EIGHTH AMENDED AND RESTATED

LOCAL GOVERNMENT INSURANCE TRUST

AGREEMENT

Dated as of July 1, 2004

EIGHTH AMENDED AND RESTATED LOCAL GOVERNMENT INSURANCE TRUST AGREEMENT

Table of Contents

Section		Page
Parties		1
Preamble		1
	ARTICLE I	
	DEFINITIONS	
1.01	Definitions	2
1.02	Interpretation	6
	ARTICLE II	
	TRUSTEES	
2.01	Qualifications of a Trustee	6
2.02	Composition of Board of Trustees	6
2.03	Election of Trustees	7
2.04	Resignation of a Trustee	7
2.05	Removal of Trustees	7
2.06	Substitute Trustees	7
2.07	Executive Committee	7
	ARTICLE III	
	MEMBERS	
3.01	Eligibility Requirements	8
3.02	Approval of Participation	8
3.03	Obligations, Duties and Liabilities of Members	8
3.04	Cancellation and Termination of Membership	9

Section Page

ARTICLE IV

ACCEPTANCE OF TRUST

4.01 Acceptance 11
4.02 Future Trustees 11
4.03 Trustees' Duties and Obligations 11
4.04 Liability of Trustees 11

ARTICLE V

OPERATION OF THE TRUSTEES

5.01 Office 12
5.02 Meetings 12
5.03 Extraordinary Votes 12
5.04 Indemnification 13

ARTICLE VI

PURPOSE OF THE TRUST; CREATION OF THE POOLS;
POWERS OF TRUSTEES

6.01 Purpose of the Trust 14
6.02 Creation of the Pools 15
6.03 Powers of Trustees 15
6.04 Inter-Pool Borrowings 18
6.05 Inter-Pool Transfers 18

ARTICLE VII

ESTABLISHMENT OF CERTAIN FUNDS; REVENUES

7.01 Banking Institution 18
7.02 Establishment of General Funds 18
7.03 Establishment of Operating Fund 19
7.04 Establishment of Escrow Deposit Fund 19
7.05 Bonds 19

Section Page

ARTICLE VIII

FEES; POOL DEFICITS AND SURPLUSES; AND CAPITALIZATION PROGRAM

8.01 Fees 19
8.02 Deposit of Fees 20
8.03 Deficits and Surplus in Pools 20
8.04 Capitalization Program 20

ARTICLE IX

COVERAGES

9.01 Determination by Trustees 21
9.02 Scopes of Coverage 21
9.03 Amendments to Scope of Coverage 21
9.04 Underwriting; Retention; Excess Liability Coverage 22
9.05 Liability Coverage for Sheriffs and Deputy Sheriffs 22
9.06 Named Insureds 22
9.07 Subscribers 23

ARTICLE X

SETTLEMENT OF CLAIMS

10.01 Power of Trustees to Compromise Claims 24
10.02 Excess Liability 24

ARTICLE XI

AMENDMENTS

11.01 Amendments Not Requiring Consent of Members 24
11.02 Amendments Requiring Consent of Members 24
11.03 Limitation on Amendments 25

ARTICLE XII

TERMINATION

12.01 Term of the Trust 25
12.02 Termination of the Trust 25
12.03 Termination of Coverage by a Pool 25

Section Page

ARTICLE XIII

MISCELLANEOUS

13.01 Title to the Trust 25
13.02 Execution of Documents 26
13.03 Notice 26
13.04 Construction 26
13.05 Counterparts 26
13.06 Subrogation 26
13.07 Defense by the Trust 26
13.08 Limitation of Liability 27
13.09 Arbitration for Coverage Disputes 27
13.10 General Representations of Members 27
13.11 Severability of Invalid Provisions 27
13.12 Effectiveness 27

APPENDICES

Appendix A - Members A-1
Appendix B - Trustees B-1
Appendix C - Member Consent and Approval C-1
Appendix D - Rules of Arbitration D-1

EIGHTH AMENDED AND RESTATED

LOCAL GOVERNMENT INSURANCE TRUST

AGREEMENT

This Eighth Amended and Restated Local Government Insurance Trust Agreement (the "LGIT Agreement"), dated as of July 1, 2004, is made by and among Local Governments of the State of Maryland which are now or hereafter parties signatory to this LGIT Agreement and listed in Appendix A hereof, as may be amended from time to time, and those Trustees listed in Appendix B hereof, as may be amended from time to time.

WITNESSETH:

All capitalized terms in these Recitals shall have the meanings set forth in Section 1.01 of this LGIT Agreement.

WHEREAS, Local Governments in the State of Maryland desire to pool together to provide (i) insurance protection and benefits to themselves and their employees either through the purchase of insurance or by self-insuring for insurable risks and (ii) group life and health benefits to their employees either through the purchase of insurance or by self-insuring for employee benefits; and

WHEREAS, Insurance Article, Section 19-602 of the Annotated Code of Maryland (1997 Volume as replaced, supplemented and amended) authorizes Public Entities, including Local Governments, in Maryland to pool together to purchase casualty insurance, property insurance, or health insurance or self-insure against casualty, property, or health risks, and Insurance Article, Section 16-116 of the Annotated Code of Maryland (1997 Volume as replaced, supplemented and amended) authorizes Public Entities, including Local Governments, in Maryland to pool together to purchase life insurance or to self-insure against life risks; and

WHEREAS, Local Governments wish to pool together to provide (i) insurance protection for casualty and property risks and risk management and loss control services for Members and (ii) group life and health benefits to employees and retirees of Public Entities and their dependents and cost containment and managed care advice to Members, all for the purpose of minimizing the cost of casualty insurance and property insurance claims and administration and reducing the cost of providing life and health benefits to employees and retirees of Public Entities and their dependents; and

WHEREAS, Local Governments wish to provide for the establishment of separate Pools to provide coverage for different types of risks, and to structure this LGIT Agreement so that Members are not required to participate in all Pools but may participate in any one Pool or in several Pools; and

WHEREAS, funds will be paid from time to time by Members to the Trustees, which funds will be segregated into and will constitute several trust funds, each trust fund to be held for

the exclusive benefit of the Members in the Pool for which each trust fund is established and maintained, and from which the Trustees will make payment of certain expenses on behalf of the Members in the Pool for which each trust fund is established and maintained; and

WHEREAS, the Members desire the Trustees to collect, receive, hold, invest, reinvest, manage, dispose of, distribute and otherwise administer the funds received hereunder, and the Trustees have indicated their willingness to do so, all pursuant to the terms of this LGIT Agreement; and

WHEREAS, the Trustees and the Members desire to establish the terms and conditions under which the Pools and the Trust shall be operated.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and for other good and valuable consideration, the receipt of which is hereby acknowledged by each party, one to the other, the Members do hereby give and assign in trust the funds paid from time to time by the Members to the Trustees for the purposes set forth in this LGIT Agreement and all income and profits therefrom, and the Trustees hereby accept the trusts herein contained and the funds paid from time to time by the Members to the Trustees for the purposes set forth in this LGIT Agreement and declare that they will administer, manage, collect, receive, dispose of and distribute such trust property for the benefit of the Members as hereinafter provided, all parties agreeing to abide by the terms and covenants contained in this LGIT Agreement, as follows:

ARTICLE I

DEFINITIONS

1.01 Definitions. The terms defined in this Section and in the preambles hereto (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this LGIT Agreement and of any amendment or supplement hereto shall have the respective meanings specified in this Section 1.01 or said preambles.

"Act" means, collectively, Insurance Article, Sections 16-116, 19-602 and 19-603 of the Annotated Code of Maryland (1997 Volume as replaced, supplemented and amended) or any successor statute thereto.

"Application" means that application for participation in one or more of the Pools as devised and approved by the Trustees and executed by each Member.

"Banking Institution" means a financial institution having trust capabilities engaged by the Trustees to hold the moneys of the Trust.

"Broker" means any duly licensed insurance broker engaged by the Trustees to secure insurance or reinsurance on behalf of the Trust.

"Bylaws" means the bylaws adopted by the Trustees pursuant to Section 4.03 hereof to implement this LGIT Agreement, as amended from time to time.

"Cancellation" or "Cancelled" means the expulsion of a Member from one or more of the Pools by action of the Trustees as provided in Section 3.04(a) hereof.

"Certificates of Participation" means the Certificates of Participation dated as of February 15, 1990, issued by The First National Bank of Maryland on March 7, 1990 in the original principal amount of $16,245,000.

"Claim" means a demand against a Member to recover for losses or damages within or alleged to be within the Scope of Coverage provided by the Trust pursuant to this LGIT Agreement.

"Consulting Actuary" means a nationally recognized actuarial consulting firm, with at least two employees who are both Fellows of the Casualty Actuarial Society and Members of the American Academy of Actuaries, engaged by the Trustees to perform certain actuarial services for the Trust.

"Contact Person" means a liaison from each Member to the Trustees selected in accordance with Section 3.03(e) hereof.

"Coverage" means the insurance coverage provided by a Pool.

"Coverage Period" means each 12-month period for which a Member pays Fees for Coverage pursuant to this LGIT Agreement.

"Covered Occurrences" means those occurrences for which the Trust shall assume liability and which are within the Scope of Coverage provided by the Trust pursuant to this LGIT Agreement.

"Effective Date" means the date determined by the Trustees on which each Member in a Pool will be provided insurance coverage pursuant to the Scope of Coverage for that Pool.

"Escrow Deposit Fund" means that fund established by Section 7.04 of this LGIT Agreement.

"Executive Committee" means that executive committee appointed by the Trustees in accordance with Section 2.07 hereof.

"Executive Director" means an individual employed by the Trustees to manage the day-to-day operations of the Trust.

"Fee or Fees" means the sum or sums of money determined by the Trustees pursuant to Section 8.01 hereof and the Bylaws and charged to each Member during the Pool Year of each Pool in which that Member participates. When used in this LGIT Agreement, "Fee" shall be

deemed to refer to the total Fee payable by each Member, or any component thereof, as the context requires.

"Funds" means the General Funds and the Operating Fund established in Sections 7.02 and 7.03 of this LGIT Agreement.

"General Funds" means those certain funds established by Section 7.02 of this LGIT Agreement.

"Health Benefits Coverage" means the health benefits provided to Subscribers and Qualified Dependents for claims incurred during the Coverage Period pursuant to and in accordance with the LGIT Agreement.

"Investment Repurchase Agreement" means the Investment Repurchase Agreement dated as of March 7, 1990 between Bayerische Landesbank Girozentrale and the Trust.

"LGIT Agreement" means the Local Government Insurance Trust Agreement, as set forth herein and as amended or restated from time to time.

"Loan" means any short-term inter-Pool borrowing as authorized by the Trustees pursuant to Section 6.04 of this LGIT Agreement.

"Local Government" means

(a) a municipal corporation subject to the provisions of Article 23A of the Annotated Code of Maryland;

(b) a county, subject to the provisions of Articles 25, 25A or 25B of the Annotated Code of Maryland;

(c) the Mayor and City Council of Baltimore; or

(d) a designated special tax area or district exercising and performing specific and limited municipal powers and functions within a defined geographic area, and created by:

(i) the State pursuant to public local law; or

(ii) a county pursuant to Article 25A of the Annotated Code of Maryland or a municipal corporation pursuant to Article 23A of the Annotated Code of Maryland, provided that the governing body of the special tax area or district is independently elected.

"MACo" means the Maryland Association of Counties.

"Member" means any party to the LGIT Agreement that (i) meets the eligibility requirements of Section 3.01, (ii) is approved by the Trustees pursuant to Section 3.02, and (iii) has not Terminated or been Cancelled pursuant to Section 3.04.

"MML" means the Maryland Municipal League.

"Named Insured" means a Member or Public Entity eligible for Coverage pursuant to Section 9.06 of this LGIT Agreement.

"Operating Fund" means that certain fund established by Section 7.03 of this LGIT Agreement.

"Pools" means, collectively, the insurance pools established by the Trustees in accordance with Section 6.02 of this LGIT Agreement to provide Coverage. When reference to the Pools is made hereunder with regard to a Member, such reference shall be deemed to refer only to that Pool or those Pools of which such Member participates.

"Pool Year" means the fiscal year of each of the Pools as may be established by the Trustees.

"Public Entity" means (i) the State or any political subdivision or unit, agency or instrumentality of the State; (ii) any Local Government or any unit, agency or instrumentality of a Local Government; or (iii) any nonprofit or nonstock corporation that is exempt from taxation under Section 501(c) (3) or (4) of the Internal Revenue Code and receives 50 percent or more of its annual operating budget from a Public Entity described in (i) or (ii) above.

"Qualified Dependent" means any dependent of a Subscriber, provided the dependent is eligible for Health Benefits Coverage.

"Scopes of Coverage" means those documents, as amended from time to time, which separately set forth the actual coverages provided by each of the Pools established by the Trustees pursuant to Section 6.02 of this LGIT Agreement. When reference to the Scopes of Coverage is made hereunder with regard to a Member, such reference shall be deemed to refer only to that Scope of Coverage or those Scopes of Coverage for the Pool or Pools of which such Member is a member.

"Settlement" means the settlement by the Trust in accordance with this LGIT Agreement of a Claim against a Member. The amount of any Settlement may include any costs or expenses deemed appropriate by the Trust in connection therewith, including defense costs.

"State" means the State of Maryland.

"Subscriber" means any person designated by a Member pursuant to Section 9.07 hereof.

"Termination" or "Terminated" means the voluntary withdrawal of a Member from one or more of the Pools in accordance with Section 3.04(b) hereof.

"Transfer" means any inter-Pool transfer as authorized by the Trustees pursuant to Section 6.05 of this LGIT Agreement.

"Trust" means the Local Government Insurance Trust established by the Local Government Insurance Trust Agreement dated as of July 1, 1987.

"Trustee" means each person serving as a trustee hereunder from time to time pursuant to Article II hereof.

1.02 Interpretation. The words "hereof", "herein", "hereunder", and other words of similar import refer to this LGIT Agreement as a whole. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words importing the singular number shall include the plural number and vice versa unless the context shall otherwise indicate. Headings or titles to Articles, Sections, and other subdivisions of this LGIT Agreement are for convenience only and shall be given no effect, meaning or construction whatsoever and shall not define or limit any provision of this LGIT Agreement.

ARTICLE II

TRUSTEES

2.01 Qualifications of a Trustee.

(a) A Trustee who is either elected by the Members or appointed by the Trustees shall be an elected or appointed official or an employee of a Local Government.

(b) A Trustee shall not be employed by or have any financial interest in any company providing service to the Trust.

2.02 Composition of Board of Trustees.

(a) The Trust shall be administered by a Board of Trustees consisting of thirteen voting members as follows:

(1) Five Trustees elected by the Members will represent municipal Members.

(2) Five Trustees elected by the Members will represent county Members.

(3) One Trustee appointed by the Trustees will represent a member of MACo or MML.

(4) The Executive Director of MACo will serve as an ex-officio Trustee.

(5) The Executive Director of MML will serve as an ex-officio Trustee.

No Local Government shall be represented by more than one Trustee on the Board of Trustees. For purposes of this paragraph (a), Baltimore City shall be deemed a county and not a municipality.

(b) All Trustees shall serve for a term of three (3) years.

2.03 Election of Trustees. The initial Trustees shall provide in the Bylaws for the form and method of election of subsequent Trustees.

2.04 Resignation of a Trustee. A Trustee may resign by giving at least thirty (30) days prior notice in writing sent by registered mail to the Chairman of the Trustees. Such notice shall state the date said resignation shall take effect, and such resignation shall take effect on such date.

2.05 Removal of Trustees. A Trustee shall be removed from office if he fails to meet the qualifications of Section 2.01 hereof, fails to attend three (3) consecutive meetings of the Board or is terminated for cause by a two-thirds (2/3) vote of the Trustees. Upon removal of a Trustee, the position shall be filled pursuant to Section 2.06 hereof.

2.06 Substitute Trustees. In the event a Trustee resigns, is removed or is otherwise unable to serve, the Board of Trustees shall appoint a substitute Trustee to fulfill his or her term of office.

Any Trustee, upon leaving office, shall forthwith turn over and deliver to the principal office of the Trust, any and all records, books, documents or other property in his possession or under his control which belong to the Trust.

2.07 Executive Committee. The Trustees may appoint an Executive Committee of not less than three (3) Trustees, one of which is the Chairman of the Board of Trustees. The Trustees may delegate in writing to the Executive Committee such powers and duties as the Trustees deem appropriate and desirable except the exercise of those powers for which a two-thirds (2/3) majority vote of the Trustees is required. The Executive Committee shall meet as determined by the Chairman of the Board of Trustees.

ARTICLE III

MEMBERS

3.01 Eligibility Requirements.

(a) Membership in the Trust shall be limited to (i) Local Governments which are members of MACo or MML, (ii) MACo or MML, or (iii) the Trust. Notwithstanding the foregoing, if a Local Government that is a Member of the Trust ceases to be a member of MACo or MML, the Local Government may not terminate its membership in the Trust or in any Pool maintained by the Trust except as provided in Section 3.04 of this LGIT Agreement.

(b) Each Member shall meet the underwriting standards established by the Board of Trustees for the Pool or Pools in which participation is requested.

(c) The Board of Trustees may establish additional criteria for participation.

3.02 Approval of Participation.

(a) A prospective Member must submit an Application to the Trustees, along with an Application fee in an amount to be determined by the Trustees and shall designate the Pool or Pools in which it wishes to participate.

(b) Each prospective Member shall execute and submit to the Trust a Member Consent and Approval and Member Certificate in substantially the form set forth in Appendix C.

(c) Each Application must be approved by a majority vote of a duly constituted quorum of the Trustees, and upon such approval, the Trustees shall establish the Effective Date for such Member.

(d) Upon execution of this LGIT Agreement by a Local Government, such Local Government shall become a Member in the Pool or Pools for which it obtained approval of participation and be bound by all terms and conditions hereof, including the payment of Fees when due.

3.03 Obligations, Duties and Liabilities of Members.

(a) Each Member agrees to fulfill all obligations and duties established by this LGIT Agreement. The Termination or Cancellation of any Member pursuant to this Article III shall not affect this LGIT Agreement nor the trusts contained herein.

(b) A Member is liable under this LGIT Agreement for the payment of Fees when due.

(c) Each Member hereby agrees to use its best efforts to provide appropriations for the payment of any sum assessed by the Trustees in accordance with this LGIT Agreement and the Bylaws.

(d) (i) The Members agree to institute any and all reasonable safety regulations, loss prevention procedures and reasonable cost containment procedures that may be required by the Trustees for the purpose of minimizing or eliminating hazards or risks that could contribute to losses and for the purpose of reducing the cost of providing coverage. Members have a right to appeal such requirements to the Trustees, and the decision of the Trustees shall then be final.

(ii) The Members agree that they will cooperate fully with the Trust and any of the Trust's attorneys, claims adjusters and any other agent or employee of the Trust in relation to the purpose and powers of the Trust, including, but not limited to, underwriting matters, plan administration, cost containment, managed care, and investigating and defending claims.

(e) Each Member agrees to designate a Contact Person to be responsible for all contacts with the Trust. Neither the Trustees nor any person engaged by the Trustee or employed by the Trust shall be required to contact any other individual except the Contact Person in dealing with a Member. Any notice to or any agreements with a Contact Person shall be binding upon the Member. Each Member reserves the right to change its Contact Person from time to time by giving written notice to the Executive Director.

(f) The Members agree that any suit brought against any Member or Members shall be defended in the name of such Member or Members by counsel selected by the Trustees. Full cooperation shall be extended by such Member or Members to supply any information needed by or helpful to counsel in such defense.

(g) The Members will furnish to the Trustees such underwriting information as may be required by the Trustees at least sixty (60) days prior to the end of each Pool Year of the Pool or Pools in which they participate.

(h) The Members hereby acknowledge and agree that this LGIT Agreement may be amended, altered or modified pursuant to Article XI hereof. Any amendment adopted pursuant to the provisions of Article XI hereof shall be considered by each Member to be a reasonable and proper amendment to the LGIT Agreement. Moreover, the Members agree to be bound by the decision of the Trustees with respect to any coverages, limitations or exclusions contained in the Scopes of Coverage, as such may be amended from time to time by the Trustees in accordance with Article IX hereof.

3.04 Cancellation and Termination of Membership. Membership of a Member shall continue until it ceases under one of the following provisions:

(a) Cancellation. The Trustees shall have the authority by an affirmative vote of two-thirds (2/3) of all Trustees to cancel the membership of any Member in any Pool or Pools

for cause including but not limited to the following: non-payment of Fees or any component thereof; failure to implement reasonable safety or loss prevention requirements; failure to cooperate with the Trust; or any action which may be detrimental to the fiscal soundness or efficiency of the Pools. In addition, the Trustees shall have the authority, by informal action pursuant to unanimous written consent of all Trustees, to cancel the membership of any Member for non-payment of Fees or any component thereof, and no liability shall accrue to the Trust after the effective date of Cancellation, except as provided in Section 3.04(c) hereof.

The Trustees shall establish in the Bylaws a system whereby notice is provided to a Member prior to any determination of Cancellation by the Trustees.

After Cancellation, the Member shall still be liable for any assessment made by the Trustees pursuant to Section 8.03(a)(i) hereof for the Coverage Period in which such Cancellation occurred.

(b) Termination by Member. Any Member may terminate its membership in any Pool as of the end of the Pool Year for that Pool by giving written notice to the Trustees at least sixty (60) days prior to the expiration of such Pool Year, and no liability shall accrue to the Trust after the effective date of Termination except as provided in Section 3.04(c) hereof. Such notice of Termination may be rescinded by a Member at any time prior to the end of the Pool Year in which such notice was given.

After Termination by a Member, the Member shall still be liable for any assessment made by the Trustees pursuant to Section 8.03(a)(i) hereof for the Coverage Period in which such Termination occurred.

(c) Liability of Trust after Termination or Cancellation.

(i) For casualty-related risks covered on an occurrence basis, the Trust shall continue to service, defend and otherwise be responsible for any claim which arose prior to Cancellation or Termination of a Member, including incurred but not reported claims.

(ii) For casualty-related risks covered on a claims-made basis, the Trust shall continue to service, defend and otherwise be responsible for any claim which arose prior to Cancellation or Termination but only if such claim is reported prior to Cancellation or Termination or during an extended reporting period purchased by the Member pursuant to the applicable Scope of Coverage.

(iii) For property-related and health-related risks, the Trust shall continue to be responsible for any claim arising out of an event occurring prior to Cancellation or Termination but only if such claim is reported within the period required by the applicable Scope of Coverage.

(iv) The Pools shall not cover a claim which arises out of an act, error, omission, or event occurring after the date of the Member's Termination or Cancellation.

(v) No amounts held by the Trust in any of its Funds shall be returned to a Terminated or Cancelled Member.

ARTICLE IV

ACCEPTANCE OF TRUST

4.01 Acceptance. The Trustees hereby accept the trusts imposed upon them by this LGIT Agreement and agree to perform said trusts in accordance with the terms and conditions of this LGIT Agreement. The 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 membership of the Board of Trustees, the legal title to property hereby created by this Trust shall automatically pass to those duly appointed Trustees. Each future Trustee appointed in accordance with this LGIT Agreement shall accept the office of Trustee and the terms and conditions of this LGIT Agreement in writing.

4.03 Trustees' Duties and Obligations. The Trustees shall discharge their duties and obligations under this LGIT Agreement solely in the interests of the Members, and defraying reasonable expenses of administering the Pools, with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man 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 Bylaws for the management and control of the Trust, so long as such Bylaws are not inconsistent or in conflict with the terms and provisions of this LGIT Agreement. Said Bylaws 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 or 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 LGIT 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 LGIT Agreement in whole or in part, and neither the Trustees nor the Members, present or future, shall be personally or individually liable therefor.

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

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 State of Maryland. 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 Bylaws 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 Bylaws.

5.03 Extraordinary Votes. An affirmative vote of two-thirds (2/3) of all Trustees shall be required to:

(a) remove a Trustee pursuant to Section 2.05 of this LGIT Agreement;

(b) cancel a Member pursuant to Section 3.04(a) of this LGIT Agreement;

(c) establish a Pool pursuant to Section 6.02 of this LGIT Agreement;

(d) authorize Loans pursuant to Section 6.04 of this LGIT Agreement;

(e) authorize Transfers pursuant to Section 6.05 of this LGIT Agreement;

(f) amend this LGIT Agreement pursuant to Article XI of this LGIT Agreement; or

(g) terminate the provision of coverages of any Pool pursuant to Section 12.03 of this LGIT Agreement.

5.04 Indemnification.

(a) The Trust shall indemnify: (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 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, if such person, 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 paragraph (d) of this Section.

(b) Such indemnification shall not depend upon whether or not such person is a member of the Board of Trustees at the time such claim, action, suit or proceeding is begun, prosecuted or threatened, nor on whether the liability to be indemnified was incurred or the act or omission occurred prior to the adoption of this Section.

(c) The right of indemnification 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 indemnification hereunder arises, determination in the first instance of the right to indemnification hereunder, and of 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 provided for in this Section shall be deemed to be an expense of the Trust to which all of the Members of the Pools shall contribute.

(f) The indemnification provided by this Section shall be secondary to any benefits to 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 its 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 paragraph (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 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 on rate of payment, the total amount to be advanced, and the security, if required, for repayment of such advances as may be deemed appropriate in the particular circumstances.

(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; CREATION OF THE POOLS; POWERS OF TRUSTEES

6.01 Purpose of the Trust. The purpose and objective of the Trust is to provide economical insurance coverage for the Members of the Pools, to reduce the amount and frequency of losses, to minimize the costs incurred by Members in the handling and litigation of claims and to do all necessary and proper things incident to the provision of insurance in such manner as to be in the best interest of the Members.

The association being formed hereunder is not intended to be a partnership or corporation, but it is the intent of the parties hereto that this LGIT Agreement create a trust under the laws of the State.

It is the express intent of the Members in entering into this LGIT Agreement that they do not waive and are not hereby waiving any immunity provided to the Members or their officials, employees or agents by law.

6.02 Creation of the Pools. Upon an affirmative vote of two-thirds (2/3) of all Trustees, the Trustees may establish a Pool to provide Coverage to Public Entities for any class of risks which the Trustees deem appropriate. There shall be no limitation on the number of Pools which may be established under the authority of this Section. Any Pool established pursuant to this Section 6.02 shall be separately maintained and administered by the Trustees.

The Pools and the Funds created pursuant to this LGIT Agreement comprise the Trust. A Member may participate in any Pool or Pools, subject to the requirements of Section 3.02 hereof.

Except as provided in Sections 6.04, 6.05 and 7.03 hereof, relating to Loans, Transfers and the Operating Fund, respectively, funds paid from time to time by the Members to the Trustees for deposit in a Fund shall be separately maintained and administered and shall be available only to pay losses and expenses relating to the Pool for which that Fund was created.

6.03 Powers of Trustees. The Trustees shall have the power to control and manage the Pools and the Funds 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 Pools and the Funds or to carry out the purposes of this LGIT Agreement. Any determination made by the Trustees in the exercise of these powers shall be binding upon all Members. In addition to the powers set forth elsewhere in this LGIT Agreement, the powers of the Trustees, in connection with their managing and controlling the Pools and the Funds, shall include, but shall not be limited to, the following:

(a) To invest and reinvest all or part of the principal and income of the Funds, without distinction between principal and income as the Trustees determine, pursuant to applicable State law.

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

(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 purposes of the Pools, in such amount, and upon such terms and conditions as the Trustees shall deem advisable, subject to applicable law and statutes; and for any sum so borrowed to issue the promissory note of the applicable Pool or Pools, and to secure the repayment thereof by creating a security interest in all or any

part of the applicable Pool or Pools; and no person lending such money shall be obligated to see that the money lent is applied to Pool purposes or to inquire into the validity, expedience or propriety of any such borrowing.

(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 counsel 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 counsel, and to charge the expense thereof to the Trust. The Trustees are entitled to rely upon and may act upon the opinion or advice of any attorney approved by the Trustees in the exercise of reasonable care. The 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 Bylaws or the written minutes of the Trustees' meetings.

(h) To hire employees or independent contractors as the Trustees may deem necessary or advisable to render the services required and permitted for the proper operation of the Pools and the Trust, and to charge the expense thereof to the Trust.

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

(j) To construe and interpret the LGIT Agreement and the Scopes of Coverage.

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

(1) To maintain bank accounts for the administration of the Pools and the Funds and to authorize certain Trustees, the Executive Director or other appropriate persons to make payments from any appropriate account for purposes of the Trust.

(m) To receive and review reports of the financial condition and of the receipts and disbursements of the Pools and the Funds.

(n) To adopt Bylaws, 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 LGIT Agreement.

(o) 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.

(p) To purchase as a general administrative expense of the Trust director's liability insurance and other insurance for the benefit of the Trust or the protection of the Trustees, Trust officers, employees, or agents against any losses by reason of errors or omissions or breach of fiduciary duty or negligence.

(q) To enter into any and all contracts and agreements for carrying out the terms of this LGIT 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 the Members and the Members' 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.

(r) To write off as uncollectible any Member's Fees or any other indebtedness or other obligation as the Trustees may deem appropriate. A decision to write off as uncollectible shall be deemed appropriate if the Trustees determine that the likelihood of collection or the anticipated expense of collecting justifies such action.

(s) To receive Fees, contributions or payments from any source whatsoever but such Fees, contribution or payments may not be utilized for any purpose unrelated to the coverages herein provided.

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

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

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

(w) To cancel the membership of any Member in accordance with the terms of this LGIT Agreement.

(x) To establish the type and scope of coverages available to Members and the Fees for such coverages.

(y) To do all acts, whether or not expressly authorized herein, which the Trustees may deem necessary or proper in connection with the administration of the Trust, although the power to do such acts is not specifically set forth herein.

Notwithstanding the foregoing grant of powers, the Trustees shall be required to maintain and administer the property of each Pool and the Funds created thereunder separately except as provided in Sections 6.04, 6.05 and 7.03 hereof relating to Loans, Transfers and the Operating Fund, respectively. Losses and expenses charged against a Pool shall be paid solely from the funds in that Pool.

6.04 Inter-Pool Borrowings. Upon an affirmative vote of two-thirds (2/3) of all Trustees, the Trustees may loan moneys from one Pool to any other Pool. The Trustees may authorize any Loan upon such terms and conditions as they deem necessary or advisable and in the best interests of the Trust. Any decisions concerning Loans hereunder shall be made in the sole and absolute discretion of the Trustees.

6.05 Inter-Pool Transfers. In order to address the closure of a Pool or a major component of a Pool pursuant to Section 12.03, and upon an affirmative vote of two-thirds (2/3) of all Trustees, the Trustees may transfer moneys from one Pool to any other Pool.

ARTICLE VII

ESTABLISHMENT OF CERTAIN FUNDS; REVENUES

7.01 Banking Institution. The Trustees shall appoint a Banking Institution to hold and invest the moneys of the Trust as provided in this Article VII, in Article VIII hereof and in the Bylaws.

7.02 Establishment of General Funds . (a) The Trustees shall establish a General Fund for each Pool. The General Fund of each Pool shall consist of moneys allocated to it by the Trustees and shall be separately maintained and administered.

(b) Moneys in the General Fund of each Pool shall be used and applied to pay the costs attributable to that Pool, including, but not limited to, settlement service fees, self-insurance bond costs, insurance premium costs, Trustees' counsel's fees, accountants' fees, taxes, compensation and expense reimbursements.

(c) The Trustees shall cause adequate reserves to be maintained in the General Fund of each Pool to provide for current claims and claims incurred but not reported.

(d) Investment earnings on moneys in the General Fund of each Pool shall be retained in the General Fund for that Pool and used and applied as provided in subsection (b) hereof.

7.03 Establishment of Operating Fund. (a) The Trustees shall establish a separate fund known as the Operating Fund. The Operating Fund shall consist of moneys allocated to it by the Trustees and shall be separately maintained and administered.

(b) Moneys in the Operating Fund shall be used and applied for general non-allocable administrative expenses incurred by the Trust.

(c) Investment earnings on moneys in the Operating Fund shall be retained in the Operating Fund and used and applied as provided in subsection (b) hereof.

7.04 Establishment of Escrow Deposit Fund. (a) The Trustees shall establish a separate and restricted fund known as the Escrow Deposit Fund. The Escrow Deposit Fund shall consist solely of the Investment Repurchase Agreement and any amounts paid to the Trust pursuant to the Investment Repurchase Agreement. The Escrow Deposit Fund shall be separately maintained and administered.

(b) Moneys in the Escrow Deposit Fund shall be used and applied exclusively to pay the principal of and interest on the Certificates of Participation or the principal of and interest on any obligation incurred by the Trust to redeem the Certificates of Participation.

(c) Investment earnings on moneys in the Escrow Deposit Fund shall be deposited in the Operating Fund and used and applied as provided in Section 7.03(b) hereof.

7.05 Bonds. The Trustees may require that a fidelity bond be furnished as to all persons handling money for or on behalf of the Trustees and the Trust, including but not limited to individual Trustees and the Executive Director.

ARTICLE VIII

FEES; POOL DEFICITS AND SURPLUSES; AND CAPITALIZATION PROGRAM

8.01 Fees.

(a) Each Member in a Pool shall pay a Fee representing its share of the total amount necessary (i) to pay administrative costs of the Pool; (ii) to pay claim costs and to fund estimated loss reserves during that Pool Year, (iii) to purchase insurance or reinsurance during that Pool Year, and (iv) to establish a reasonable and appropriate contingency margin or fund balance. Fees for each such Member shall be determined in the sole discretion of the Trustees upon recommendation of the Executive Director based upon such Member's historical loss experience and such other factors as are deemed actuarially relevant. The Trustees shall utilize the services of a Consulting Actuary in setting the Fees.

(b) Each Member shall pay any assessment levied in accordance with Section 8.03(a)(i) of this LGIT Agreement to the Trust.

8.02 Deposit of Fees. Fees shall be deposited in the General Fund or General Funds of the Pool or Pools of which the Member is a member, or in the Operating Fund, as determined by the Trustees.

8.03 Deficits and Surplus in Pools.

(a) If a deficit exists in the General Fund of a Pool, the Trustees shall, in their sole discretion, determine the manner in which the deficit shall be satisfied by any (or a combination) of the following mechanisms:

(i) Assessment against the Members of the Pool. Such assessment shall be levied in an amount and in the manner determined by the Trustees, in their sole discretion, provided, however, that an assessment shall not be levied against any Member that was not a Member during the Coverage Period in which the deficit occurred and provided, further, that the assessment levied against any Member shall not exceed two times the Member's Fee paid in the Coverage Period in which the deficit occurred.

(ii) Increased Fees payable by the Members of the Pool in one or more succeeding Pool Years.

(iii) Loan.

(b) In the event amounts on deposit in the General Fund of a Pool exceed that amount which the Trustees deem appropriate, the Trustees, in their sole discretion, may direct the return of such surplus moneys to the Members of that Pool. Distributions of surplus from the General Fund of a Pool will be made in accordance with a formula adopted by the Trustees based upon the experience of the Pool as a whole, the size of each Member's Fee paid to the Pool, and the experience of each individual Member of the Pool. Prior to making any distribution of surplus, the Trustees shall receive a certificate from a Consulting Actuary that such distribution of surplus will not harm the actuarial soundness of the Pool.

8.04 Capitalization Program.

(a) As of June 30, 1998, all capital contributions made to the Trust by Members from and after July 1, 1987 shall be returned to Members or, at the Member's option, shall be held by the Trust pursuant to subsection (b) hereof.

(b) If a Member elects to leave all or any portion of its capital contribution with the Trust,

(i) The amount left with the Trust shall be deposited in an account held in trust for the sole benefit of the Member;

(ii) Any investment earnings on the amount left with the Trust shall be retained in the account and held in trust for the sole benefit of the Member;

(iii) The amount left with the Trust, and any investment earnings thereon, shall be used and applied only to pay Fees on behalf of the Member; and

(iv) The Member may, at any time, withdraw all or part of the amount left with the Trust, including any investment earnings thereon.

(c) (i) Commencing July 1, 1998, the Trust shall pay the principal of and interest on the Certificates of Participation.

(ii) The Trust shall indemnify and hold harmless any Local Government against all judgments, including interest, fines, amounts paid in settlement, reasonable costs and expenses including attorneys' fees and any other liability that may be incurred by the Local Government as a result of any claim asserted or action, suit or proceeding brought against the Local Government arising out of or in connection with a default in the payment of the principal of or interest on the Certificates of Participation.

ARTICLE IX

COVERAGES

9.01 Determination by Trustees. The coverages provided under the Pools shall be determined by the Trustees and set forth in the Scopes of Coverage, which may be amended from time to time in accordance with Section 9.03 hereof.

9.02 Scopes of Coverage. The Trustees shall prepare a Scope of Coverage for each Pool, setting forth the coverages provided by that Pool. Each Member shall receive a Scope of Coverage for every Pool in which it is a member. The Scope of Coverage shall be deemed the insuring agreement between the Trust and the Member.

9.03 Amendments to Scope of Coverage.

(a) The Scope of Coverage may be amended by the Trustees without the consent of any Member:

(i) at the beginning of any Pool Year if the Member receives notice of the substance of the amendment at least 30 days prior to the beginning of the Pool Year; or

(ii) at any time without prior notice to the Member if the amendment does not reduce or otherwise limit the coverages available to the Member.

(b) Except as provided in subsection (a) hereof, the Scope of Coverage may not be amended by the Trustees without the prior written consent of each Member affected by the amendment.

9.04 Underwriting; Retention; Excess Liability Coverage.

(a) Notwithstanding any other provision of this LGIT Agreement, the Trust expressly reserves the right to make any and all underwriting decisions with respect to Coverage and further reserves the right, in its sole and absolute discretion, to fix and determine all retention levels which it deems appropriate with respect to Coverage, or any portion thereof.

(b) Notwithstanding any other provision of this LGIT Agreement, excess liability insurance coverage will only be available to a Member if such Member's primary liability insurance coverage is provided by (i) the Trust or (ii) a self-insurance program satisfactory to the Trust.

9.05 Liability Coverage for Sheriffs and Deputy Sheriffs. Notwithstanding any other provision of this LGIT Agreement, liability coverage may be provided to a sheriff or deputy sheriff to the extent a Local Government has financial responsibility under State law for a tort arising from the activities of the sheriff or deputy sheriff.

9.06 Named Insureds.

(a) (1) A Member may be a Named Insured for purposes of primary liability insurance coverage if the Member is subject to the Local Government Tort Claims Act limitations on liability as set forth in Md. Cts. & Jud. Proc. Code Ann. Section 5-301 et seq. (1998 Replacement Volume, as replaced, supplemented and amended).

(2) A Member may direct that a Public Entity other than a Member be a Named Insured for purposes of primary liability insurance coverage if the Public Entity is located in whole or in part within the geographic boundaries of the Member, and the Public Entity is subject to:

(i) the Local Government Tort Claims Act limitations on liability as set forth in Md. Cts. & Jud. Proc. Code Ann. Section 5-301 et seq. (1998 Replacement Volume, as replaced, supplemented and amended); or

(ii) the Maryland Tort Claims Act limitations on liability as set forth in Md. State Gov't. Code Ann. Section 12-101 et seq. (1999 Replacement Volume, as replaced, supplemented and amended); or

(iii) the County Boards of Education limitations on liability as set forth in Md. Educ. Code Ann. Section 4-101 et seq. (1999 Replacement Volume, as replaced, supplemented and amended).

(b) (1) A Member may be a Named Insured for purposes of property coverage.

(2) A Member may direct that a Public Entity other than a Member be a Named Insured for purposes of property coverage if the Public Entity is located in whole or in part within the geographic boundaries of the Member.

(c) (1) A Member may be a Named Insured for purposes of excess liability insurance coverage.

(2) A Member may direct that a Public Entity other than a Member be a Named Insured for purposes of excess liability insurance coverage if:

(i) the Public Entity is located in whole or in part within the geographic boundaries of the Member; and

(ii) the Public Entity's primary liability insurance coverage is provided by a self-insurance program satisfactory to the Trust.

(d) (1) A Member may be a Named Insured for purposes of Health Benefits Coverage.

(2) A Member may direct that a Public Entity other than a Member be a Named Insured for purposes of Health Benefits Coverage if the Public Entity is located in whole or in part within the geographic boundaries of the Member.

(e) For each Named Insured that is not a member of MML or MACo, the Trust may collect on behalf of MML and MACo an administrative fee which shall be remitted to MACo and MML. The amount of the administrative fee payable by the Named Insured to MML and MACo shall be determined by the Trustees in their sole discretion.

9.07 Subscribers.

(a) Health Benefits Coverage shall be provided to (i) each Subscriber designated by a Member participating in the Pool providing Health Benefits Coverage and (ii) each Qualified Dependent of a designated Subscriber. Subscriber designation shall be done at the times and in the manner set forth in the applicable Scope of Coverage.

(b) A Member participating in the Pool providing Health Benefits Coverage may designate any individual as a Subscriber, provided the individual is:

(i) an appointed or elected official of the Member; or

(ii) an employee of the Member; or

(iii) an officer or employee of a Public Entity that is a Named Insured; or

(iv) eligible for pension benefits from the Member or a Public Entity that is a Named Insured.

ARTICLE X

SETTLEMENT OF CLAIMS

10.01 Power of Trustees to Compromise Claims. Except as provided in Section 10.02 hereof, the Trustees may, without restriction, negotiate and effect a compromise of claims within the limits of the Trust's liability.

10.02 Excess Liability. With respect to a Named Insured whose primary liability coverage is provided by a self-insurance program, the Trustees may issue an endorsement to the Scope of Coverage specifying the extent to which the Named Insured may restrict or otherwise limit the power of the Trustees to compromise claims relating to excess liability coverage.

ARTICLE XI

AMENDMENTS

11.01 Amendments Not Requiring Consent of Members. The terms and provisions of this LGIT 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 or formal defect or omission in this LGIT Agreement.

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

(c) To change or modify any provision of this LGIT Agreement so as to grant any additional rights, authority or power to the Trustees and to the Members as may lawfully be granted to or conferred upon them.

11.02 Amendments Requiring Consent of Members. The Members by a two-thirds (2/3) vote may consent to and approve any amendment approved by a two-thirds (2/3) vote of the Trustees and presented to the Members, as shall be deemed necessary and desirable by the Members for the purpose of modifying, altering or amending, adding to or rescinding any of the terms or provisions contained in this LGIT Agreement, subject to the limitations contained in Section 11.03 hereof. The Trustees shall prescribe rules and procedures for submission of proposed amendments to the Members. Each Member shall have only one (1) vote hereunder, regardless of the number of Pools in which it is a Member.

11.03 Limitation on Amendments. No amendment shall be adopted which alters the basic purpose of the Trust or alters the rights of Members to receive surplus moneys as provided

in Section 8.03(b) hereof or alters the obligation of Members to pay any assessments which may be established under Section 8.03(a) hereof.

ARTICLE XII

TERMINATION

12.01 Term of the 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 Members.

12.02 Termination of the Trust. In the event of termination of the Trust, the Members covenant and agree to make any provision for payment of claims against the Trust 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 Member 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.

12.03 Termination of Coverage by a Pool. Upon an affirmative vote of two-thirds (2/3) of all Trustees, the Trustees may terminate the coverage of any Pool as of the end of the Pool Year of that Pool. The Trustees shall provide the Members of that Pool with written notice of termination sixty (60) days prior to the end of the Pool Year of that Pool. In the event of termination of coverage by a Pool, each Member of that Pool as of the date of termination shall be (i) liable for any assessment made by the Trustees pursuant to Section 8.03 hereof for the Pool Years in which the Member participated in the Pool and (ii) entitled to receive distribution of its pro rata share of any remaining funds in the Pool after the payment of all outstanding obligations, the calculation of such distributions to be determined by the Trustees.

ARTICLE XIII

MISCELLANEOUS

13.01 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 Member or any official, employee or agent of any Member nor any individual shall have any right, title or interest in the Trust nor any right to Fee payments made or to be made thereto, nor any claim against any Member on account thereof, except to the extent of the right of Members to receive their pro rata share of any excess funds as provided hereunder.

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

13.02 Execution of Documents. The Trustees may authorize any Trustee or the Executive Director 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.

13.03 Notice. All notices, requests, demands and other communications related to this LGIT 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 prepaid, return receipt requested, or when personally delivered by hand, or when transmitted electronically or by facsimile, 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 Member shall be provided to the Executive Director.

The parties hereto shall notify the Executive Director as to any change in address.

13.04 Construction. This LGIT Agreement shall be governed by the laws of the State.

13.05 Counterparts. This LGIT Agreement may be executed in any number of counterparts (each of which shall be deemed an original) by the Trustees and the authorized officer of the Member, by a counterpart signature page in the forms attached hereto, which together with this LGIT Agreement and all other duly executed signature pages shall constitute the complete agreement among all the parties hereto.

13.06 Subrogation. Each Member agrees that in the event of the payment of any loss by the Trust from a Pool under this LGIT Agreement, the Trust shall be subrogated to the extent of such payment to all the rights of the Member, Named Insured or other insured against any person or other entity legally responsible for damages for said loss, and in such event the Member hereby agrees to render all reasonable assistance, other than pecuniary, to effect recovery by the Trust. Any such recovery shall be credited to the Pool from which the loss was paid.

13.07 Defense by the Trust. The Trust is to defend in the name of and on behalf of the Members, Named Insured or other insured any claims, suits or other proceedings which may at any time be instituted against it arising out of Covered Occurrences, including suits or other proceedings alleging such injuries and demanding damages or compensation therefor, although such suits, other proceedings, allegations or demands are wholly groundless, false, or fraudulent, and to pay all costs taxed against the Member, Named Insured or other insured in any legal proceeding, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense. If a personal appearance by an official or employee of a Member is necessary in any suit or proceeding, the expense of such appearance shall be paid by the Member. Legal representation for such claims, suits or other proceedings shall be as determined by the Trustees.

13.08 Limitation of Liability. Liability of the Trust to any Member in any Pool is specifically limited to those coverages provided in the Scope of Coverage for that Pool subject to any deductible amounts contained therein.

Members' liability shall be limited to the extent of the financial contributions to the Pools set forth herein, and any additional obligations as may come about through amendment hereto. No Member agrees or contracts herein to be held responsible for any claims in tort, contract or otherwise made against any other Member. Nothing contained in this LGIT Agreement or in the Bylaws thereto or the Scopes of Coverage shall be deemed to create any relationship of surety, indemnification or responsibility between Members for the debts of or claims against any other Member.

13.09 Arbitration for Coverage Disputes. A coverage dispute between the Trust and a Member or Named Insured may be settled by arbitration in accordance with the law of the State and the Rules of Arbitration as set forth in Appendix D hereof, as it may be amended from time to time by the Trustees, if the amount in controversy does not exceed $10,000.

13.10 General Representations of Members.

(a) Each Member represents that it is a body corporate and politic and a Local Government as defined in this LGIT Agreement. Each Member has the power to enter into this LGIT Agreement and any other documents in connection herewith and the transactions contemplated hereunder and thereunder. The party executing this LGIT Agreement on behalf of each Member has full power and authority to execute the same and any documents executed in connection herewith.

(b) This LGIT Agreement has been duly and validly executed and is a valid and binding agreement on the Member, 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.

13.11 Severability of Invalid Provisions. If any one or more of the provisions contained in this LGIT 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 LGIT Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this LGIT Agreement, and the remaining parts of this LGIT 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.

13.12 Effectiveness. This Eighth Amended and Restated LGIT Agreement shall be dated as of July 1, 2004 and shall be effective from and after that date on which two-thirds (2/3) of the Members in the Trust on July 1, 2004 approve this Eighth Amended and Restated LGIT Agreement. Prior to the effective date of this Eighth Amended and Restated LGIT Agreement, the Seventh Amended and Restated Local Government Insurance Trust Agreement dated as of January 1, 2001 shall be and remain in full force and effect. From and after the effective date of this Eighth Amended and Restated LGIT Agreement, this Eighth Amended and Restated LGIT Agreement shall be and remain in full force and effect and shall supersede and replace the

Seventh Amended and Restated Local Government Insurance Trust Agreement dated as of January 1, 2001.

IN WITNESS WHEREOF, the Trustees have executed this Eighth Amended and Restated Local Government Insurance Trust Agreement, all as of July 1, 2004.

WITNESS:

_____	_____ Raquel Sanudo, Chairman
_____	_____ F. Gary Mullich, Vice Chairman
_____	_____ Barrie P. Tilghman, Secretary
_____	_____ John "Sonny" Bloxom
_____	_____ Nelson K. Bolender
_____	_____ Stewart Cumbo
_____	_____ Thomas B. Dillingham
_____	_____ Roger L. Fink
_____	_____ Marie L. Rameika
_____	_____ J. Thomas Routzahn, Jr.
_____	_____ Hillary B. Spence
_____	_____ David S. Bliden, Ex-Officio
_____	_____ Scott A. Hancock, Ex-Officio

APPENDIX A

Members (152)

Name	Effective Date
Accident, Town of	07/01/98
Annapolis, City of	07/01/89
Baltimore County	07/01/88
Barclay, Town of	07/01/90
Barnesville, Town of	07/01/87
Barton, Town of	07/01/92
Bel Air, Town of	07/01/88
Berlin, Town of	07/01/01
Berwyn Heights, Town of	07/01/87
Betterton, Town of	07/01/88
Bladensburg, Town of	07/01/89
Boonsboro, Town of	07/01/92
Bowie, City of	07/01/87
Brentwood, Town of	07/01/92
Brookeville, Town of	07/01/89
Brookview, Town of	04/04/00
Brunswick, City of	07/01/87
Burkittsville, Town of	03/31/88
Calvert County	04/01/88
Cambridge, City of	07/01/88
Capitol Heights, Town of	07/01/92
Caroline County	09/01/87
Carroll County	12/01/87
Cecil County	11/15/87
Cecilton, Town of	02/16/88
Charles County	07/01/88
Charlestown, Town of	07/19/88
Chesapeake Beach, Town of	07/01/02
Chesapeake City, Town of	01/01/98
Chestertown, Town of	07/01/87
Cheverly, Town of	10/01/87
Chevy Chase, Town of	07/01/91
Chevy Chase, Section 3, Village of	07/01/95
Chevy Chase, Section 5, Village of	06/17/92
Chevy Chase Village, Town of	07/01/92
Church Creek, Town of	07/01/99
Church Hill, Town of	07/01/87
College Park, City of	12/01/87
Colmar Manor, Town of	02/15/88

Members

Name	Effective Date
Cottage City, Town of	02/05/88
Denton, Town of	09/01/87
District Heights, City of	07/01/92
Dorchester County	08/01/96
Eagle Harbor, Town of	10/06/93
East New Market, Town of	11/29/91
Easton, Town of	11/01/87
Edmonston, Town of	03/16/88
Eldorado, Town of	05/27/00
Elkton, Town of	11/12/99
Emmitsburg, Town of	09/27/87
Fairmount Heights, Town of	09/30/90
Federalsburg, Town of	10/15/99
Forest Heights, Town of	01/22/01
Friendsville, Town of	07/01/98
Frostburg, City of	07/01/87
Gaithersburg, City of	07/01/87
Galestown, Town of	07/01/00
Garrett County	07/01/87
Garrett Park, Town of	01/01/88
Glenarden, City of	10/05/89
Glen Echo, Town of	03/01/94
Goldsboro, Town of	12/01/89
Greenbelt, City of	10/01/91
Hagerstown, City of	07/01/98
Hampstead, Town of	03/22/88
Hancock, Town of	07/01/88
Harford County	07/31/97
Havre de Grace, City of	03/22/88
Hebron, Town of	11/01/88
Henderson, Town of	01/01/93
Highland Beach, Town of	01/01/91
Hillsboro, Town of	05/02/91
Howard County	07/01/89
Hurlock, Town of	07/01/88
Hyattsville, City of	07/01/88
Indian Head, Town of	09/01/87
Keedysville, Corporation of	11/14/99
Kensington, Town of	03/07/88

Members

Name	Effective Date
Kent County	07/01/87
Kitzmiller, Town of	08/01/88
Landover Hills, Town of	07/01/88
La Plata, Town of	09/01/87
Laurel, City of	07/01/87
Laytonsville, Town of	12/01/93
Leonardtown, Town of	10/01/87
Local Government Insurance Trust	04/01/88
Loch Lynn Heights, Town of	10/09/98
Lonaconing, Town of	09/07/88
Luke, Town of	11/22/87
Mardela Springs, Town of	03/01/94
Marydel, Town of	09/01/90
Maryland Association of Counties	02/01/91
Maryland Municipal League	10/01/91
Middletown, Town of	01/14/88
Millington, Town of	07/01/98
Morningside, Town of	11/01/93
Mount Airy, Town of	11/22/87
Mount Rainier, City of	07/01/92
Mountain Lake Park, Town of	07/01/92
Myersville, Town of	07/01/92
New Carrollton, City of	07/01/94
New Market, Town of	07/01/88
New Windsor, Town of	07/01/87
North Beach, Town of	07/01/96
North Brentwood, Town of	08/01/87
North Chevy Chase, Village of	07/01/87
North East, Town of	07/01/89
Oakland, Town of	01/31/01
Ocean City, Town of	07/01/01
Pittsville, Town of	01/13/98
Pocomoke City, City of	07/01/88
Poolesville, Town of	07/01/92
Port Deposit, Town of	09/30/88
Preston, Town of	05/01/91
Prince George's County	07/01/89
Princess Anne , Town of	11/09/87

Members

Name	Effective Date

Queen Anne, Town of	05/10/88
Queen Anne's County	07/01/87
Queenstown, Town of	06/02/93
Ridgely, Town of	07/01/91
Rising Sun, Town of	07/01/88
Riverdale Park, Town of	03/01/92
Rock Hall, Town of	07/01/88
Rosemont, Village of	01/01/99
Salisbury, City of	08/01/87
Seat Pleasant, City of	07/01/92
Secretary, Town of	07/01/92
Sharpsburg, Town of	07/01/99
Sharptown, Town of	07/01/87
Smithsburg, Town of	01/01/98
Snow Hill, Town of	07/01/03
Somerset County	07/01/87
St. Mary's County	07/01/87
St. Michaels, Commissioners of	08/29/88
Sudlersville, Town of	12/13/87
Sykesville, Town of	07/01/87
Takoma Park, City of	08/01/87
Talbot County	07/01/87
Taneytown, City of	07/15/87
Trappe, Town of	02/01/97
University Park, Town of	07/01/92
Upper Marlboro, Town of	08/15/01
Vienna, Town of	02/03/88
Walkersville, Town of	07/01/89
Washington County	07/01/00
Washington Grove, Town of	07/01/87
Westernport, Town of	07/01/00
Westminster, City of	07/01/87
Wicomico County	10/01/01
Willards, Town of	10/01/87
Williamsport, Town of	11/01/03
Worcester County	10/01/87

Dated: July 1, 2004

APPENDIX B

Trustees

Name, Represented Member	Date [1]
Raquel Sanudo, Chair , Howard County	7/01
F. Gary Mullich, Vice Chairman, Garrett County	7/03
Barrie Parsons Tilghman, City of Salisbury	7/01
John "Sonny" Bloxom, Worcester County	1/03
Nelson K. Bolender, Cecil County	9/01
Stewart Cumbo, Town of Chesapeake Beach	1/03
Thomas B. Dillingham, Jr., Town of Poolesville	7/03
Roger L. Fink, Charles County	7/02
Marie L. Rameika, Town of Church Hill	7/02
J. Thomas Routzahn, Jr., Town of Middletown	7/03
Hillary B. Spence, Talbot County	7/03
David S. Bliden, Ex-Officio, Maryland Association of Counties	7/91
Scott A. Hancock, Ex-Officio, Maryland Municipal League	12/95

[1] Date (month/year) of most recent election or appointment.

Dated: June 1, 2004

APPENDIX C

MEMBER CONSENT AND APPROVAL

The Member named below hereby consents to, approves, accepts and agrees to the foregoing Eighth Amended and Restated Local Government Insurance Trust Agreement dated as of July 1, 2004, as witness the signature of the undersigned authorized officer.

(SEAL)

_____
Name of Member

ATTEST:

_____
Attesting Officer

By:_____
Authorized Officer

_____
Title of Attesting Officer

_____
Title of Authorized Officer

Date of Consent and Approval:_____

MEMBER CERTIFICATE

Member:_____
Name of County, City, Town

Authorized Officer:_____
Name of Officer executing Member Consent and Approval

_____
Title of Officer executing Member Consent and Approval

Consent and Approval Date:_____
Date of Member Consent and Approval

Official Authorization:_____
Identification of Ordinance, Resolution,
Order or other official action authorizing
Member Consent and Approval (Please attach copy)

_____
Effective date of Official Authorization

The undersigned certifying officer hereby certifies as follows:

1. The Eighth Amended and Restated Local Government Insurance Trust Agreement dated as of July 1, 2004 was duly consented to and approved in accordance with applicable law by appropriate official action of the Member.

2. The attached copy of the Official Authorization is true, correct and complete and has not been repealed, revoked or rescinded and is in full force and effect as of the date hereof.

3. The attached Member Consent and Approval was duly executed on behalf of the Member on the Consent and Approval Date by the Authorized Officer; the Authorized Officer was duly authorized on the Consent and Approval Date to execute the Member Consent and Approval.

_____
Certifying Officer

_____
Title

_____
Date of Certification

APPENDIX D

RULES OF ARBITRATION

1. AGREEMENT TO ARBITRATE

Any coverage dispute between the Trust and a Member or Named Insured shall be governed by these rules if the coverage dispute is subject to arbitration under Section 13.09 of the Local Government Insurance Trust Agreement.

2. REQUEST FOR ARBITRATION

The Member or Named Insured shall deliver written notice to the Trust of the Member's or Named Insured's request to arbitrate a coverage dispute subject to arbitration under Section 13.09 of the Local Government Insurance Trust Agreement. The written notice shall contain a concise statement setting forth the nature of the coverage dispute and the remedy sought. The written notice shall be delivered by certified mail, return receipt requested, or any other method that provides adequate proof of delivery. Any notice that fails to meet the requirements of this section is invalid and ineffective to request arbitration.

3. APPOINTMENT OF AN ARBITRATOR

A. The Trust shall maintain a list of arbitrators, containing the names of at least five (5) attorneys, licensed to practice law in Maryland. None of the arbitrators on the list shall have represented the Trust or a Member or Named Insured within the last five (5) years or be associated with a firm of attorneys that has represented the Trust or a Member or Named Insured within the last five (5) years. The list shall provide the name, address, telephone number and qualifications of the arbitrator, including the areas of law in which the arbitrator concentrates.

B. Within 15 days after receiving written notice of the Member's or Named Insured's request to arbitrate, the Trust shall deliver to the Member or Named Insured (i) written notice of the Trust's refusal to settle the coverage dispute by arbitration or (ii) the list of arbitrators, from which the Member or Named Insured shall select the arbitrator to hear the coverage dispute. The Trust shall deliver to the arbitrator selected by the Member or Named Insured a copy of the written notice filed by the Member or Named Insured. Once the arbitrator has been selected, the arbitrator shall have broad authority to conduct the arbitration process in any reasonable manner, consistent with these rules, to reach a just resolution of the coverage dispute. If the Trust fails to deliver the list of arbitrators to the Member or Named Insured within 15 days after receiving valid written notice of the Member's or Named Insured's request to arbitrate, the Trust shall be deemed to have refused to settle the coverage dispute by arbitration.

4. MODIFICATION OF RULES

Any time limitation established by these rules for the taking of any action or the occurrence of any event, may be modified by agreement of the parties.

5. ANSWER

An answer to the Member's or Named Insured's written notice must be filed by the Trust with the arbitrator within ten days after the arbitrator receives a copy of the Member's or Named Insured's written notice of request to arbitrate. The Trust shall deliver a copy of the answer to the Member or Named Insured. If no answer is filed within the required time, it shall be treated as a general denial of all claims asserted by the Member or Named Insured.

6. DATE, TIME AND PLACE OF HEARING

The arbitrator shall set the date, time and place of the hearing. The arbitrator shall deliver notice of the hearing to the Trust and the Member or Named Insured at least 20 days prior to the date of the hearing.

7. COSTS, EXPENSES AND FEES

The Trust shall pay the arbitrator's fee and any rental cost necessary to secure the location for the hearing, but the Trust shall not be responsible for any costs, expenses or fees incurred by the Member or Named Insured in connection with the arbitration.

8. RIGHT TO LEGAL REPRESENTATION

The Trust and the Member or Named Insured shall have an absolute right to be represented by legal counsel at the hearing.

9. DISCOVERY

There shall be no discovery unless otherwise ordered by the arbitrator.

10. EXCHANGE OF EXHIBITS

At least two business days prior to the hearing date, each party shall deliver to every other party copies of all exhibits that the party intends to submit at the hearing. Failure to comply with this rule shall result in exclusion of the exhibit.

11. TRANSCRIPT OF THE RECORD

The arbitrator shall order that the proceeding be transcribed. The record of the transcript shall be made available to all parties upon request. The cost of transcribing the proceeding shall be shared equally by the parties.

12. POSTPONEMENTS

The arbitrator may postpone the hearing upon the request of a party only if good cause for the postponement is established. The arbitrator shall postpone the hearing upon agreement of the parties.

13. ARBITRATION SHALL PROCEED IN ABSENCE OF PARTIES

The arbitrator may hear and determine the coverage dispute upon the evidence produced by a party notwithstanding the failure of the other party to appear.

14. THE HEARING

A. The arbitrator shall have the authority to conduct the hearing in any reasonable manner, subject to the following rules. Formal rules of evidence shall not apply at the hearing. The parties may offer any evidence that is relevant and material to the coverage dispute and shall produce all evidence that the arbitrator deems necessary to understand and resolve the coverage dispute. The arbitrator shall be the judge of the relevance and materiality of evidence. The arbitrator can exclude evidence only to the extent that the arbitrator determines the evidence is either irrelevant or duplicative of other evidence previously submitted.

B. Unless the arbitrator determines that the hearing shall proceed in a different manner, the Member or Named Insured shall first present its case followed by the Trust. The parties may call witnesses to testify and may present all other relevant evidence. Statements of witnesses also may be entered into evidence by affidavit. The parties shall be afforded the opportunity to cross-examine any witness that testifies at the hearing. Exhibits, when offered by either party, may be received in evidence by the arbitrator.

15. THE DECISION

A. The arbitrator shall render the decision no later than thirty days from the last date on which the hearing is held. A copy of the decision shall be delivered to the parties. The decision shall be in writing and shall be signed by the arbitrator.

B. The arbitrator may grant any remedy or relief that the arbitrator deems just and equitable.

C. The decision of the arbitrator shall be final and binding on the parties. The decision may only be modified by the arbitrator to correct a clerical error.

16. WAIVER OF HEARING

The parties may agree to waive the hearing. In such a case, the arbitrator shall set a deadline by which all documents must be submitted to the arbitrator. Within 30 days of the deadline for submission of documents, the arbitrator shall render a decision.

17. RELEASE OF DOCUMENTS BY ARBITRATOR

Upon written request of a party, the arbitrator shall produce certified copies of any papers in the arbitrator's possession relating to the arbitration. The party requesting copies of the papers shall bear all costs related to the copying and production of the papers.

18. PETITIONS

A petition to enforce the decision of the arbitrator or to modify or to vacate the decision of the arbitrator as provided by State law may be filed in the circuit court for the county in which the Member or Named Insured is located.