

NON PROFIT INSURANCE PROGRAM (NPIP)

MEMBERSHIP AGREEMENT

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MEMBERSHIP AGREEMENT TABLE OF CONTENTS

1.	Introduction	4
2.	Recitals	4
3.	Agreement	4
3.1	Purpose of Agreement	4
3.2	Parties to Agreement	5
3.3	Term of Agreement	5
3.4	Creation of NPIP	5
3.5	Powers of the NPIP	6
3.6	Responsibilities of the NPIP	7
3.7	Responsibilities of Members	7
3.8	Board of Directors' Authority	8
3.9	Service Representative Relationship	9
3.10	New Members	9
3.11	Withdrawal	9
3.12	Cancellation	9
3.13	Effect of Withdrawal or Cancellation	9
3.14	Termination and Distribution	10
3.15	Notices	10
3.16	Amendment	10
3.17	Voting Rights & Procedures	11
3.18	Authority	11
3.19	Default and Remedies	11
3.20	No Waivers	11

3.21	Prohibition Against Assignment	11
3.22	Entire Agreement	11
3.23	Severability	12
3.24	Time	12
3.25	Section Headings	12
3.26	Governing Law	12
4.	Execution	13

NON PROFIT INSURANCE PROGRAM
MEMBERSHIP AGREEMENT

1. Introduction. THIS AGREEMENT is made and entered into pursuant to the provisions of Revised Code of Washington (RCW) by and among the Washington nonprofit corporations listed in Exhibit A attached hereto, as the same will be amended regularly (collectively, the "Members").

2. Recitals.

2.1 Revised Code of Washington provides that two or more eligible entities may, pursuant to state law, coordinate the purchase of insurance and related services (these activities are hereafter collectively referred to as a "Joint Insurance Purchasing Program").

2.2 Revised Code of Washington defines eligible entities to include a nonprofit corporation organized under the entity's state of domicile.

2.3 It is to the mutual benefit of the Members to join together to establish this Joint Insurance Purchasing Program to accomplish the purpose set forth herein.

2.4 The Members have determined it is in their best interest to participate in such a program.

3. Agreement. In consideration of the foregoing recitals and the mutual benefits to be derived here from, the Members agree as follows:

3.1 Purpose of Agreement. This Agreement is entered into by the Members pursuant to Revised Code of Washington for the purpose of authorizing the creation and maintenance of a nonprofit corporation pursuant to the provisions of RCW Chapter 24.03 to be known as the Non Profit Insurance Program ("NPIP"). NPIP is organized for the purpose of coordinating insurance and related services, to the extent permitted by law, for the benefit of its Members.

3.2 Parties to Agreement.

3.2.1 Members. Each party to this Agreement certifies that it intends to contract with all parties who are signatories of this Agreement on its effective date and with such other parties as may later be added to and become signatories to this Agreement pursuant to this agreement. Each party to this Agreement also certifies that the withdrawal or cancellation of any party to this Agreement, pursuant to this agreement shall not affect this Agreement or the remaining Members' intent to contract with the remaining Members pursuant to the terms of this Agreement with the then remaining parties to this Agreement.

3.2.2 Types of Membership. Members shall be made up of nonprofit corporations who meet the Membership criteria as set forth in this Agreement and by the NPIP Board of Directors. Members of NPIP are listed on Exhibit A.

3.3 Term of Agreement. This Agreement shall become effective upon signature, and shall remain in force, until terminated pursuant to the provisions of this Agreement.

3.4 Creation of NPIP.

3.4.1 Pursuant to Chapter 48.62 Revised Code of Washington, the Members authorized the formation of NPIP, pursuant to the provisions of RCW Chapter 24.03 and the Articles of Incorporation. The regulation and management of the affairs of NPIP are governed by this Agreement, and corporate Bylaws, which have been adopted NPIP's Board of Directors. NPIP's Articles of Incorporation and Bylaws may be amended as deemed necessary by the Members and the NPIP Board of Directors, by their own terms and subject to the requirements of Washington law.

3.4.2 Notwithstanding the foregoing, the NPIP Board of Directors shall have no power or authority to incur any obligations on the part of, or to be chargeable to, Members in excess of the requirement of each Member to compensate the Program or the insurance carrier with whom NPIP has purchased insurance pursuant to this Agreement, for the individual Member's share or obligation for the purchase of insurance contemplated and authorized by this Agreement.

3.4.3 The insurance afforded to each Member, pursuant to this Agreement, is limited to the insurance provided by any insurer of NPIP and the coverages defined in the policies of insurance issued by any insurer of NPIP. No coverage, benefit or insurance, in excess or different from that afforded by any insurer of NPIP, is offered or afforded to any Member by execution of this Agreement. NPIP may extend coverage beyond that provided by its excess or reinsurance partners, but only by express written agreement with the Member.

3.5 Powers of NPIP. The Members hereby delegate to NPIP the powers which are common to the Members and which are reasonably necessary and proper to carry out the purposes and terms of this Agreement. Such powers shall include, but not be limited to, the power to:

3.5.1 Establish, and require compliance with, all terms of the Joint Insurance Purchasing Program to be provided by NPIP including the types and limits of the insurance coverage, the methodology to be used to allocate NPIP's costs among Members, and the amount of assessments to be paid by each Member;

3.5.2 Make and enter into contracts;

3.5.3 Incur debts, liabilities or obligations;

3.5.4 Acquire, receive, hold or dispose of property, funds, services, and other forms of assistance from persons, firms, corporations and governmental entities;

3.5.5 Sue and be sued, complain and defend, in its corporate name;

3.5.6 Hire employees and agents; and

3.5.7 Employ a third party administrator to act in accordance with Section 3.8. The authority of

NPIP's Board of Directors shall be exercised pursuant to the terms of this Agreement and NPIP's Articles of Incorporation and Bylaws and in the manner provided by RCW Chapter 24.03.

3.6 Responsibilities of NPIP. NPIP shall have the following responsibilities:

3.6.1 Annually, prior to the fiscal year, the NPIP Board of Directors shall adopt a budget. Such budget shall determine the insurance coverage to be provided through NPIP, the estimated annual assessment to be paid by each Member, and the methodology to be used to allocate NPIP's costs, including deductible costs, administrative costs, and loss costs, to each Member on an annual basis.

3.6.2 NPIP will assist each Member's risk manager, upon request, with the implementation of risk management programs.

3.6.3 NPIP will provide loss prevention, safety, and consulting services to Members.

3.6.4 NPIP will provide claims adjusting and subrogation services for claims covered by the Joint Insurance Purchasing Program.

3.6.5 NPIP will provide loss analysis for the Members for the purpose of identifying high exposure operations and evaluating proper levels of self-retention and deductibles.

3.6.6 NPIP will conduct risk management audits to assess each Member's participation in the Joint Insurance Purchasing Program.

3.6.7 NPIP will comply with any other requirements imposed by Washington law.

3.7 Responsibilities of Members. Members shall have the following responsibilities:

3.7.1 Each Member shall appoint one representative who shall be authorized to exercise the Member's voting rights in NPIP, if any, and to act on behalf of the Member with respect to all matters pertaining to NPIP. Only directors, officers and employees of a Member shall be eligible to be appointed as a representative of a Member. The name of the person appointed as a Member's representative shall be submitted to NPIP directly or via the Member's agent/broker via mail, email, or application. A change in a Member's appointed representative shall not become effective until NPIP has received notice of such change. The alternate Member representative indicated on the renewal application will be used, if necessary, serve and act in the absence of the Member's representative.

3.7.2 Each Member shall maintain its own set of records, as a loss log, on all categories of loss and shall provide to NPIP a written report to all potential claims or losses within 48 hours after they become known to the Member.

3.7.3 Each Member shall pay to NPIP, when due, all assessments established by NPIP, pursuant

to the terms of this Agreement. After the withdrawal, cancellation, or termination of a Member, such Member shall continue to pay to NPIP, when due, until all claims, losses, costs, and other unpaid liabilities relating to the Member's period of membership have been resolved fully.

3.7.4 Each Member shall provide NPIP with such information or assistance as may be necessary for NPIP to carry out the Joint Insurance Purchasing Program.

3.7.5 Each Member shall comply with all Bylaws, resolutions, and policies adopted by the NPIP Board of Directors and shall cooperate with NPIP and its insurers in accomplishing the purposes of this Agreement.

3.8 NPIP Board of Directors' Authority.

3.8.1 NPIP shall be governed by a Board of Directors in accordance with the Bylaws.

3.8.2 The Third Party Administrator ("Administrator") shall have the general supervisory control over the day to day decisions and administrative activities of NPIP. Activities shall include, but are not limited to: (1) negotiations and placement for insurance coverage contracts; (2) disbursal billings to individual Members for their proportionate charges; (3) payment and management of claims sustained by Members of NPIP and liaison with representatives acting on behalf of participating Members. The Administrator shall also keep records of expenses and claims data.

3.8.3 Administrative costs and charges to be paid to the Administrator shall be negotiated between the NPIP Board of Directors and the Administrator.

3.8.4 NPIP funds shall be administered by the Administrator under the control and supervision of the NPIP Board of Directors. The Administrator will be authorized to disburse funds for the processing of covered claims and administrative costs.

3.8.5 The NPIP Board of Directors will provide for an annual audit of the books and records of NPIP as proscribed by the laws and regulations of the State of Washington. When such an audit of the accounts and records is made by the auditing agency, a report thereof shall be filed as a record with the office of the Administrator. Such reports shall be conducted, distributed, and/or filed as required by law. Costs of this audit shall be borne by NPIP and shall be considered for budgetary purposes.

3.8.6 The NPIP Board of Directors is authorized to invest NPIP assets pursuant to the laws and regulations of the State of Washington.

3.8.7 The NPIP Board of Directors shall establish an annual budget. Fiscal years for NPIP shall be from June 1 through May 31 of the next calendar year. The NPIP Board of Directors shall determine the estimated expenses and costs to be incurred by NPIP for the next fiscal year and shall adopt a budget derived from the Administrator's proposed budget. The budget shall be in a form to provide the following information for NPIP as a whole: (1) additional funds toward unreserved fund balance; (2) anticipated revenues in detail; and (3) appropriations, in detail. The NPIP Board of Directors shall apportion the budget costs among the Members, based on rating

factors. All payments due NPIP from Members upon the basis of each budgeted assessment shall be paid as invoiced for the fiscal year for which the assessment is made.

3.9 Service Representative Relationship (Agent/Broker).

3.9.1 Each participating Member of NPIP shall designate a servicing representative to act on their behalf. All service representatives shall be licensed insurance brokers. Duties will include, but are not limited to, the providing of local claims assistance, the securing of underwriting information, completion of applications, updating exposure data and information and such other functions as necessary and reasonable.

3.9.2 Each Member agrees to indemnify and hold NPIP, its Administrator, employees and agents, harmless from and indemnify them against any claims, complaints, and causes of action or judgments arising from any allegation of a failure of the performance or negligence on the part of the Member's servicing representative, including a failure to communicate to or forward communications from NPIP, NPIP's Administrator or any Program insurer. The employment of a servicing representative and the scope of the services performed by that representative are completely within the domain of the Member. A Member acts upon the advice and actions or inactions of its servicing representative at its sole risk.

3.10 New Members. New Members may be admitted as Members of NPIP, to the extent permitted by law, and subject to the conditions set forth by the NPIP Board of Directors.

3.11 Withdrawal. A Member may withdraw only at the end of NPIP's fiscal year and only after it has given the Program ninety days (90) written notice of its intent to withdraw from this Agreement.

3.12 Cancellation. NPIP shall have the right to cancel any Member's participation in the Joint Insurance Purchasing Program upon the affirmative vote of the NPIP Board of Directors at any regular or special meeting. Any Member so cancelled shall be given 90 days notice prior to the effective date of the cancellation, unless due to nonpayment or noncompliance within Section 3.7 of this agreement. Notice of cancellation shall be no less than 10 days.

3.13 Effect of Withdrawal or Cancellation. Neither the withdrawal nor the cancellation of any Member shall cause the termination of this Agreement. No Member, by withdrawing or having its membership canceled, is entitled to payment or return of any assessment paid by the Member to NPIP or any NPIP insurer, or to any distribution of NPIP's assets. The withdrawal or cancellation of any Member, shall not terminate its responsibility to contribute its share of any assessments per this Agreement. It is the intent of this Agreement that no assets of NPIP shall be owned by Members nor shall Members be responsible for debts incurred by the NPIP other than insurance premiums, assessments and claim deductibles attributed to the Members' membership.

3.14 Termination and Distribution.

3.14.1 Termination. This Agreement may be terminated at any time by the written consent of

three-fourths of the Members. However, this Agreement and NPIP shall continue to exist for the purpose of paying all debts and liabilities, disposing of all claims, distributing net assets, and liquidating the affairs of NPIP in accordance, with Washington law. The NPIP Board of Directors shall continue to have the authority to administer the Joint Insurance Purchasing Program, including the power to require Members, including those Members which withdrew prior to the termination date, to pay any assessments deemed necessary by the Board of Directors to fully resolve and dispose of all claims, losses and liabilities covered by this Agreement.

3.14.2 Distribution. Upon termination of this Agreement and full satisfaction of all outstanding claims, losses, and liabilities of NPIP, all assets of NPIP shall be distributed among the Members that were Members of the Joint Insurance Purchasing Program, on the date action to terminate this Agreement was taken, in proportion to the cash payments made by each Member during the term of this Agreement. The NPIP Board of Directors shall determine such distribution within six months after the last pending claim or loss covered by this Agreement has been resolved fully.

3.15 Notices. Except as otherwise required by Washington law, notices to Members hereunder shall be sufficient if: via service representative, via email, or via mail, to the office of the last known address of the Member.

3.16 Amendment. This Agreement may be amended at any time by the approval by an affirmative vote of a majority of the NPIP Board of Directors of the program during a regular or special meeting of the Board of Directors.

The Board of Directors shall provide notification of the intent to change the foundation agreement to each member of the program at least 30 days in advance of the meeting in which the vote of the board will occur, or pursuant to state law, whichever notice is greater. Notice must be provided via electronic or regular mail and must provide a copy of proposed changes.

All amendments shall be adopted with the governing body of each member and signed by an authorized representative of each member. The signed amendment will be submitted to, and retained by NPIP. Copies of the foundation agreement and subsequent amendments shall be published on the website of the program, per applicable state law.

3.17 Voting Rights and Procedures. Each Member shall be entitled to one vote on each matter submitted to a vote of the Members on the date the vote is taken, unless a record date for voting purposes is fixed by the Board of Directors. Members present on the day of the meeting of the membership shall be entitled to vote at such meeting per state law.

The vote may be taken by mail or by electronic transmission (if the name of each candidate and the text of each proposal to be voted upon are set forth in a record accompanying or contained in the notice of meeting). An election may be conducted by electronic transmission if NPIP has designated an address, location, or system to which the ballot may be electronically transmitted and the ballot is electronically transmitted to the designated address, location, or system, in an executed electronically transmitted record. Members voting by mail or electronic transmission are present for all purposes.

3.18 Authority. NPIP is hereby granted the authority to enforce the terms of this Agreement. In the event action is instituted to enforce any term of this Agreement or any term of the Bylaws against any Member or previous Member, the Member or previous Member agrees to pay such sums as the court may fix as reasonable attorneys' fees and costs in said action including fees and costs on appeal.

3.19 Default and Remedies. If any Member fails to perform any term or condition of this Agreement and such failure continues after NPIP has given the Member written notice of such failure, the Member shall be in default hereunder. Upon default, NPIP may cancel the Member's membership effective immediately without further notice or exercise any remedies herein provided or otherwise provided by law. The rights and remedies of NPIP are cumulative in nature and pursuit of any particular remedy shall not be deemed an election of remedies or a waiver of any other remedies available hereunder or otherwise available by law.

3.20 No Waivers. No waiver or forbearance of a breach of any covenant, term, or condition of this Agreement shall be construed to be a waiver or forbearance of any other or subsequent breach of the same or of any other covenant, term or condition, and the acceptance of any performance hereunder, or the payment of any sum of money after the same has become due or at a time when any other default exists hereunder, shall not constitute waiver of the right to demand payment of all other sums owing or a waiver of any other default then or thereafter existing.

3.21 Prohibition Against Assignment. No Member may assign any right, claim or interest it may have under this Agreement. No creditor, assignee or third party beneficiary of any Member shall have any right, claim or title to any part, share, interest, fund premium or asset of NPIP.

3.22 Entire Agreement. This Agreement contains the entire understanding of the parties regarding the Joint Insurance Purchasing Program, and they acknowledge that there is no other written or oral understanding or promise between them with respect to the matters addressed by this Agreement except for the Articles of Incorporation and Bylaws of NPIP. This Agreement may not be altered, amended, or revoked, except pursuant to this Agreement.

3.23 Severability. If any term or provision of this Agreement shall to any extent be determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall not be affected thereby, and each term and provision in this Agreement shall be valid and be enforceable to the fullest extent permitted by law.

3.24 Time. Time is of the essence of this Agreement and each and every provision hereof.

3.25 Section Headings. The section headings in this Agreement are inserted for convenience only and are not intended to be used in the interpretation of the contents of the sections they introduce.

3.26 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of NPIP's domicile - the state of Washington.

4. Execution. The parties have executed this Agreement by duly authorized officers thereof as of date coverage was bound in NPIP.

Name of Nonprofit Corporation (Member)

Signature of Member Representative

Print or Type Name of Member Representative

Title of Member Representative

Date Signed

EXHIBIT A = List of Members