

representative of the Trust as required for the evaluation and payment of any claims covered under the Health Benefits Plans;

- (5) Knowing and willful failure to observe and perform any covenants, conditions or agreements on its part to be observed or performed in the Trust Agreement and any related document, including the Health Benefits Plans;
- (6) The filing of a petition in bankruptcy, or the subjection of any right or interest of a Participant under the Health Benefits Plans to any execution, garnishment, attachment, adjudication of such Participant as a bankrupt, assignment by such Participant for the benefit of creditors, or the approval by a court of competent jurisdiction of a petition applicable to that Participant in any proceedings instituted under the provisions of the federal bankruptcy code, as amended, or under any similar state or federal statute which may thereafter be enacted;
- (7) Knowingly taking any action detrimental to the fiscal and/or actuarial soundness of the Trust.

Expulsion shall become effective after sixty (60) days written notice to the Participant, or ten (10) days written notice for non-payment of Premium, and no liability shall accrue to the Trust after the effective date of expulsion except as provided in Section 3.05(c) hereof.

All decisions by the Board expelling a Participant may be submitted by that Participant to a three member arbitration panel. One member of that panel shall be selected by the Participant, one by the Trust and a third shall be randomly selected from a list of qualified arbitrators prepared by the Board of Trustees in accordance with the By-Laws. All decisions by the arbitration panel shall be final. The Participant whose expulsion is sought shall have a full and fair opportunity to appear before the Board and/or the arbitration panel and present any evidence on its behalf before the Board or the arbitration panel renders its decision.

The Participant, upon notification of expulsion, understands coverage will terminate and the Participant will be responsible to secure adequate health benefits coverages so that such coverages are in effect on the effective date of the Participant's expulsion.

Upon expulsion, a Participant shall forfeit any and all rights to any refunds or dividends to which it may otherwise be entitled.

Upon expulsion, a Participant may be required to pay additional assessments as determined by the Board of Trustees. A Participant may be required to pay assessments after the effective date of its expulsion caused by deficits which occurred because of claims which were paid while that Participant was afforded coverage under the Health Benefits Plans.

(b) Withdrawal by a Participant. As provided herein, each Participant hereby agrees that it shall not withdraw from the Trust for a period of two (2) years from the date upon which it was first admitted as a Participant. In addition, it is also agreed that each Participant may withdraw from the Trust after giving one hundred twenty (120) days prior written notice to the Board of Trustees at any time after the expiration of the two year period only if the following conditions are satisfied:

- (1) An opinion is rendered by the Trust's Actuary or underwriting consultant that such withdrawal will not result in the number of Participants falling below the minimum required to assure the fiscal and actuarial soundness of the Trust itself;
- (2) That the withdrawing Participant is not then in default of its obligation to pay premiums or assessments;

After withdrawal by a Participant, that Participant may be required to pay additional assessments as required by the Board of Trustees in accordance with this Agreement and the By-Laws based upon any deficits which were caused by any claims paid while that Participant was provided coverage under the Health Benefits Plan.

If there is a dispute over whether a Participant may voluntarily withdraw from the Trust that Participant will have a full and fair opportunity to present any relevant evidence or information to the Board of Trustees who shall decide by majority vote whether the conditions listed above have been met. If the Board determines that any of these conditions have not been met and the Participant should not be permitted to withdraw from the Trust, that Participant may submit the dispute to an arbitration panel in accordance with the procedure described in paragraph (a) above, whose decision shall be final.

(c) Liability of Trust after Withdrawal or Expulsion of a Participant.

(1) For those claims for benefits covered and payable under the Health Benefits Plans, the Trust shall continue to service and otherwise be responsible for any covered **claims incurred** prior to expulsion or withdrawal of a Participant.

(2) No dividends shall be paid to a Participant who has been expelled or has voluntarily withdrawn from the Trust.

ARTICLE IV

ACCEPTANCE OF TRUST

4.01 Acceptance. Trustees hereby accept the trusts imposed upon them by this Agreement and agree to perform said trust in accordance with the terms and conditions of this Agreement. Trustees shall hold legal title to all property of the Trust and shall have absolute and exclusive power and control over the management and conduct of the business of the Trust.

4.02 Future Trustees. Whenever any change shall occur in the Board of Trustees, the legal title to the property hereby created by this Trust shall pass to those duly appointed Trustees. Each future Trustee appointed in accordance with this Agreement shall accept the Office of Trustee and the terms and conditions of this Agreement in writing.

4.03 Trustees' Duties and Obligations. The Trustees shall discharge their duties and obligations under this Agreement solely in the interests of the Participants with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

The Trustees shall adopt By-Laws for the management and control of the Trust, so long as such By-Laws are not inconsistent or in conflict with the terms and provisions of this Agreement. Said By-Laws may be amended by the Trustees as they shall provide.

4.04 Liability of Trustees.

(a) The Trustees shall not be liable for errors of judgment either in holding property originally conveyed to them, in acquiring and afterwards holding additional property, in the performance of their duties hereunder, nor for any act or omission to act, performed or omitted by them, in the execution of the trusts created hereunder.

(b) Every act done, power exercised or obligation assumed by the Trustees, pursuant to the provisions of this Agreement, or in carrying out the trusts herein contained, shall be held to be done, exercised or assumed by them as Trustees and not as individuals, and any person or corporation contracting with the Trustees, shall look only to the Trust and property of the Trust available for payment under such contract, or for the payment of any debt, mortgage, judgment or decree or the payment of any money that

may otherwise become due or payable on account of the trusts herein provided for, and any other obligation arising out of this Agreement in whole or in part, and neither the Trustees nor the Participants, present or future, shall be personally liable therefore.

(c) Notwithstanding the provisions of (a) and (b) above, a Trustee shall be personally liable in connection with the performance of his duties hereunder for his own willful misconduct or gross negligence.

(d) The Board of Trustees shall use their best efforts to purchase so-called directors and officers liability insurance.

ARTICLE V

OPERATION OF THE TRUSTEES

5.01 Office. The Trustees shall designate a principal office of the Trust. Such principal office shall be in the County of Montgomery in the Commonwealth of Pennsylvania. At such principal office there shall be maintained the books, reports and records pertaining to the Trust and its administration.

5.02 Meetings. There shall be an annual meeting of the Trustees on a day and at a place designated by the Trustees. At the annual meeting the Trustees shall elect a Chairman and such other officers as provided in the By-Laws and transact such other business as may come before them. The Trustees shall hold such other meetings and shall establish such procedures for the conduct of those meetings as they shall provide in the By-Laws.

5.03 Extraordinary Votes. An affirmative vote of two-thirds (2/3) of all Trustees shall be required to expel or admit a Participant, and amend this Agreement.

5.04 Indemnification.

(a) The Trust shall indemnify and defend: (i) each member of the Board of Trustees and the estate, executor, administrator, personal representatives, heirs, legatees and devisees of any such person; and (ii) every officer and employee of the Trust and the estate, executor, administrator, personal representatives, heirs, legatees or devisees of such person; against all claims, suits or judgments including interest, fines, amounts paid or agreed upon in settlement, reasonable costs and expenses including attorneys, fees and any other liability that may be incurred as a result of any claim, action, suit or proceeding, whether civil, criminal, administrative, or other, prosecuted or threatened to be prosecuted, for or on account of any act performed or omitted or obligation entered into, if done or omitted in good faith without intent to defraud and within what he reasonably

believed to be the scope of his employment or authority and for a purpose which he reasonably believed to be in the best interest of and in connection with the administration, management, conduct or affairs of the Trust, and with respect to any criminal actions or proceedings, in addition, had no reasonable cause to believe that his or its conduct was unlawful. Provided, however, that if any such claim, action, suit, or proceeding is compromised or settled, it must be done with the prior and express approval of the Board of Trustees or such other persons as may be authorized to make determinations with respect to indemnification pursuant to subparagraph (d) of this Section.

(b) Such indemnification and defense shall not depend upon whether or not such person is a member of the Board of Trustees at the time such claim, action, suitor proceeding is begun, prosecuted or threatened.

(c) The right of indemnification and defense hereunder shall not be exclusive of other rights such person or Board may have as a matter of law or otherwise.

(d) In each instance in which a question of defense and/or indemnification hereunder arises, determination to indemnification hereunder, and the time, manner and amount of payment thereof, shall be made by a majority vote of a quorum of the Board of Trustees provided, however, that no member of the Board of Trustees seeking indemnification hereunder as a result of the same occurrence shall participate in the determination. In the event that a majority of the members of the Board of Trustees are seeking indemnification hereunder as a result of the same occurrence or the number of Board of Trustees members eligible to vote does not constitute a quorum, such determination in the first instance shall be made by independent legal counsel retained by the Trust for the purpose of making the determination. Nothing in this paragraph is intended to make an adverse determination finally binding upon the person seeking indemnity under this Section, or to preclude any such person from appealing an adverse determination against him or it, or from instituting legal proceedings to enforce a right of indemnification under this Section.

(e) The indemnification and defense provided for in this Section shall be deemed to be an expense of the Trust which may be paid from the General Operating Fund.

(f) The indemnification and defense provided by this Section shall be secondary to any benefits which the person may be entitled to receive from any applicable insurance policy providing Directors and officers, Errors and Omissions or other applicable insurance coverages which have been procured by the Trust or for which the Trust paid the required premium. The indemnification provided by this Section shall be primary over any indemnification provided by a trustee at his or her own expense.

(g) (i). Notwithstanding any other provision of this Section to the contrary, a person may seek, and the Trust may pay, advance indemnification prior to the

rendering of a final determination of entitlement to indemnification pursuant to the provisions of subparagraph (d) of this Section. Any award of such advance indemnification by the Trust shall be discretionary and subject to the provisions of this Section.

(ii). In each instance where a question of advance indemnification hereunder arises, determination of the right to indemnification and of any conditions or restrictions attached thereto shall be made by a majority vote of a quorum of the Board of Trustees provided, however, that no member of the Board of Trustees seeking indemnification hereunder as a result of the same occurrence shall participate in the determination. In the event that a majority of the members of the Board of Trustees are seeking indemnification as a result of the same occurrence or the number of members of the Board of Trustees eligible to vote does not constitute a quorum, such determination shall be made by independent legal counsel retained by the Trust for the purpose of making the determination.

(iii). Any determination of advance indemnification shall be discretionary and may provide for the time, manner and amounts advanced hereunder and shall include such limitations as may be deemed appropriate in the particular circumstances on rate of payment, the total amount to be advanced and the security, if required, for repayment of such advances.

(iv). Any advance authorized hereunder shall be repaid to the Trust if the person on whose behalf the advance was made is not entitled to indemnification of his costs and expenses under the provisions and in accordance with the standards for indemnification provided in this Section.

ARTICLE VI

PURPOSE OF THE TRUST; POWERS OF TRUSTEES

6.01 Purposes of Trust. The purposes and objectives of the Trust are as follows:

- (a) To provide high quality health benefits for each Participant at the lowest possible cost;
- (b) To minimize and better control claims handling and administrative expenses;
- (c) To protect each Participant from the volatility and high premiums of the commercial health insurance markets; and

(d) To take whatever other action which may be necessary to preserve and protect the fiscal and actuarial integrity of the Trust, as provided in the Trust Agreement and By-Laws.

The association being formed hereunder is intended to be a trust under the laws of the Commonwealth of Pennsylvania.

It is the express intent of the Participants entering into this Trust Agreement that they do not intend to waive, and are not waiving, any of the immunities which they or their commissioners, supervisors, council persons, officers or employees have now, and may have in the future, under the Pennsylvania Political Subdivision Tort Claims Act, any other applicable statutes or under the common law.

6.02 Powers of Trustees. The Trustees shall have the power to control and manage the Trust and to perform such acts, enter into such contracts, engage in such proceedings, and generally to exercise any and all rights and privileges, although not specifically mentioned herein, as the Trustees may deem necessary or advisable to administer the Trust or to carry out the purposes of this Agreement. Any determination made by the Trustees in the exercise of these powers shall be binding upon all participants. In addition to the powers set forth elsewhere in this Agreement, the powers and duties of the Trustees in connection with their managing and controlling the Trust shall include, but shall not be limited to, the following:

(a) To see that the Trust is safely and prudently administered to insure its financial stability and to be responsible for the investment of Trust monies at the best return possible in accordance with all applicable state and federal law.

(b) To receive, hold, manage, invest, reinvest, and control all monies at any time forming part of the Trust.

(c) To purchase contracts of insurance or reinsurance through such broker or brokers as the Trustees may choose and to pay premiums on such policies.

(d) To borrow or raise money for the purpose of financing any self-insurance reserves of the Trust to the extent authorized under state and federal law. However, no municipal debt shall be incurred by the Trust, its participating municipalities or any entity created for that purpose without the consent of all participating municipalities and compliance with all state and federal law.

(e) To hold cash, uninvested, for such length of time as the Trustees may determine without liability for interest thereon.

(f) To make, execute, acknowledge and deliver any and all documents of transfer and conveyance, including, but not limited to, deeds, leases, mortgages,

conveyances, contracts, waivers and releases, and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted.

(g) To employ suitable agents, advisors and other persons as the Trustees may deem necessary and advisable for the efficient operation and administration of the Trust, to delegate duties and powers hereunder to such agents, advisors and employees and to charge the expense thereof to the Trust. Trustees are entitled to rely upon and may act upon the opinion or advice of any attorney or Service Agent approved by the Trustees in the exercise of reasonable care. Trustees shall not be responsible for any loss or damage resulting from any action or non-action made in good faith reliance upon such opinion or advice. All delegated authority shall be specifically defined in the By-Laws or the written minutes of the Trustees' meetings.

(h) To continue to have and to exercise, after the termination of the Trust and until final distribution, all of the title, powers, discretion, rights and duties conferred or imposed upon the Trustees hereunder, or by law.

(i) To construe and interpret this Trust Agreement and any related documents, including the Participation Agreement, By-Laws, and the Trust Coverage Document.

(j) To receive from Participants and other relevant sources, such information as shall be necessary for the proper administration of the Trust.

(k) To maintain bank accounts for the administration of the Trust and to authorize certain Trustees, the Trust Administrator, Service Agent or other appropriate persons to make payments from any such account for purposes of the Trust.

(l) To receive and review reports of the financial condition and of the receipts and disbursements of the Trust.

(m) To adopt By-Laws, rules, regulations, formulas, actuarial tables, forms, and procedures by resolution from time to time as they deem advisable and appropriate for the proper administration of the Trust, including membership criteria, provided the same are consistent with the terms of this Agreement.

(n) To have a judicial settlement of their accounts and judicial determination of any questions in connection with their duties and obligations hereunder, or in connection with the administration or distribution thereof. The costs and expenses, including accounting and legal fees, for such judicial settlement of accounts or other judicial determination shall be paid by the Trust as a general administrative expense to the extent permitted by applicable law.

(o) To purchase as a general administrative expense of the Trust so-called directors and officers liability insurance and any other types insurance for the benefit of the Trust, the Trustees, Trust employees, or agents, including group insurance, employee benefits and social security.

(p) To enter into any and all contracts and agreements for carrying out the terms of this Agreement and for the administration and operation of the Trust and to do all acts as they, in their discretion, may deem necessary or advisable, and such contracts and agreements and acts shall be binding and conclusive on Participants and Participants, employees. All such contracts and agreements, or other legal documents herein authorized, shall be approved by the Trustees and shall be executed by individuals authorized by the Trustees. This paragraph does not apply to the issuance of municipal debt for the funding of any self-insurance reserves.

(q) To write off as uncollectible any Participant's Premium or any other indebtedness or other obligation as the Trustee may deem appropriate. A decision to write off as uncollectible shall be deemed appropriate if the Trustees determine that the unlikelihood of collection or the anticipated expense of collecting justifies such action. This paragraph does not apply to the issuance of municipal debt for the funding of any self-insurance reserves.

(r) To receive premiums, premiums or assessments from any source whatsoever but such premiums, contributions or payments may not be utilized for any purpose unrelated to the purposes herein provided.

(s) To pay or contest any claim or to settle a claim by or against the Trust or any of its Participants by negotiation, compromise, arbitration, or otherwise.

(t) To pay taxes, assessments, and other expenses incurred in the collection, care, administration, and protection of the Trust.

(u) To review Applications for memberships in the Trust submitted to them and to approve or disapprove such Applications.

(v) To expel or cancel the coverage of any Participant in accordance with the terms of this Agreement.

(w) To amend the Health Benefits Plans and Group Master Health Benefits Contracts.

(x) To make provision for proper accounting and reporting procedures for each of the Participants so that the Participants shall be informed at all times of the nature of the claims arising within their jurisdiction, the manner in which these claims are being handled, and the impact of those claims upon the Trust.

(y) To purchase an employee fidelity bond covering the Trustees, the Administrator and such others as the Trustees may determine.

(z) To require assessments from each Participant in an amount equal to the ratio of that Participant's annual premium to the total annual premium contributed by all Participants in the year in which a deficit occurred. Such payment shall not exceed two (2) times the Participant's total premium for the year in which the assessment must be paid. Such amounts shall be certified by the Board as necessary for that purpose to the Participants.

(aa) To hold all property received by the Trustees, which together with the income and gains therefrom and additions thereto, shall constitute the corpus of the Trust.

(bb) To appoint for a fee or otherwise, a Trust Administrator who shall act at the direction of the Trustees to implement the decisions of the Trustees and to have direct responsibility for the operation and supervision of the Trust. The Trust Administrator shall not be an owner, officer or employee of the Service Agent or broker of the Trust.

(cc) To employ and oversee one or more independent service companies and/or consultants to act as Service Agent(s). The services of a Service Agent shall be performed pursuant to a written agreement between the Service Agent and the Trust, and the Service Agent(s) shall be compensated from the Trust for such services. The Trustees may delegate to a Service Agent responsibility for underwriting matters, claims administration and disbursement, collection of Premiums, and other duties as are specified in the Service contract. The Trustees shall require any Service Agent who handles monies of the Trust to furnish an employee fidelity bond indemnifying the Trust. The proper limit of liability to be set for such bond shall be as determined by the Trustees, but not less than a fifty thousand (\$50,000) dollar limit per loss should be established.

(dd) To employ counsel to advise and represent the Trustees on legal matters relating to the operation and administration of the Trust, and represent Participants in the defense of claims or suits.

(ee) To employ an independent certified public accountant to conduct an annual audit of the financial statements of the Trust at the close of the Trust Year, such audit report to be submitted to the Participants no more than six (6) months after the close of the Trust Year.

(ff) To employ a Fiscal Agent and delegate to it the duties to hold the moneys of the Trust and to invest and reinvest all or part of the principal and interest of the Health Insurance Fund in accordance with the requirements of an investment policy adopted by a majority of the Board of Trustees.

(gg) To appoint any subcommittees of the Board as may be necessary for the operation of the Trust. To employ an actuarial firm to review, at least annually, the expected losses and reserve requirements for the Trust.

(hh) To employ an actuarial firm to review, at least annually, the expected losses and recommend reserve requirements for the Trust.

(ii) To provide for the resolution of all coverage disputes between Participants and the Trust subject to the Participants, right to submit such disputes to arbitration following an adverse decision by the Board of Trustees; and

(jj) To do all acts, whether or not expressly authorized herein, which the Trustees may deem necessary in the best interests of the Trust.

6.03 Payment of Claims and Claims Disputes. The Executive Committee shall be responsible for adopting guidelines for the handling and payment of claims as set forth in the Group Master Health Benefits Contracts and Health Benefits Plans. The decision of whether to pay a claim shall be made in the first instance by the Third Party Administrator responsible for claims handling. Any denial of a claim for health benefits shall first be submitted for resolution in accordance with the procedures set forth in the Group Master Health Benefits Contracts and Health Insurance Plans. If the claims dispute is not resolved by that process then it shall be submitted to the Trust Health Benefits Appeals Board in accordance with procedures and guidelines adopted by the Executive Committee and approved by a majority of the Board of Trustees. The members of the Trust Health Benefits Appeals Board shall consist of the Chairman of the Executive Committee, a qualified physician and a Trustee unaffiliated with the claimant who is not a member of the Executive Committee. Decisions by the Trust Health Benefits Appeals Board may be submitted for final resolution to a three member arbitration panel. One member of that panel shall be selected by the claimant(s), one by the Trust and a third shall be randomly selected from a list of qualified physicians prepared by the Executive Committee and approved by a majority of the Board of Trustees.

ARTICLE VII

OPERATION OF THE TRUST FUNDS; REVENUES

7.01 Payment of Contributions and Assessments. Each Participant hereby agrees to be jointly and severally obligated with all other Participants for the payments to the various funds established under the Trust as set forth below:

(a) **Contributions** - Contributions must be paid by each Participant as a condition for obtaining coverage for a single coverage period. Rates upon which those contributions are based shall be established, and may be adjusted upward or downward, on an annual basis, by the Board of Trustees. Contributions shall include:

- (1) An amount paid by each Participant to the General Operating Fund for the payment of all Trust administrative expenses;
- (2) An amount paid by each Participant to the Health Benefits Fund for the payment of health benefits and related expenses;
- (3) An amount paid as a risk margin payable to the Health Benefits Surplus Fund, from which all dividends will be paid.

(c) **Assessments** - Any additional payments to the Trust which a Participant may be required to make to the Health Benefits Surplus Fund upon a finding by the Board and the Trust Actuary that such assessments are required to preserve the fiscal and actuarial soundness of the Trust and its ability to pay claims and otherwise satisfy any outstanding indebtedness.

After the withdrawal or expulsion of a Participant, that Participant shall remain liable for any additional payments, including any assessments for any periods during which that Participant was provided coverage under the Health Benefits Plan.

All assessments shall be made in an amount equal to the ratio of the Participant's annual contribution to the total annual premium contributed by all Participants in the Trust year in which a deficit occurred. No Participant shall be required to make any assessments in any single Trust year greater than two (2) times the annual premium paid by that Participant for the Trust year in which the assessment is to be made.

7.02 Establishment of Separate Funds by Trustees. The Trustees shall establish separate funds to hold the Trust monies. The Trustees shall cause monies received from time to time to be deposited in such funds in a proportion to be determined by the Trustees, and such monies shall be segregated and held in the following funds:

(a) **The General Operating Fund** - The General Operating Fund shall be an interest bearing account in the name of the Trust to pay for all administrative expenses of the Trust. The Board of Trustees may transfer to the General Operating Fund monies from the Health Benefits Fund and Health Benefits Surplus Fund.

All Trust administrative costs, claims, service fees, self-insurance bond costs, insurance premium costs, Trustees' counsel fees, accountants' fees, taxes,

compensation and expense reimbursements, as determined by the Trustees, shall be paid by the Administrator or the Service Agent from the General Operating Fund as authorized by the Trustees.

(b) The Health Benefits Fund - The Health Benefits Fund is an interest bearing account in the name of the Trust and shall be funded by the contributions paid by each Participant and any assessments or other payments which may be required thereafter by the Board of Trustees. The Board may also transfer monies to the Health Benefits Fund monies from the General Operating Fund. The Health Benefits Fund shall be used only for the payment of benefits payable in accordance with the Health Insurance Plans and any related expenses, as well as any payments which may be made to the General Operating Fund.

(c) The Health Benefits Surplus Fund. The Health Benefits Surplus Fund shall be held in an interest bearing account in the name of the Trust; shall be funded by the risk margin payments made by the Participants and shall be used only for the payment of benefits under the Health Benefits Plan in excess of the monies available in the Health Benefits Fund. Monies may be transferred to the Health Benefits Fund as required.

7.03 Establishment of Checking Accounts. The Trust Administrator shall establish one or more checking accounts, which may be interest or non-interest bearing accounts, with the Fiscal Agent in the name of the Trust. Such accounts shall be funded from the General Operating and Health Benefits Funds and the Trustees may authorize the Administrator and the Service Agent to draw on such checking accounts.

7.04 Dividends. Any funds in the Health Benefits Surplus Fund in excess of amounts necessary to pay current claims, including a provision for claims incurred but not reported, premiums, expenses, liabilities and such reserves as the Trustees may deem necessary or prudent may be returned to the Participants in accordance with a formula to be adopted by the Trustees. Dividends to each Participant will be based upon the loss experience of the Trust as a whole, the size of each Participant's Premiums, and the loss experience of the individual Participant. No dividends shall be paid to any Participant unless the Trust Actuary or risk consultant certifies in writing to the Board of Trustees that said dividends shall not adversely affect the fiscal or actuarial soundness of the Trust and its ability to satisfy any indebtedness incurred by the Trust, any Participant or any other entity on behalf of the Trust in furtherance of its purposes and objectives.

7.05 Deficits. In the event of a deficit in the Health Benefits Fund for any Trust Year, the deficit shall be made up from any of the following:

- (1) Unencumbered funds, including monies from the General Operating Fund and Health Benefits Surplus Fund; and

- (2) Any assessments paid by Participants as required by the Board of Trustees.

7.06 Bonds. The Trustees shall require that a fidelity bond be furnished as to all persons handling money for or on behalf of the Trustees, including but not limited to individual Trustees, the Administrator and the Service Agent.

ARTICLE VIII

AMENDMENTS

8.01 Amendments Not Requiring Consent of Participants. The terms and provisions of this Agreement may be amended at any time by a two-thirds (2/3) vote of the Trustees for one (1) or more of the following purposes:

- (a) To cure any ambiguity, defect or omission in this Agreement;
- (b) To change or modify any provision of this Agreement so as to comply with any applicable law, regulation or administrative ruling which may be in effect; or

8.02 Amendments Requiring Consent of Participants. The Participants by a two-thirds (2/3) vote may consent to and approve any other amendments approved by a two-thirds (2/3) vote of the Trustees and presented to the Participants, as shall be deemed necessary and desirable by the Participants for the purpose of modifying, altering or amending, adding to or rescinding any of the terms or provisions contained in this Agreement, including, but not limited to, the inclusion of additional types of insurance coverages, subject to the limitations contained in Section 8.03 hereof. The Trustees shall prescribe rules and procedures for submission of proposed amendments to the Participants.

8.03 Limitation on Amendments. No amendment shall be adopted which alters the basic purpose of the Trust or alters the rights of Participants to receive dividends as provided in Section 7.04 hereof or alters the obligation of Participants to pay any assessments which may be established under Section 7.05 hereof.

ARTICLE IX

TERMINATION

9.01 Term of Trust. The Trust shall continue unless and until terminated pursuant to law or by an instrument in writing signed by two-thirds (2/3) of the Participants.

9.02 Termination of the Trust. In the event of termination of the Trust, the Participants covenant and agree to make any provision for the payment of any outstanding municipal indebtedness and for the payment of claims against the Trust or its Participants as may be required by the Trustees, including the deposit with the Trustees of funds, surety bonds, or such other guarantees of payment as deemed required and sufficient by the Trustees. Upon termination, the Trustees shall continue to serve as Trustees to wind up the affairs of the Trust, including providing for all outstanding obligations, and each Participant shall be entitled to receive distribution of its pro rata share of any remaining funds, the calculation of such distribution to be determined by the Trustees.

ARTICLE X

MISCELLANEOUS

10.01 Title to the Trust. Title to the Trust shall be vested in and remain exclusively in the Trustees to carry out the purposes hereunder and no Participant or any official, employee or agent of any Participant nor any individual shall have any right, title or interest in the Trust nor any right to Premiums made or to be made thereto, nor any claim against any Participant on account thereof, except to the extent of the right of Participants to receive their pro rata share of any excess funds as provided hereunder.

No Participant may assign any right, claim or interest it may have under this Agreement.

10.02 Execution of Documents. The Trustees may authorize any Trustee or the Administrator to execute any notice, certificate or other written instrument relating to the Trust (except an instrument of amendment or termination) and all persons, partnerships, corporations, or associations may rely upon such notice or instrument so executed as having been duly authorized and as binding on the Trust and the Trustees.

10.03 Notice. All notices, requests, demands and other communications related to this Agreement, unless otherwise so provided herein, shall be in writing and shall be deemed to be duly given when sent by first-class, registered or certified mail postage paid, return receipt requested, when personally delivered by hand, or when transmitted by

cable, telex or telegraph, at such addresses as have been last provided to the Trust. The initial address for such notices, requests, demands or other communications to the Trustees and each Participant shall be provided to the Administrator.

The parties shall notify the Administrator as to any change in address.

10.04 Construction. This Agreement shall be governed by the laws of the Commonwealth of Pennsylvania.

10.05 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, by the Trustees and the Chief Executive officer of the local agency or municipality, of a counterpart signature page in the forms attached hereto, which together with this Agreement and all other duly executed signature pages shall constitute the complete Agreement among all the parties hereto.

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

10.07 Limitation of Liability. Liability of the Trust to any Participant is specifically limited to the payment of benefits payable in accordance with the Health Benefits Plans, the terms of this Agreement and any contracts or agreements entered into by the Trust. Nothing contained in this Agreement or in the By-laws thereto or the Health Benefits Plans shall be deemed to create any relationship of surety, indemnification or responsibility between Participants for the debts of or claims against any other Participant. The Trust, Participants and Trustees all hereby disclaim and deny any liability to any individuals for the failure to provide, or the quality of, any health care services covered under the Health Benefits Plans in accordance with all applicable federal and state laws and regulations.

10.08 Arbitration. As set forth herein, any and all decisions by the Board concerning expulsion or withdrawal of Participants, or disclaiming or denying coverage for any claim (s) made against any Participant or claimant may be submitted to arbitration, and the decision of the arbitration panel shall be final with no right to appeal to any federal or state court of competent jurisdiction.

10.9 General Representations of Participants.

(a) The Participant is a body corporate and politic, a political subdivision of the Commonwealth of Pennsylvania, and a local agency or municipality as defined under Pennsylvania law. The Participant has the power to enter into this Agreement and any other documents in connection herewith and the transactions contemplated hereunder

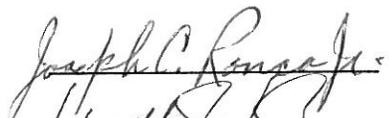
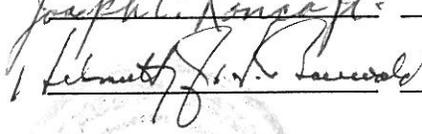
and thereunder. The party executing this Agreement on behalf of the Participant has full power and authority to execute same and any documents executed in connection herewith.

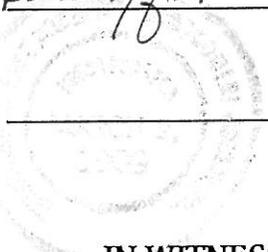
(b) This Agreement has been duly and validly executed and is a valid and binding agreement on the Participant under the laws of the Commonwealth of Pennsylvania, enforceable in accordance with its terms, subject to bankruptcy, insolvency and other laws affecting creditors' rights generally and such principles of equity as the court, in its discretion, may impose with respect to remedies which may require enforcement by a court of equity.

10.10 Severability of Invalid Provisions. If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, and the remaining parts of this Agreement shall be construed so as to give practical realization to the purposes intended to be achieved by the parties as if such invalid or illegal or unenforceable provision had never been contained herein.

IN WITNESS WHEREOF, the Trustees, have executed this Trust Agreement, all as of the date above first mentioned.

WITNESS:

 Chairman, Board of Supervisors
 Township Manager



IN WITNESS WHEREOF, the undersigned, a of the Commonwealth of Pennsylvania, has caused this Trust Agreement to be executed as to

Attest:

(SEAL) **By:** _____

CERTIFICATE OF AUTHORITY

I, Helmuth J.H. Baerwald of East Norriton Township certify that the above signatures have been fully authorized by the Board of Supervisors (attach copy of ordinance or other authorization).

Date: November 9, 1998 Signed: Helmuth J.H. Baerwald

