COPY

TOWNSHIP OF UPPER MACUNGIE
LEHIGH COUNTY, PENNSYLVANIA

ORDINANCE NO. 2013-03
(Duly adopted September 5, 2013)

AN ORDINANCE OF THE BOARD OF SUPERVISORS OF THE TOWNSHIP OF UPPER MACUNGIE, LEHIGH COUNTY, PENNSYLVANIA, AUTHORIZING IT TO JOIN WITH OTHER TOWNSHIPS AS A MEMBER OF THE SUSQUEHANNA MUNICIPAL TRUST; TO ENTER INTO AN INTERGOVERNMENTAL AGREEMENT FOR THE PURPOSE OF JOINING THE TRUST AND TO PARTICIPATE AS A MEMBER OF THE TRUST.

WHEREAS, a number of Townships within Lehigh County, Pennsylvania, and within the Commonwealth have investigated whether it would be mutually beneficial to cooperate with each other in obtaining workers' compensation insurance.

WHEREAS, the Susquehanna Municipal Trust (the "Trust") has been established for the purpose of (i) seeking the prevention or lessening of claims due to injuries of employees of the Trust's members and (ii) pooling workers' compensation and occupational disease insurance risks, reserves, claims and losses and providing self-insurance and reinsurance therefore.

WHEREAS, the Trust is established pursuant to an intergovernmental cooperation agreement entitled the Susquehanna Municipal Trust - Trust Agreement ("the Agreement").

WHEREAS, pursuant to the provisions of Chapter 23, Subchapter A, Intergovernmental Cooperation, of the General Local Government Code, 53 Pa. C.S. §2301, et seq.("Intergovernmental Cooperation Law"), a municipality may enter into an intergovernmental cooperation agreement upon the passage of an Ordinance by its governing body.

NOW, THEREFORE, BE IT HEREBY ENACTED by the Board of Supervisors of Upper Macungie Township ("Township") as follows, to wit:

1. The above recitals shall form a part of this Ordinance as though the same were set forth herein at length.

2. The Township hereby approves entering into the Agreement, a copy of which is attached hereto and incorporated herein by reference (and which shall be filed with the minutes of the meeting at which this Ordinance was enacted), with the intent and effect that the Township shall be bound by the Agreement and shall join and participate in the Trust.

3. The Chairman together with the Secretary of the Board of Supervisors, are hereby authorized and directed on behalf of the Township, (i) to execute and deliver the Agreement, and (ii) to execute and deliver such additional instruments, and to take such further actions, as may be necessary or appropriate to carry forth the Agreement and the transactions to be effected under the Agreement, including payment to the Trust of such amounts as are due by the Township pursuant to the Agreement.

4. The Township is hereby authorized to take such other action as may be necessary or appropriate to carry out the purposes of this Ordinance and of the Agreement.

5. As required by the Pennsylvania Intergovernmental Cooperation Act, the following matters are specifically found and determined:

(a) The conditions of the Agreement are set forth in the Agreement.

(b) The Township shall participate in the Trust for a minimum initial term of two (2) years as set forth in the Agreement.

(c) The purpose and objectives of the Agreement are as set forth in the Preamble of this Ordinance and in the Agreement;

(d) The manner and extent of financing the Agreement are that (i) no borrowing will be required by the Township, (ii) funds to implement the Township's obligations under the Agreement shall come from normal and usual budgeted amounts for such matters, and (iii) other provisions governing the manner and extent of the financing of the Trust shall be as set forth in the Agreement;

(e) The Trust shall be managed by its own Plan Committee and Board of Trustees pursuant to the terms of the Agreement;

(f) All property, real or personal, of the Trust, shall be acquired, managed, licensed or disposed of by the Trust in accordance with the terms of the Agreement; and

(g) The Trust created by the Agreement shall be empowered to enter into contracts for policies of group insurance and employee benefits, including social security, pursuant to the terms of the Agreement.

6. The provisions of this Ordinance are severable and if any section, sentence, clause or part or provision hereof shall be held to be illegal, invalid or unconstitutional by any court of competent jurisdiction, such decision of the court shall not affect the remaining sections, clauses, parts or provisions of this Ordinance. It is hereby declared to be the intent of the Township that such Ordinance would have been enacted if such illegal, invalid or unconstitutional section, sentence, clause, part or provision had not been included herein.

7. Nothing contained in this Ordinance shall be construed to affect any suit or proceeding in any court, or any rights acquired or liability incurred, or any cause of action existing prior to the enactment of this Ordinance.

8. This Ordinance shall become effective immediately upon enactment hereof.

DULY ENACTED AND ORDAINED this 5th day of September, 2013, by the Board of Supervisors of Upper Macungie Township, Lehigh County, Pennsylvania, in a lawful session duly assembled.

ATTEST:

Kathy A. Rader, Secretary

BOARD OF SUPERVISORS
TOWNSHIP OF UPPER MACUNGIE
LEHIGH COUNTY, PENNSYLVANIA

By: Edward J. Earley
EDWARD J. EARLEY, Chairman

SUSQUEHANNA MUNICIPAL TRUST
TRUST AGREEMENT

Each member of the Susquehanna Municipal Trust, intending to be legally bound, hereby agrees to the following terms and conditions of this Trust Agreement ("Agreement"):

ARTICLE I. Purpose and Definitions.

A. Background and Purpose. The Susquehanna Municipal Trust (the "Trust"), which is established under this Agreement, is a cooperative, voluntary trust arrangement among the Members formed pursuant to the Pennsylvania Intergovernmental Cooperation Act, 53 Pa.C.S.A §§ 481 et seq., pursuant to 42 Pa.C.S.A. § 8564, and pursuant to the Pennsylvania Workers' Compensation Act, 77 Pa.C.S.A. § et. seq. (the "Workers' Compensation Act"), and specifically Article VIII of the Workers' Compensation Act. The Trust is established for the purpose of (1) seeking the prevention or lessening of claims due to injuries of employees of the Members and (2) pooling workers' compensation and occupational disease insurance risks, reserves, claims and losses and providing self-insurance and reinsurance therefore. It is the intent of the Trust's Members that the Trust will utilize funds contributed by the Members, which shall be held in the trust by the Trust, to provide self-insurance and reimbursement to the Members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act, 77 Pa.C.S.A. §1201 et seq. (the "Disease Act"), and to purchase excess and aggregate insurance therefore.

B. Definitions. The following capitalized terms are defined on the corresponding pages of this Agreement as set forth below:

Agreement 1
Annual Payment 9
Board, Board of Trustees 4,5
Department 2
Initial Term 2
Member, Members 2,3
Plan Committee 3,4
Political Subdivision 2
Professional Advisors 8
Renewal Term 3
Self-Insurance Program 13
Simple Approval (Plan Committee, Board of Trustees) 4,6
Special Approval (Plan Committee, Board of Trustees) 4,6

Supplementary Payments.....10
Term.....2,3
Trust.....1
Trust Administrator.....8
Trust Area.....2
Trustees.....4,5
Workers' Compensation Act.....1

ARTICLE II. Participation and Term.

A. Participation. Participation in the Trust shall be limited to any Political Subdivision within the Trust Area. The initial Members of the Trust shall be such Political Subdivisions, which have joined in this Agreement. Additional Members shall be admitted to the Trust upon (1) delivery to the Trust of an agreement to be a party to and be bound by this Agreement, (2) delivery to the Trust of a membership application as required by the Workers' Compensation Act, (3) compliance with the underwriting criteria specified in the Trust's Insurance Program for the first year in which membership is sought and (4) Special Approval by the Board of Trustees of the admission of the new Member. The participants in the Trust are referred to in this Agreement individually as a "Member" and collectively as the "Members."

B. Trust Area: Political Subdivision. The "Trust Area" shall consist of the geographic area comprised of the following Pennsylvania Counties: Adams County, Berks County, Centre County, Cumberland County, Dauphin County, Franklin County, Lancaster County, Lebanon County, Lehigh County, Northampton County, Schuylkill County, and York County. The Trust Area may, by Special Approval of the Plan Committee, (1) be expanded to include additional defined geographic areas within the Commonwealth of Pennsylvania or (2) be contracted to exclude defined geographic areas then has no Members. The Term "Political Subdivision" as used in the Agreement shall have the same meaning as defined in § 801 of the Workers' Compensation Act excluding any county, city, school district, vocational school district, county institution district, and other entities created solely by such excluded entities.

C. Term. The initial term of the Trust shall be for two and one-half (2 ½) years, beginning July 1, 1995 and ending December 31, 1997 (the "Initial Term"); provided, however, that if the Trust has not been approved by the Pennsylvania Department of Labor and Industry (the "Department") as a pooled self-insurance fund pursuant to the Workers' Compensation Act by July 1, 1995, the Initial Term shall begin on the first day of the next full calendar month following the giving of such approval. If initial approval

of the Fund is not obtained from the Department by June 30, 1996, this Agreement shall automatically terminate. At the expiration of the Initial Term (and at the expiration of each subsequent Renewal Term), this Agreement shall automatically renew for a renewal term of three (3) years (a "Renewal Term") (the Initial Term and any Renewal Term are sometimes referred to herein as a "Term"), unless the Plan Committee of the Trust decides, by Special Approval, not less than six (6) months prior to the end of any Term, to terminate this Agreement as of the end of the then current Term.

D. Continuation of Membership and Withdrawal. So long as the Trust shall continue in existence, each Member 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 Member. Any Member of the Trust may withdraw from the Trust upon the giving of at least ninety (90) days prior written notice to the Board of Trustees at any time after the expiration of the two (2) year period and upon compliance with Article VIII, Section D. Once a member has withdrawn, entitlement to surplus distributions is forfeited. In addition, the member will be unable to re-enter the Trust for a period of two years.

ARTICLE III. Plan Committee.

A. Representatives. Each Member shall select one representative to serve on the Plan Committee (the "Plan Committee"). The Plan Committee shall consist of such selected representatives. Each representative shall serve in that capacity at the discretion of the Member who selected him or her. No representative shall receive a salary or any other payment from the Trust as compensation for his or her service as a representative of a Member on the Plan Committee.

B. Powers and Duties. The Plan Committee shall be responsible for the selecting the Board of Trustees and for ensuring, in the absence or failure of the Board of Trustees, that the Trust is governed, operated and administered in accordance with the Workers' Compensation Act, the Disease Act, other applicable law and this Agreement. The Plan Committee shall also have such other powers and duties as are set forth in the Agreement and/or provided by applicable law.

C. Meetings.

1) An annual meeting of the Plan Committee shall be held prior to the beginning of each fiscal year of the Trust, at such time as determined by the Board of Trustees. If the annual meeting is not called and held at the direction of the Board of Trustees within three (3) months after the start of any fiscal year, any Member may call such a meeting.

Notice of the date, time and location of an annual meeting must be given to every member at least two (2) weeks in advance thereof.

2) Special meetings of the Plan Committee may be called at any time by the Board of Trustees or any Members comprising at least twenty-five (25%) of the number of Members in the Trust. Notice of a special meeting must be given to all Members at least two (2) weeks, but no more than two (2) months, in advance, and such notice must state the general nature of the business to be transacted at such meeting.
3) Except in connection with matters requiring Special Approval of the Plan Committee, the presence, in person or by proxy, of authorized representatives of a majority of the Trust's members shall constitute a quorum for the transactions of business at any meeting of the Plan Committee. In connection with matters requiring Special Approval, the minimum number of authorized representatives of Members necessary to give such approval shall constitute a quorum.
4) No action requiring Special Approval of the Plan Committee may be taken at any meeting unless such is specified in the notice of the meeting given to all Members.

D. Selection of Board of Trustees.
   1) The Plan Committee, at each annual meeting of the Plan Committee, shall elect the Trustees to serve on the Board of Trustees. Any vacancies occurring in the Board of Trustees shall be filled by the Plan Committee.
   2) Nominations of persons to serve on the Board of Trustees may be made by the existing Board of Trustees, or a committee thereof, or by any Member.

E. Simple and Special Approval of the Plan Committee. Except as otherwise provided in this Agreement, the approval of a simple majority of a quorum of the Plan Committee at any meeting shall be sufficient to take any action ("Simple Approval" of the Plan Committee). A vote greater than a majority of a quorum, as specified below (in each case, "Special Approval" of the Plan Committee), shall be required to take the following actions:
   1) The following shall require approval of a majority of the authorized representatives of all Members:
      a. Any decision, pursuant to Article II, Section C, to terminate the Trust at the end of the then current Term; and
      b. Any decision, pursuant to Article II, Section B, to expand or contract the Trust Area.
   2) Any decision to modify or amend this Agreement shall require approval of two-thirds (2/3) of the authorized representatives of all Members, pursuant to Article X, Section A hereof.

ARTICLE IV. Board of Trustees.

A. Powers and Duties. The Trust shall be governed and administered by a Board of Trustees (the "Board of Trustees" or the "Board"). The Board shall have all of the powers and duties necessary or appropriate to carry out the purposes and functions of the Trust, including, without limitation, (1) the power to acquire, manage, license and dispose of real and personal property, (2) the power to adopt any rules and regulations not inconsistent with this Agreement for the proper management and administration of the Trust, and (3) the power to take any and all actions, execute and deliver any and all documents, provide appropriate security and expend any funds (within approved Trust budgets) for the purpose of applying for and maintaining the Department's approval of the Trust and otherwise ensuring that the Trust complies with the Workers' Compensation Act, as a pooled self-insurance fund, with other applicable law and with this Agreement. The Trustees shall act as trustees and fiduciaries and shall hold all Trust assets in trust for the benefit of the Members and their employees.

B. Number of Trustees and Selection. The Board of Trustees shall consist of seven (7) members ("Trustees"), who shall serve in staggered terms of three (3) years each, except as provided below. Of the initial seven-member Board, at the time of selection, two (2) of the Trustees shall be designated to serve only one (1) year as an initial term, two (2) of the Trustees shall be designated to serve only two (2) years as an initial term, and three (3) of the Trustees shall be designated to serve three (3) years as an initial term. Each Trustee shall be selected by the Plan Committee and shall serve at the discretion of the Plan Committee. Trustees may be removed at any time by the Plan Committee for any reason. Any Trustee may serve any number of successive terms.

C. Qualification. Every Trustee must be an employee or elected official of a Member of the Trust. At any time that a Trustee fails to meet this qualification, that Trustee shall be deemed to have immediately resigned from the Board of Trustees.

D. Board Officers. The Board of Trustees shall select a Chairman, a Vice Chairman, a Secretary, a Treasurer, and any assistant of other officers the Board may desire from time to time, to serve for terms of one (1) fiscal year (unless earlier removed by the Board, with or without cause, by Special Approval of the Board). Only Trustees shall be eligible to be officers of the Board. Officers of the Board shall be permitted to serve any number of successive or non-successive terms, subject to the restrictions on successive terms as a Trustee stated in Section B above.

1) The Chairman shall be the Chief Executive Officer of the Trust and shall have such powers and duties customarily incident to such office

as well as such duties as are set forth in this Agreement and as may be assigned from time to time by the Board. The Chairman shall be a non-voting ex-officio member of all committees of the Trust on which the Chairman does not directly serve.

2) The Vice Chairman shall carry out all duties of the Chairman of the Board during the absence or inability of the Chairman to perform such duties and shall carry out such other functions as may be assigned from time to time by the Chairman or by the Board.
3) The Secretary (or an Assistant Secretary) shall be responsible for the books and records of the Trust and for taking and circulating minutes of the Board of Trustees meetings and shall carry out such other functions as may be assigned from time to time by the Chairman or by the Board.
4) The Treasurer (or Assistant Treasurer) shall have or provide for the custody of the funds or other property of the Trust; shall deposit all funds of the Trust in such banks or other places of deposit as the Board may from time to time designate; shall, whenever so required by the Board, render an account showing all transactions and the financial condition of the Trust; and shall carry out such other functions as may be assigned from time to time by the Chairman or by the Board.

E. Board of Trustees Meetings.

1) Regular meetings of the Board of Trustees shall be held at least quarter-annually, or more frequently if the Board so determines. Special meetings of the Board of Trustees or by any Members comprising at least twenty-five percent (25%) of the number of Members in the Trust. The Chairman, or in the Chairman's absence, the Vice Chairman, shall give not less than ten (10) days' written notice of regular or special meetings to each Member, which notice shall specify any actions proposed to be taken at the meeting requiring Special Approval and, if a special meeting, all subjects to be covered at the special meeting. Business conducted at special meetings shall be limited to those items specified in the notice. No action requiring Special Approval may be taken at a meeting unless specified in the notice.
2) The time, date and location of regular and special meetings of the Board of Trustees shall be determined by the Chairman, or in the Chairman's absence by the Vice Chairman, or by the Trustees or Members calling the meeting. Minutes of all regular and special meetings of the Board of Trustees shall be sent to all Trustees and shall be kept with the records of the Trust. Trustees are required to attend a minimum of four (4) meetings annually. If at any time a Trustee fails to meet this qualification, then that Trustee shall be deemed to have immediately resigned from the Board of Trustees.
3) Except in connection with matters requiring Special Approval, the presence of any duly convened meeting of the Board of a majority of

the Trustees shall constitute a quorum for the transaction of any business of the Board of Trustees. In connection with matters requiring Special Approval, the minimum number of Trustees necessary to give such approval shall constitute a quorum.

F. Committees. The Board of Trustees shall have the power to establish an Executive Committee, as well as other standing and ad hoc committees, and may assign to any committee the authority to take any action of the Board requiring no more than the Simple Approval of the Board. No action or authority requiring Special Approval may be assigned to a committee. Unless the Board determines otherwise, the Chairman shall appoint committee members and chairmen. Every committee shall report regularly to the Board its actions and activities.

G. Simple and Special Approval of the Board. Except as other wise provided in this Agreement, the approval of a simple majority of a quorum of the Board at any meeting shall be sufficient for the Board to take any action ("Simple Approval" of the Board). A vote greater than a majority of the quorum, as specified below (in each case, "Special Approval" of the Board), shall be required to approve the following matters:

1) The following shall require the approval of a majority of all Trustees:
    a. Any decision to require Supplementary Payments and the amount thereof;
    b. The determination that a particular matter presented to the Trust for defense and indemnification is or is not within the scope of coverage provided by the Trust, when such a decision by the Trust Administrator, is challenged;
    c. The approval of any final annual budget;
    d. The approval of any expenditure not budgeted;
    e. The removal from office of any officer, with or without cause, prior to the expiration of his or her term;
    f. The approval of any agreement between a Member and a health care provider for reimbursement levels greater than other wise provided by law; and
    g. Any recommendation to the Plan Committee that this Agreement be amended or altered in any way.
2) The following shall require the approval of two-thirds (2/3) of all Trustees:
    a. A decision pursuant to Article II, Section A, to admit any new Member to the Trust;
    b. (i) any decision to hire, retain or enter into or renew any agreement with the Fund Administrator or any professional advisor, and (ii) any decision to terminate, dismiss or not renew or terminate any agreement with the Fund Administrator or and Professional Advisor;

c. The expulsion of a Member in accordance with Article VIII, Section C;
d. The approval of any Annual Payment formula applicable to all Members;
e. The approval of the Self-Insurance Program (i.e., underwriting criteria and deductible options, as described in Article VII, Section A) applicable for any fiscal year; and
f. The approval of any risk management, loss prevention or safety program or measures required of all Members.

H. Action by Written Consent. Any action required or permitted to be taken by the Board of Trustees may be taken without a meeting upon the written consent of the Trustees that would have been entitled to cast the minimum number of votes that would be necessary to authorize the action at a meeting at which all Trustees entitled to vote thereon were present and voting. Such consents shall be kept with the records of the Trust. Unless unanimous, the action shall not become effective until after at least ten (10) days' written notice of the action has been given to each Trustee entitled to vote thereon who has not consented thereto.

I. Compensation. No Trustee shall receive any salary or other payment from the Trust as compensation for his or her services as a Trustee.

ARTICLE V. Trust Administrator and Professional Advisors.

A. Selection. The Board of Trustees shall select and retain a general Trust Administrator, which shall function as the Chief Administrator for the Trust (the "Trust Administrator"). The Board also may select and retain other professional advisors and professional service providers ("Professional Advisors") to assist and advise the Trust (and the Trust Administrator) in the carrying out of the Trust's functions and duties. Such Professional Advisors may include, without limitation, an insurance broker, a claims administrator, a risk manager, a loss control agent (including loss prevention and safety engineering), an investment advisor, an underwriting advisor, actuaries, accountants, auditors, attorneys, and any other individuals, entities or experts as the Board deems appropriate from time to time. The Trust Administrator and any Professional Advisor may perform any number of duties and functions for the Trust as the Board may direct.

B. Agreements for Services. The Trust may enter into written agreements with the Fund Administrator and any Professional Advisor containing such terms and provisions as the Board deems appropriate and which are not inconsistent with any provision of this Agreement.

C. Fidelity Bonds. The Trust may purchase a bond (or bonds) from time to time in an amount deemed appropriate by the Board, and shall purchase any bond (or bonds) in an amount required by the Department, to assure the fidelity of any Trustees, officer, employee, agent or independent contractor of the Trust.

D. Group Insurance. To the extent the Trust has any employees, the Trust may enter into contracts for policies of group insurance and employee benefits, including social security, for its employees or provide such benefits through self-insurance or any other arrangements.

ARTICLE VI. Finances of the Trust.

A. Fiscal Year and Budget. The fiscal year of the Trust shall commence on January 1 of each year and end on the succeeding December 31 (except that the Trust's initial fiscal year shall begin on July 1, 1995, or on the first day of such later month after the Trust is approved by the Department, as outlined in Article II, Section B above, and end on the succeeding December 31). On or before October 1 of each year the Board of Trustees shall approve a preliminary annual budget for the next fiscal year, and on or before November 1 of each year the Board of Trustees shall adopt a final annual budget for the next fiscal year. When approved, all preliminary and final budgets shall be promptly circulated among the members.

B. Annual Payment.

1) "Annual Payment" shall be the amount determined in accordance with approved annual budget, which each Member must pay to fund its share of the anticipated expenditures of the Trust for that fiscal year, including the funding of actuarily appropriate loss revenues. As required by § 806 (b) of the Workers' Compensation Act, the amount of the Annual Payment due from each Member shall be equal to the member's annual payroll multiplied by the rates utilized by the Pennsylvania State Workmen's Insurance Fund for the Member (utilizing classifications requested by the Trust as required by §812 of the Workers' Compensation Act) minus any applicable premium discounts; provided, however, that if the approval of the Department and an independent actuary is obtained (pursuant to §811 of the Workers' Compensation Act, and subject to the then applicable approval requirements of the Department, which, at present, require submission of any request, together with a supporting independent actuarial report, to the Department, not less than ninety (90) days prior to the beginning of any fiscal year, for deviation from such uniform classification system, uniform experience rating plan, rates, and discounts), the amount of the Annual Payment of a Member may be based on a formula approved by the Board of Trustees upon the

recommendation of one or more of its Professional Advisors, considering some or all of the following factors:

a. The number of employees and size of the payroll of the Member generally and with respect to particular job classifications;
b. The rates for the Member for particular job classifications which are used by conventional insurance companies authorized in Pennsylvania to insure the payment of Workers' Compensation claims and liabilities under the Workers' Compensation Act;
c. The Workers' Compensation claims experience of the member; and
d. Any other factors permitted by the department and deemed relevant by the Board.

2) As required by the Workers' Compensation Act, the initial Members of the Trust, prior to the start of the Initial Term, and all Members of the Trust, prior to the start of each subsequent fiscal year, shall pay into the Trust at least twenty-five percent (25%) of their Annual Payment for the Trust's first and each subsequent fiscal year. The balance of such Annual Payments shall be paid on a monthly, quarterly or semi-annual basis as determined by the Board of Trustees. It is recognized and acknowledged that the regular and prompt payment of Member's annual and audited contributions to the Trust is essential for the effective maintenance and operation of the Trust. If a Member fails to remit their payment which is due to the Trust by the due date, interest on such payments which are late shall accrue on and after the first day of delinquency at the rate of one and one-half percent (1.5%) per month or eighteen (18%) per annum until such amounts due are received.

3) At the conclusion of each fiscal year, the Board shall order an audit of the actual number of employees and officers who performed work for each member and the nature of such work. Following such an audit, the Board shall order adjusted Annual and Supplementary Payments or credits utilizing the results of the audit.

C. Supplementary Payments: Excess and Aggregate Insurance.

1) If the Annual Payments for any fiscal year shall at any time be insufficient to fund the operations and obligations of the Trust with respect to such fiscal year (including, without limitation, the maintenance of actuarily appropriate loss revenues), additional payments ("Supplementary Payments") shall be required to be made by every Member. The amount of any Supplementary Payments due from each Member shall be based upon the same formula as was used to determine the Annual Payment for that year. Each Member (even if

withdrawn or expelled or if the Trust shall terminate) shall be responsible for Annual Payments and Supplementary Payments applicable to the fiscal year(s) during which it was a Member of the Trust.

2) The Board shall notify every Member of the amount of each Annual Payment and Supplementary Payment and the date(s) when such payment (or payment installments) are due, the first payment date of which shall not be sooner than forty-five (45) days after the date of such notice; provided, however, that the Board may require either full or partial payment within a shorter time to comply with the provision of § 810 of the Workers' Compensation Act (concerning financial deficiencies of the Trust). The payment of each Annual Payment and Supplementary Payment within the time(s) specified by the Board shall be of the essence of this Agreement. Any delinquent payments shall be paid with interest from the date such payment was due at the floating rate of the prime rates as specified in the "Money Rates"(or successor) section of the Wall Street Journal, plus two percent (2%), but such interest rate shall at most equal the highest interest rate allowed by law to be paid by a member.

3) As required by § 814 of the Workers' Compensation Act, the Trust shall purchase excess and aggregate excess insurance coverage (upon such terms and in such amounts as shall comply with the Workers' Compensation Act and be approved by the Board of Trustees upon the recommendation of one or more of its Professional Advisors), unless (a) the Department waives such requirements (as provided in § 814 of the Workers' Compensation Act) and (b) the Board determines that the risks customarily covered by such excess and aggregate insurance are adequately covered by the assets of the Trust.

D. Surplus Funds. Each fiscal year of the Trust shall be accounted for separately, and except as stated below, Trust assets shall not be carried forward from a prior fiscal year to a subsequent fiscal year. Except as may be otherwise required by the Workers' Compensation Act, if, for any fiscal year during which the Trust was in existence, adequate provision has been made for the payment of all claims and expenses of the Trust, the Board of Trustees as then constituted, upon the recommendation of one or more of its Professional Advisors (including, at least, an independent actuary), may distribute surplus funds from that prior fiscal year to the current Members who constituted the Members of the Trust for that prior fiscal year, or may carry forward to present Members which were Members in that prior fiscal year surplus funds from that prior fiscal year to offset their Annual Payments or Supplementary Payments in a subsequent fiscal year. To the extent that a Member is delinquent in any payment obligations to the Trust, such surplus funds shall be applied to offset such delinquency prior to making any distribution to or carry

forward for the benefit of such Member. Any such distribution or carry forward shall not preclude Supplementary Payments being thereafter required. The distribution among (or carry forward to) such Members shall be based upon a formula approved by the Board upon the recommendation of one or more of its Professional Advisors, considering such Members' Annual Payments for that prior year and the loss experience of the Member and of the Trust as a whole for that prior year. As required by §809 of the Workers' Compensation Act and the requirements of the Department, with respect to any prior fiscal year from which surplus funds may be distributed (or carried forward) as provided above: (1) no distribution shall be made (a) except upon the filing of all necessary documents and requests with the Department (including supporting independent actuarial reports), (b) any sooner than sixty (60) days following the filing with the Department of the annual report provided for in Article VI, Section F, and (c) if any notice of prohibition is issued by the Department; (2) the initial distribution (and/or carry forward) shall not exceed thirty percent (30%) of the available surplus from that prior fiscal year and shall not be made prior to the expiration of at least twelve (12) months following the ~~end~~ of such prior fiscal year, and (3) any additional distributions (and carry forwards) shall only be made annually, with the approval required by § 809 of the Workers' Compensation Act, and shall not be made prior to the expiration of at least twenty-five (25) months following the end of such prior fiscal year.

E. Ownership and investment of Trust Assets. The Board of Trustees shall be vested with full and complete legal title to all assets of the Trust. All funds and securities of the Trust shall be deposited in the name of the Trust in such banks, savings, and loan associations or other depositories as shall be selected by the Board of Trustees; and such funds of the Trust may be invested, as approved by the Board, in accounts, funds, or securities permitted by the Workers' Compensation Act, subject to the requirements, if more restrictive, of all applicable law relating to investment of funds of the Members as Political Subdivisions.

F. Audits and Annual Report.

1) Each year the Board of Trustees shall provide to the Members an annual audit of the financial affairs of the Trust to be made by an independent certified public accountant. The audit report shall be delivered to each member. The cost of the audit shall be an expense of the Trust.
2) As required by §815 of the Workers' Compensation Act and the requirements of the Department, the Board of Trustees shall approve and file an annual report, and all required related fees and submissions, with the Department within such time as is required by the Department, which, at present, requires that such annual report be filed not more than five (5) months following the end of each fiscal year of

the Trust. Such annual reports shall be made available to each member.

ARTICLE VII. Scope of Coverage.

A. Coverage. Unless the Board of Trustees determines otherwise, the Trust shall make available to each Member first dollar insurance coverage for all Workers' Compensation Act and Disease Act claims up to the statutory maximum. The Board may establish, with the advice of one or more of its Professional Advisors, specific underwriting criteria for the applicable fiscal year, which each Member must meet at the start of the applicable fiscal year to be eligible for coverage. The underwriting criteria shall constitute the "Self-Insurance Program" for the applicable fiscal year. Special Approval of the Board shall be required for approval of the Self-Insurance Program and any alterations thereto. As required by the Workers' Compensation Act, the Trust will remain liable to pay and administer all covered claims incurred by a Member during the period in which such Member was a Member of the Trust.

B. Coverage Determinations.
   1) The Trust Administrator, after having reviewed a claim forwarded to the Trust for coverage, shall either (a) decline to provide coverage for such claim if, in the Fund Administrator's opinion, the claim is not within the scope of coverage provided by the Trust, or (b) agree to accept the claim and provide a defense but may reserve the right of the Trust to withdraw from the defense or to refuse to provide indemnification against the claim in the event that the Trust Administrator, or the Board of Trustees, later determines that the claim is not properly within the scope of coverage provided by the Trust.
   2) Any Member may request that the Board of Trustees, by Special Approval, reverse a decision by the Trust Administrator that a particular matter is or is not within the scope of coverage provided by the Trust. The Member requesting such a consideration by the Board of Trustees shall have a full opportunity to explain its position to the Board. The decision of the Board shall be final. Any claim or loss not covered by the Trust shall be the obligation of the individual Member or Members against whom the claim was made or loss was incurred.
   3) The Board of Trustees, in its discretion, may delegate to any Professional Advisor(s) (other than the Trust Administrator) the task described in the above subsection (1) and (2) as to be performed by the Fund Administrator.

C. Additional Insurance. The Trust shall inform all Members of the scope and amount of the Trust's excess and aggregate insurance that maybe in force from time to time.

D. Accident Prevention Program. As required by § 802(b)(13) of the Workers' Compensation Act, the Trust shall initiate and maintain a loss prevention and safety program applicable to the Members, of the nature and extent that would be required of the Members under the Workers' Compensation Act or the Disease Act. Approval of such programs shall be by Special Approval of the Board.

ARTICLE VIII. Powers and Duties of the Members.

A. Claims.

1) Each Member shall allow persons or entities employed or retained by the Trust to represent the Member in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Member within the coverage furnished by the Trust.
2) Members shall report promptly (and not later than as required under any excess or aggregate insurance contract) to the Trust Administrator: (a) any occurrence which might form the basis for a claim; (b) any notice of injury or claim received, any statutory notice of injury issued, and any summons, complaint or other pleading received, before a court, the Workers' Compensation Appeal Board, the Department of Labor and Industry or any other agency, for which coverage is sought; (c) any written demand for monetary relief for which coverage is sought; (d) any information of an occurrence received by the Member and from which the Member could reasonably conclude that coverage will be sought; and (e) any other information required to be submitted under any excess or aggregate insurance contract. A Member's failure to comply with the foregoing requirements shall not relieve the Trust of its obligations, but the Member shall be liable to the Trust to the extent the Member's failure to comply with the foregoing requirements prejudices the Trust's ability to investigate and defend a claim.
3) The provisions of any excess, aggregate or other insurance contract shall supersede and replace any contrary or inconsistent provision of Section A of this Article.

B. Information. Any Member shall be entitled, upon reasonable request, to receive from the Trust complete information concerning the activities and financial condition of the Trust and its assets (including, without limitation, information required by the Workers' Compensation Act to be made available annually to Members), except information which the Trust is required by law or by agreement with any other Member or a third party to keep confidential. Every Member shall cooperate in good faith with the Trust and shall supply to the Trust all information, documents and materials and shall execute any appropriate instruments and affidavits concerning that Member necessary for

the Trust to obtain and maintain approval of the Trust from the Department, to make risk assessments and otherwise to carry out the Trust's purposes and functions.

C. Expulsion of Members. By Special Approval, the Board of Trustees may expel any Member for (1) failure to abide by the terms of this Agreement, (2) failure to abide by risk management, loss prevention or safety measures required of all Members by the Board of Trustees, or (3) failure to meet during the course of any fiscal year the underwriting criteria included as part of the Insurance Program for the applicable fiscal year (4) failure to qualify as an eligible member of a pooled self-insurance fund under the Workers' Compensation Act, after notice from the Trust of the alleged failure along with a reasonable opportunity of not less than thirty (30) days to cure the alleged failure. By Special Approval, and in accordance with any applicable provisions in the Insurance Program for that year (which may, for example provide for a rehabilitation period), the Board may expel a Member with a "poor loss experience record" means a loss-to-payment allocation ratio (including all Annual Payments and Supplementary Payments) of 125% or greater for at least two consecutive fiscal years of the Trust. If a Member is expelled by the Board of Trustees, such expulsion shall be effective as of a future date (which need not be the end of the then current Term) set by the Board of Trustees. A Member shall be deemed to be automatically expelled from the Trust if it fails to qualify for coverage at the start of any fiscal year of the Trust under the Insurance Program applicable for that Fiscal Year. An expelled Member shall not be relieved of any obligations to the Trust relating to the fiscal year(s), or portions thereof, during which it was a Member in the Trust.

D. Security on Expulsions or Withdrawal. Whenever a Member shall choose to withdraw from the Trust in accordance with this Agreement or whenever a Member is expelled from the Trust in accordance with this Agreement, then prior to the date of withdrawal or immediately upon expulsion, as applicable, such Member shall post a letter of credit, bonds, cash, negotiable instruments or other security, of a type and amount acceptable to the Board (with the recommendation of one or more of its Professional Advisors), to guaranty such Member's continuing obligations and potential obligations to the Trust, its Members and their employees pursuant to this Agreement and the Workers' Compensation Act beyond amounts for which reserves have already been set aside.

E. Joint and Several Liability. As required by Article VIII, § 802, of the Workers' Compensation Act, each Member (as used in this section, the "obligor Member") pledges and agrees to jointly and severally assume, be liable for and discharge the expenses and obligations of the Trust and the liabilities arising under the Workers' Compensation Act and the Disease Act of each other Member with respect to the period during which the obligor

Member was a Member of the Trust, including liability for assessment on claims incurred in the period during which the obligor Member was a Member of the Trust but not issued until after termination of the membership of the obligor Member. This section shall not apply prior to the initial approval of the Trust by the Department.

F. Health Care Providers. The Board of Trustees shall have the authority to approve the designation of health care providers applicable to the employees of each Member under § 306(f.1) of the Workers' Compensation Act. Any agreement between a Member and a health care provider for reimbursement levels greater than otherwise provided by law shall require Special Approval of the Board of Trustees.

G. Regional Entities. If two or more current members of the Trust jointly create a regional authority, commission or other approved governmental entity and then, subsequent to creation of the new entity, fails to meet the underwriting criteria as established for the Trust, the existing member(s) shall not be expelled pursuant to Article VIII (C) (3) of the Trust Agreement.

ARTICLE IX. Liability of Trustees and Officers.

A. Liability. No Trustees (including any officer of the Board) shall be liable for (1) any mistake of judgment or other action made, taken or omitted by him or her in good faith, (2) any action taken or omitted by an agent, employee or independent contractor, (3) any loss incurred through investment of Trust funds or failure to invest or (4) any action taken or omitted by any other Trustees (or officer of the Board).

B. Indemnification. The Trust shall indemnify to the fullest extent now or hereafter permitted by law ever Trustee of the Trust (including any officer of the Board) who was or is made a party to or a witness in (or is threatened to be made a party to or a witness in) any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a Trustee of the Trust or an officer of the Board, against all expenses (including reasonable attorneys' fees and disbursements), judgments, fines (including excise taxes and penalties) and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided that the person seeking indemnification either acted in good faith and in a manner such person reasonable believed to be in or not opposed of such action, suit or proceeding. Indemnification under this Article shall not be made by the Trust in any case where the alleged act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted willful misconduct, recklessness or self-dealing.

C. Expenses. The Trust may, as determined by the Board of Trustees from time to time, advance expenses included within the scope of the indemnification described above, pending final disposition of such action, suit or proceeding. The expenses incurred by such person may be paid by the Trust in advance of the final disposition of such action, suit or proceeding only upon receipt of an undertaking by or on behalf of such person to repay all amounts advanced if it shall ultimately be determined that such person is not entitled to be indemnified by the Trust.

D. Insurance. The Trust may purchase fidelity bonds and errors and omissions and other liability insurance coverage for the Trustees of the Trust, including the officers of the Board. Such insurance shall not limit the Trust's indemnification obligations hereunder.

ARTICLE X. Miscellaneous.

A. Amendments. This Agreement may be amended or altered only with the Special Approval of the Plan Committee upon the recommendation of the Board of Trustees.

B. Disputes as to Funding Decisions. In the event of any dispute by a Member regarding funding decisions, including but not necessarily limited to, the establishment of the Annual Payment, the declaration or distribution of any surplus funds (and/or carry forward), or other payment decisions, the disputing Member shall submit its dispute in writing to the Board of Trustees. The Board of Trustees shall respond to this dispute within sixty (60) days of receipt and, if necessary, will hold an administrative hearing in an effort to resolve the dispute. The decision of the Board of Trustees shall be final and binding on all Members. During the review process, the disputing Member will continue to pay all Annual and Supplemental Payments and other amounts required at the rates and in the amounts established under this Agreement (even if such rates and/or amounts shall be the subject of the dispute) and the Trust may hold and retain any surplus funds distribution which may be the subject of dispute until a final decision is made by the Board of Trustees.

C. Termination of the Trust. If the Plan Committee, by Special Approval, (in accordance with the provisions of Article II, Section C) decides to terminate the Trust, then the Trust shall, subject to all necessary submissions to and receipt of and compliance with all required approvals from the Department, cease its existence at the end of the then current Term in accordance with applicable law. Under those circumstances, the Board of Trustees shall continue to meet on such a schedule and for as long a period as shall be necessary to wind up of the affairs of the Trust. The distribution of any surplus funds on termination shall be done in the same fashion as the distribution of surplus funds described in Article VI, Section D.

D. Contractual Obligation. This Agreement shall constitute a contract among the Members of the Trust. The terms of this Agreement may be enforced at law or in equity by the Trust or by any of its Members. Except as set forth herein, this Agreement shall not create, as between any Members, any relationship of surety, indemnification or responsibility for the debts of, or claims against, any Member.

E. Non-Waiver of Immunity. Nothing in this Agreement shall constitute a waiver by any Member or the Trust of any governmental immunities or defenses available or provided by law. It is the intention of the Members that the Trust is a local agency, which is entitled to governmental immunity under the Political Subdivision Tort Claims Act, 42 Pa.C.S.A. §8541 et seq.

F. Construction. This Agreement shall be construed in accordance with Pennsylvania law (which shall supersede any contrary provision in this Agreement) and consistently with 42 Pa.C.S.A. §8564(d) and Article VIII, § 801, of the Workers' Compensation Act, which provide that the pooling of insurance risks, reserves, claims or losses, as contemplated hereunder, shall not be construed to be transacting insurance or otherwise subject the Members or the Trust to the provisions of the statutes regulating insurance or insurance companies. Paragraph headings used herein are for the ease of reference only and shall not affect the meaning or interpretation hereof. The use herein of any number (whether singular or plural) or any gender (whether masculine, feminine or neuter) shall be deemed to include any other number or any other gender, respectively, as the context indicates is appropriate. The use of the terms Workers' Compensation Act and Disease Act shall be deemed to include any regulations promulgated hereunder and reference to any specific sections of such Acts shall be deemed to include any corresponding amended or successor sections or statutory provisions.

G. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be considered an original copy of the Agreement as against any party whose signature appears thereon, and all of which together shall constitute one and the same instrument.

IN WITNESS THEREOF, the following Members, intending to be legally bound hereby, have executed this Agreement on the dates(s) set forth below. Execution hereof may alternatively be evidenced by a separate document, duly executed, by which the executing party agrees to be a party to and be bound by this Agreement or by a separate signature page, which the Member directs to be attached to this Agreement.

Amended 11/16/06
Amended 11/13/08
Amended 9/23/10
Amended 9/16/11
Amended 9/21/12

This signature page shall be attached to the Susquehanna Municipal Trust Agreement.

Township of Upper Macungie, Lehigh County, PA

By: Edward J. Earley
Signature

Edward J. Earley, Chairman
Print name & title of signatory

Attested: Kathy A. Rader
Signature

Kathy A. Rader, Secretary
Print name & title

September 5, 2013
Date