall have been fully paid, and in

addition to any remedies available with respect to such default, the Member Entity agrees to pay the same with interest or penalty thereon, at a rate or rates to be established by the Authority, from the date such amount was originally payable.

(c) Abatement. There shall be no abatement of Assessment payments.

4.4. Assessments.

(a) Assessment. The entire amount of Assessment is due on the Assessment Payment Date.

(b) Risk Assessment.

(1) Total Risk Assessments

With respect to each Coverage Year, the Authority shall retain a Consultant to determine and prepare a report by March 1 preceding the beginning of such Coverage Year setting forth the total amount of Risk Assessments payable in the aggregate by all Member Entities for such Coverage Year ("Total Risk Assessment"). Total Risk Assessment shall be that amount which the Consultant estimates is required to be deposited into the Program Operations Fund at a confidence level of no less than fifty percent (50%), to maintain sufficient Loss Reserves to pay all Settlements and Judgments for all Member Entities, all Administrative Costs incurred during the Coverage Year, costs of other insurance, excess insurance, or reinsurance, and such other reasonable and necessary costs as may be incurred in the operation of the Program as may be determined by the Board of Directors of the Authority. The Total Risk Assessment may be increased by the Authority if, upon advice of the Consultant, the Board of Directors determines that a higher confidence level should be maintained. The Consultant shall utilize such methodology as adopted from time to time by the Authority upon notice to the Member Entities and shall certify that such methodology was used. The Authority shall collect from all Member Entities an amount equal to the Total Risk Assessment determined by the Consultant to maintain the designated confidence level in the Program. The amount collected from all Member Entities may include funds obtained from Assessments, investment income and Unencumbered Reserves, as the Board of Directors may in the exercise of its discretion deem appropriate with respect to each Coverage Year.

(2) Calculation of an Individual Member Entity's Risk Assessment. Based upon the Total Risk Assessment requirement for each Coverage Year, the Board of Directors shall set Risk Assessment rates for the individual Member Entities utilizing an appropriate methodology consistent with commonly accepted actuarial principles. The Risk Assessment rates shall then be applied to each Member Entity's estimated payroll by deductible category and further adjusted by an experience rating modification which shall be determined by the Board of Directors on the advice of an actuarial consultant utilizing commonly accepted actuarial principles.

(3) Assessment Audits. The Authority may at its discretion audit each member entity to determine the accuracy of the basis used for the assessment calculations. An audit will be limited to the two Coverage Years prior to the Coverage Year during which the audit takes place. Refunds for overpayment or billing for underpayment will be limited to the same period.

(4) Member Identified Errors. If an individual Member finds errors in the amount of Assessments paid for prior periods, and submits documentation deemed adequate by the Authority (e.g. an independent audit or authorized change to reports submitted to some other

government entity), a refund may be requested or additional Assessments paid in accordance with the time limits identified above for Assessment audits.

4.5. Risk Assessment Adjustment;

(a) Risk Assessment Adjustment.

(1) For purposes of the Risk Assessment Adjustment Computation, "Incurred Losses" for each Member Entity shall mean the amount by which Loss Reserves for all Claims of each Member Entity are to be established or increased during each Coverage Year covered by the annual report which is submitted by the Qualified Claims Administrator pursuant to Section 3.5 hereof, exclusive of the most recently completed preceding full Coverage Year, netting out any decrease in Loss Reserves for Claims of each such Member Entity during such period.

(2) Risk Assessment Adjustment Computation. On or before March 31 of each year, the Authority shall compute the Risk Assessment Adjustment for each Member Entity. The Risk Assessment Adjustment, which may be an additional Assessment or a refund of a previous Assessment, shall be the sum of Incurred Losses, loss expenses, and administrative costs less Risk Assessments, inclusive of prior Risk Assessment Adjustments. The methodology and limitations of additional assessment or refund shall be determined by the Authority based on the recommendation of the Consultant.

Notwithstanding the foregoing, the Authority is authorized to compute the Risk Assessment Adjustment more frequently than annually and/or inclusive of the most recently completed preceding full Coverage Year when the Board of Directors with due regard for the financial condition of the Program deems it prudent and necessary to do so.

(3) Overriding Clause. In the event Section 4.5(a) conflicts with any other section, provision, or definition in the Liability Coverage Program Agreement, this section shall govern and supersede the same.

(4) Prompt Notice of Risk Assessment Adjustments. The Authority shall give each Member Entity prompt notice of the determination of Risk Assessment Adjustments.

(5) Obligation of Pay Risk Assessment Adjustments. The obligation of Member Entities to pay Risk Assessment Adjustments with respect to Coverage Years in which they were Member Entities determined subsequent to the date of withdrawal shall in no event be discharged by expulsion or withdrawal from the Program.

SECTION 5: INDIVIDUAL MEMBER ACCOUNTS; ACCOUNT SETTLEMENT UPON WITHDRAWAL OR TERMINATION

5.1. Individual Member Accounts. An Individual Member Account in the name of each Member Entity will be established; and in the case of Member Entities who are Member Entities in the Program as of the effective date of this Agreement, the balance in their respective Individual Member Accounts will be continued. Such Individual Member Account will be used to identify the current financial condition of each Member Entity's participation in the Program. The Individual Member Accounts will represent each Member Entity's share of Assessments less Claims, Judgments, Administrative Costs and other expenses which have been made against the Program.

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

(a) may be credited against future Assessments or payable as dividends;

(b) may be payable to each Member Entity who withdraws from the Program;

(c) may be payable to each Member Entity on termination of the Program.

5.2. Annual Computation. Within 180 days of the end of each Coverage Year, the Individual Member Account of each Member Entity shall be computed by computing for the Program as a whole and by allocating to each Member Entity its proportionate share of the Assessments collected plus the investment income and other revenues of the Program at the end of the Coverage Year less the Claims (including claims paid, claims incurred, and claims incurred-but-not-reported), Judgments, loss development, Administrative Costs, and other operating costs for such Coverage Year.

Provided, however, that no Member Entity shall be entitled to receive any money or credit on account of having a positive balance in its Individual Member Account unless the Unencumbered Reserves of the Program Operations Fund has a adequate fund balance as determined by the Board in consultation with the program actuary, and in such event the individual Member Entity shall be entitled to a proportionate share of the assets in the Unencumbered Reserves in satisfaction of its Individual Member Account as provided in this Agreement.

5.3. Termination of Program. Upon termination of all obligations to pay Assessments and termination of this Agreement, the Authority will distribute (i) all Risk Assessment Adjustment refunds to the Member Entities, and (ii) all Unencumbered Reserves held by it to the then-participating Member Entities according to the balance in each Member Entity's Individual Member Account.

5.4. Settlement of Individual Member Account upon Withdrawal of Member Entity. In the event a Member Entity withdraws from the Program in good standing as provided in Section 6.4, the withdrawing Member Entity's Individual Member Account will be calculated as of that date and 10% of the amount due the withdrawing Member Entity based upon the status of its Individual Member Account and subject to the provisions contained in Sections 5.1 and 5.2 will be paid to the Member Entity 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 and payable the withdrawing Member Entity shall be determined as provided in Section 5.2 (the Annual Recomputed Amount). At the end of the first year, twenty-five percent (25%) of the Annual Recomputed Amount due and payable based upon the Individual Member's Account will be paid to the Member Entity 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 Entity shall be paid fifty percent (50%) of the Annual Recomputed Amount due and payable 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 Entity shall be paid fifteen percent (15%) of the Annual Recomputed Amount due and payable 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 Entity to receive a settlement of its Individual Member's Account is

subject to the availability of funds in the Unencumbered Reserves as provided in Section 5.2. Provided, however, that this schedule for disbursements is subject to the limitation imposed by Section 6.4(d) of this Agreement.

5.5. Settlement of Individual Member Account upon Termination. In connection with expulsion or suspension of a Member Entity pursuant to Section 6.5 herein, the Authority shall determine the Individual Member Account of such Member Entity. The amount of the Individual Member Account otherwise due to the Member Entity being expelled or suspended shall be applied to the obligations due from such Member Entity under the terms of this Agreement. Any remaining balance in the terminated Member Entity's Individual Member Account ("the Excess Individual Member Account Balance") shall be held by the Authority and any interest thereon in a segregated account for the benefit of such Member Entity. The Authority will transfer to such Member Entity its Excess Individual Member Account Balance, if any, on the earliest practicable date when the Member Entity is no longer subject to any Assessments for any obligations under the terms of this Agreement, which will be the date when all Claims, including claims incurred during any Coverage Period prior to expulsion or suspension of such Member Entity, and Judgments have been finally determined and/or paid, and then pursuant to the schedule of payments set forth in Section 5.4 herein applicable to a Member Entity who withdraws in good standing, subject to the availability of funds in the Unencumbered Reserves as provided in Sections 5.2 and 5.4 and subject further to the limitation as provided in Section 6.4(d).

SECTION 6: ADMISSION TO, WITHDRAWAL FROM AND EXPULSION FROM THE POOLED COVERAGE PROGRAM

6.1. Conditions for Providing Coverage to a New Member Entity.

Applications for memberships in the Program shall be submitted on an approved form to the Chief Executive Officer. The Board of Directors will consider and act upon each application. Concurrence by a majority of the Board is required in order for an applicant to be admitted as a Member. The Authority may provide Coverage to a new Member Entity in the Program, subject to the following conditions:

(a) such new Member Entity shall be a member of the Authority.

(b) at least 30 days prior to the commencement of Coverage under the Program, such new Member Entity shall be signatory to the Interlocal Agreement and this Program Agreement;

(c) at least 30 days prior to the commencement of Coverage under the Program, such new Member Entity shall have submitted a completed application for admission to the Program as may be required by the Board of Directors.

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

Coverage of such new Member Entity shall be effective the day designated by the Authority succeeding the approval of the new Participant's application by the Authority and the execution of the documents as provided herein.

6.2. Requirements for Participation in the Program.

Each Member Entity who participates in the Program shall execute this Agreement. Each Member Entity hereby acknowledges and agrees that, commencing with the effective date of its participation in the Program, the Member Entity shall be obligated to pay Assessments as computed pursuant to this Agreement.

6.3. Capital Assessment of New Member Entity to Program Operations Fund.

(a) If the Program Operations Fund is not adequately funded, the new Member Entity may be assessed a non-refundable amount to be deposited into the Program Operations Fund as determined by the Authority ("Capital Assessment"). Such new Member Entity shall pay all components of the Risk Assessment in addition to this Capital Assessment.

(b) If the Program Operations Fund is adequately funded as determined by a Consultant, no initial capital assessment will be required of the Member Entity.

6.4. Conditions to Permitting Withdrawal of a Member Entity from Coverage. The Authority shall permit a Member Entity to withdraw from Coverage under this Agreement, provided that the following are satisfied:

(a) such Member Entity shall not be in default of any of its obligations to pay assessments hereunder;

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

(c) such Member Entity shall have paid or there shall have been applied on its behalf certain moneys as described in Section 5.2 hereof the full amount of the Termination Assessment pursuant to Section 9 of this Agreement.

(d) Provided, however, if the Authority shall have received a certificate from a Consultant that such withdrawal will materially reduce the actuarial soundness of the Program, the Authority may, in its sole discretion and upon the advice of the Consultant, in order to minimize the financial, actuarial and economic impacts on the Program, extend the terms of the repayment of amounts due the withdrawing Member Entity of the Member Entity's Individual Member Account as otherwise provided in Sections 5.2 and 5.4 of this Agreement.

(e) In no event shall withdrawal from Coverage release a Member Entity from its obligation to pay damages resulting from default under the terms of this Agreement which is not remedied by payment of Termination Assessment or from its obligation to pay Assessments determined subsequent to the date of the withdrawal. The Authority shall continue to pay Settlements and Judgments of covered Claims relating to the withdrawn Member Entity which arose prior to withdrawal as provided herein, unless the Member Entity defaults in the payment of its continuing obligations described in the preceding sentence. Notice to withdraw shall be revocable by the Member Entity only with the consent of the Authority.

6.5. Conditions of Membership Review, Suspension and Termination Procedure.

(a) The Authority may suspend or expel a Member Entity from the Program (i) if the Member Entity is in default under the terms of this Agreement or (ii) when, in the determination of the Chief Executive Officer, a Member Entity has engaged in conduct, other than a default under this Agreement that warrants expulsion from membership in the Program.

Suspension, termination or expulsion is subject to the conditions provided in Section 6.6 herein.

(b) The following shall be "events of default" under this Agreement and the terms "events of default' and "default" shall have the same meaning whenever they are used in this Agreement with respect to a Member Entity:

(1) failure by such Member Entity to observe and perform any covenant, condition or agreement on its part to be observed or performed herein or otherwise with respect hereto, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to such Member Entity by the Authority, provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Authority, as the case may be, shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Member Entity within the applicable period and diligently pursued until the default is corrected; or

(2) the filing by such Member Entity of a case in bankruptcy, or the subject of any right or interest of such Member Entity under this Agreement to any execution, garnishment or attachment, or, adjudication of such Member Entity as a bankrupt, or assignment by such Member Entity for the benefit of creditors, or the entry by such Member Entity into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Member Entity in any proceedings instituted under the provisions of the federal bankruptcy code, as amended, or under any similar act which may hereafter be enacted.

(c) When a Member Entity has been determined by the Authority to be in default under the terms of the Agreement, the Member Entity shall be given written notice of such default and shall be required to cure such default within ten (l0) calendar days of receipt of such notice. If such default is not cured within the time prescribed herein, said Member Entity will be suspended from the Program and Coverage of Claims under the 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 Entity. Such period of suspension shall continue until the conditions of termination or expulsion stated in Section 6.6 of this Agreement have been met, at which time the defaulting Member Entity's participation in the Program shall be immediately terminated without a meeting.

(d) In the event the Chief Executive Officer has determined that the Member Entity has engaged in conduct that warrants expulsion other than a default under this 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 Entity 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 Entity, 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 Entity 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 Entity 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 Entity 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 Entity on probation, the terms and duration of which it shall determine; (ii)

to suspend a Member Entity from Coverage; or (iii) to expel a Member Entity from the Program. A copy of the Board of Directors' decision shall be served by mail on the Member Entity. 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 Entity has received notice of the suspension or termination. The duration of the notice period shall be determined by the Board.

In no event shall involuntary termination or expulsion release a Member Entity of its obligation to pay damages resulting from default under the terms of this Agreement which is not remedied by payment of the Termination Assessment, or from its obligation to pay Risk Assessment Adjustments.

6.6. No Remedy Exclusive. No remedy conferred herein upon or reserved to the Authority is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity, including, but not limited to, the right by mandamus or other suit or proceeding at law or in equity to enforce his rights against the Member Entity and to compel the Member Entity to perform and carry out its duties under this Agreement. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Section it shall not be necessary to give any notice, other than such notice as may be required in this Section or by law.

6.7. Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Agreement should default under any of the provisions hereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party contained herein, the defaulting party agrees that it will on demand pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party awarded to the nondefaulting party by a court of competent jurisdiction.

6.8. No Additional Waiver Implied by One Waiver. In the event any covenant contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

SECTION 7: INDEMNIFICATION AND RELEASE; DISCLAIMER

7.1. Release and Indemnification Covenants. Each Member Entity shall and hereby agree to indemnify and save the Authority and all other Member Entities harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (i) its breach or default in the performance of any of its obligations under this Agreement or (ii) its act or negligence or that of any of its agents, contractors, servants, employees or licensees with respect to the Coverage. No indemnification is made under this Section or elsewhere in this Agreement for claims, losses or damages, including legal fees and expenses arising out of the willful misconduct, negligence, or breach of duty under this Agreement by the Authority, its officers, agents, employees, successors or assigns.

7.2. Disclaimer. THE AUTHORITY MAKES NO WARRANTY OR

REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE ADEQUACY OF THE COVERAGE FOR THE NEEDS OF THE MEMBER ENTITIES.

SECTION 8: ASSIGNMENT AND AMENDMENT

8.1. No Assignment by the Member Entities. This Agreement may not be assigned by any Member Entity.

8.2. Amendment. This Agreement may be amended by a written instrument duly authorized and executed by the Authority and a majority of the Member Entities. It is expressly agreed and understood that approval of any amendment by a majority of the Member Entities who are signatories to this Agreement at the time of such amendment shall operate to bind each Member Entity to such amendment. All costs and expenses incurred in connection with any amendment to this Agreement shall be borne pro rata by the Member Entities.

SECTION 9: TERMINATION ASSESSMENT

9.1. Termination Assessment.

A Member Entity may withdraw from Coverage pursuant to Section 6.4 hereof or be expelled from Coverage pursuant to Section 6.5 hereof when provision has been made for payment of the Termination Assessment as herein provided. The Termination Assessment for a Member Entity shall be equal to the difference between the sum of the total amount of Risk Assessment Adjustments that would be assessed against such Member Entity in all subsequent Coverage Years (with respect to Coverage Periods prior to such withdrawal or expulsion) if such Member Entity were to continue to participate in the Program and its Allocable Share of the Unencumbered Reserves of the Program Operations Fund as it would be restored as a result of the assessment of such Risk Assessment Adjustments.

9.2. Continuing Assessment Obligations. A Member Entity shall remain liable in each Coverage period to pay Risk Assessment Adjustments.

SECTION 10: MISCELLANEOUS

10.1. Notices. All notices or other communications hereunder shall be sufficiently given and shall be deemed to have been received five business days after deposit in the United States mail in certified form, postage prepaid.

If to the Member Entity	The City or Town Clerk At the address of the City or Town as maintained in the official records of the Authority
If to the Authority:	Montana Municipal Interlocal Authority PO Box 6669 Helena, MT 59604-6669

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

10.2. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Authority and the Member Entities and their respective successors and assigns.

10.3. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by a court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

10.4. Further Assurances and Corrective Instruments. The Authority and the Member Entities 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 Agreement.

10.5. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

10.6. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State.

10.7 Effect of Revised Agreement. This Agreement amends and supersedes each prior Liability Program Agreement, and this Agreement shall effect a continuation of the Program for all purposes with respect to the continuity of Coverage, expenses, accounts, contracts, and other agreements related to the operation of the Program.

MONTANA MUNICIPAL INTERLOCAL AUTHORITY
AMENDED AND RESTATED
LIABILITY COVERAGE
PROGRAM AGREEMENT
Dated as of JULY 1, 2009

Signature Page

IN WITNESS WHEREOF, THE Authority has caused this AMENDED AND RESTATED LIABILITY COVERAGE PROGRAM AGREEMENT to be executed in its name by its duly authorized officers;

MONTANA MUNICIPAL INTERLOCAL AUTHORITY,
as Authority

By _____
Chief Executive Officer

Date signed _____

and the Member Entitiy has caused this Agreement to be executed in its name by their duly authorized officers:

City of _____
As Member Entity

Address _____

_____

By _____

Its _____

Date Signed _____

ATTEST:

_____
City Clerk