

RESOLUTION NO. _____
A RESOLUTION AUTHORIZING MEMBERSHIP IN
THE NEVADA PUBLIC AGENCY INSURANCE POOL

WHEREAS, Nevada Revised Statutes 277.080 to 277.180 permits local governments to make the most efficient use of their powers by enabling them to cooperate with other local governments on a basis of mutual advantage and thereby provide services which will best accord needs of their communities; and

WHEREAS, Nevada Revised Statutes 277.110, entitled the "Interlocal Cooperation Act", authorizes public agencies to exercise any power or powers, privileges or authority which may be exercised by the public agency individually to be exercised jointly with any other public agency in the State; and

WHEREAS, Nevada Revised Statutes 277.055 permits two or more political subdivisions of the State of Nevada to enter into a cooperative agreement for the purchase of insurance or the establishment of a self-insurance reserve or fund for coverage under a plan of: casualty insurance, as that term is defined in NRS 681A.020; marine and transportation insurance, as that term is defined in NRS 681A.050; property insurance, as that term is defined in NRS 681A.060; surety insurance, as that term is defined in NRS 681A.070; or insurance for any combination of these kinds; and

WHEREAS, public agencies within Nevada have found it increasingly difficult to purchase insurance from commercial sources and where such insurance is available, the cost of such coverage often exceeds the ability of the public agencies to pay for such insurance; and

WHEREAS, the Nevada Association of Counties and the Nevada League of cities have undertaken a series of studies to determine the feasibility of entering into a Interlocal Cooperation Agreement to form the Nevada Public Agency Insurance Pool have concluded that the creation of such a pool is financially and administratively feasible; and

WHEREAS, a number of public agencies desire to join together for the purpose of providing insurance coverage and jointly funding programs of pooled self-insurance; insurance and excess insurance for property, casualty and surety insurance; and

WHEREAS, the governing boards of a number of public agencies have determined that they wish to create a Nevada Public Agency Insurance Pool and an Interlocal Cooperation Agreement for such pool has been drafted; and

WHEREAS, the stated purposes, organization structure and procedural structure contained within that Agreement represent positions shared by this public agency; and

WHEREAS, the governing board of this public body finds that it is in the best interest of its citizens that it become a member of the Nevada Public Agency Insurance Pool,

NOW, THEREFORE, BE IT RESOLVED BY THE _____
OF THE _____ OF _____,
_____ COUNTY, NEVADA, as follows:

Section 1: That the _____
is hereby authorized to execute on behalf of this public agency the Nevada Public Agency Insurance Pool Interlocal Cooperation Agreement, a copy which is appended to and made a part of this Resolution as Appendix 1.

Section 2: The powers of NPAIP, unless Agreement is amended, shall be limited to those contained within Appendix 1.

Section 3: The commencement of the operations of NPAIP and the obligation of this public agency to fully participate in such operations shall be effectuated in accordance with the Agreement.

Section 4: Except to the extent of the financial contributions to NPAIP this public agency by its entry as a member of NPAIP shall not be held responsible in any way for claims due to the property losses of or claims in tort or contract made against any other member of NPAIP.

PASSED this _____ day of _____, 20____.

Governing Board Members

ATTEST:

_____, Clerk

**NEVADA PUBLIC AGENCY
INSURANCE POOL**

**INTERLOCAL COOPERATION
AGREEMENT**

Adopted: May 1, 1987
Revised: May 2, 1997
Revised: May 1, 2000
Revised: May 2, 2003
Revised: May 1, 2004
Revised: April 29, 2005
Revised: April 28, 2006
Revised: May 1, 2009

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NEVADA PUBLIC AGENCY INSURANCE POOL
INTERLOCAL COOPERATION AGREEMENT

THIS AGREEMENT, is made by and between the political subdivisions existing under the Constitution and laws of the State of Nevada and which are signatory to this agreement.

WHEREAS, Nevada Revised Statutes 277.080 to 277.180 permits political subdivisions to make the most efficient use of their powers by enabling them to cooperate with other political subdivisions on a basis of mutual advantage and thereby provide services which will best accord needs of their citizens; and

WHEREAS, Nevada Revised Statutes 277.055 permits two or more political subdivisions of the State of Nevada to enter into a cooperative agreement for the purchase of insurance of the establishment of a self-insurance reserve or fund for coverage under a plan of: casualty insurance, as defined in NRS 681A.020 marine and transportation insurance as defined in NRS 681A.050; property insurance as defined in NRS 681A.060; surety insurance as defined in NRS 681A.070; or insurance for any combination of these kinds of insurance; and

WHEREAS, the political subdivision executing this agreement desire to join together for the purpose of providing insurance coverage and jointly funding programs of pooled self-insurance, insurance and excess insurance for property, casualty and surety insurance; and

NOW THEREFORE, in consideration of the mutual promises and agreements contained herein and subject to the provisions of Nevada Revised Statutes and all other applicable rules and regulations, the parties hereto agree as follows:

ARTICLE 1
DEFINITIONS

1. “Agreement” shall mean this agreement entitled “Nevada Public Agency Insurance Pool Interlocal Cooperation Agreement” and as amended in the future.
2. “NPAIP” shall mean the Nevada Public Agency Insurance Pool created by this Agreement.
3. “Board of Directors” or “Board” shall mean the governing body of NPAIP.
4. “Executive Committee” shall mean the Executive Committee of the Board of Directors as described in Article 12 of this Agreement.
5. “Fiscal Year” shall mean that period of twelve months as established by the Board of Directors as the fiscal year of NPAIP.

6. “Policy Year” shall mean for each insurance or pooling program of NPAIP that period commencing upon the effective date of the program and each twelve-month period thereafter.
7. “Public Agency” shall mean any county, incorporated city and town, unincorporated town, school district, rural hospital as defined in NRS 449.0177 whether non-profit or public, and any special or other district or agency per NRS 277.100, organized and existing under the Constitution and laws of the State of Nevada.
8. “Member” shall mean any Public Agency which is a member of NPAIP and such districts to which the Board has granted voting status. Other districts or agencies whether or not the governing body of the City or County is *ex officio* the governing body as described in and subject to Article 3 of this Agreement may be a party to this Agreement but shall not be considered a Member for the purpose of voting or participation as a voting member of the Board or any Executive or other committee in which voting Member status is required except when granted voting status pursuant to the following criteria. Voting status as a Member will exist for any Public Agency which meets the following criteria:
 1. Pays annual contributions of at least \$20,000 annually
 - 2.
 3. Maintains a payroll of at least \$500,000 annually
 4. Has property values of at least \$1,000,000 annually.

Such criteria may be changed from time to time by vote of the Board of Directors, which change shall take effect subsequent to the meeting at which the Board approved the changes.
9. “Participating Member”, as used in reference to an insurance or pooling program of NPAIP, shall mean a current Member of that program.
10. “Loss” shall mean a liability or potential liability of a Member including litigation expenses, attorneys’ fees and costs covered by an insurance or pooling program of NPAIP. Loss shall also mean loss or damage to property covered by an insurance or pooling program of NPAIP
11. “Claim” shall mean a claim for liability made against a Member, or a claim for damage to a Member’s property, arising out of a Loss that is covered by an insurance or pooling program of NPAIP.
12. “Self-insured Retention” shall mean that portion of a Loss experienced by a Member which is retained as a liability or potential liability of NPAIP.
13. “Excess or Reinsurance Program” shall mean a program of NPAIP under which Members or Participating Members are protected against designated Losses .
14. “Maintenance Deductible” shall mean, as to any one Loss, that portion payable by the Member directly and not NPAIP or its excess insurers or reinsurers.

ARTICLE 2

PURPOSES OF NPAIP

The Members in entering into this Agreement, desire to establish:

- A. A mechanism whereby each Member may join with other Members to pool their risks and insurance programs and jointly administer said programs in an effort to deliver to each of them a reasonable, cost effective casualty, property and surety program;
- B. Procedures whereby additional qualifying political subdivisions of the State of Nevada may be added to this Agreement;
- C. A mechanism whereby additional and/or alternative insurance programs may be developed for the benefit of the Members; and
- D. Administrative services as necessary to implement this Agreement including, but not limited to, risk management consulting, Loss prevention, Loss control, centralized Loss reporting, actuarial consulting, claims adjusting and legal services.

ARTICLE 3 PARTIES TO AGREEMENT

Section 1. Members. Each Member, as a party to this agreement, certifies that:

- A. It intends to and does contract with all other Members as parties to this Agreement and with any other Public Agency as may later be added as parties to this Agreement;
- B. The removal of any party from this Agreement shall not affect this Agreement nor such Member's intent to contract as described in subsection A above with the other parties to the agreement then remaining.

Section 2. Other Districts or Agencies. A Member may contract on behalf of, and shall be deemed to include:

- A. Any district in which the city or county is *ex officio* the governing board, from the date that the Member provides NPAIP written notice of the name and inclusion of such district, upon approval of the Board of Directors;
- B. Any other local Public Agency at its request upon approval of the Board of Directors and from the date that such entity is accepted into NPAIP; and
- C. Such district or other local Public Agency shall be considered a separate party to this Agreement but shall not affect any Member's representation on the Board of Directors and shall be part of and represented by the Member for all purposes under this Agreement.

Section 3. Membership of Nevada Association of Counties and Nevada League of Cities. The Nevada Association of Counties and the Nevada League of Cities shall become a Member of NPAIP upon its execution of this Agreement, subject to all obligations and rights of all other Members, except that neither shall be counted for the purposes of determining a quorum or the number of votes required for any purpose, and neither shall have an official representative nor be entitled to vote on any matter pursuant

to this Agreement.

Section 4. Limitation on Right to Sue. In order to become and to maintain NPAIP Member status, a Member shall not sue or maintain any litigation or lawsuit for damages against NPAIP or its Board and specifically agrees to waive its right to sue or maintain any litigation or lawsuit for damages against NPAIP or its Board. However, this Section does not prohibit any declaratory relief action seeking to interpret this Agreement or any NPAIP coverage agreement.

ARTICLE 4
NAME OF POOL

The name of the fund established by the Members hereunder shall be “NEVADA PUBLIC AGENCY INSURANCE POOL.”

ARTICLE 5
POWERS OF NPAIP

NPAIP shall have all of the powers common to any Public Agency and all additional powers set forth in the interlocal cooperation laws of the State of Nevada, and NPAIP is authorized to do all acts necessary for the exercise of said powers, including but not limited to, the following:

- A. To make and enter into contracts;
- B. To incur debts, liabilities, and obligations;
- C. To acquire, hold, or dispose of property, contributions and donations of property, funds, services and other forms of assistance from persons, firms, corporations, and governmental entities;
- D. To sue and be sued in its own name;
- E. To settle any claim against NPAIP or its Members as hereinafter provided;
- F. To receive and use contributions and advances from Members, including contributions or advances of personnel, equipment, or property;
- G. To invest any money in its treasury that is not required for its immediate necessities, pursuant to Nevada laws applicable to investments by a Public Agency; and
- H. To carry out all provisions of this Agreement.

ARTICLE 6
MEMBERSHIP

Section 1. Eligibility. Membership in NPAIP shall be open to any political subdivision of the State of Nevada that is deemed by the Board of Directors to qualify for membership.

Section 2. Conditions. The Board of Directors may impose such conditions on membership to protect the interests of NPAIP and to provide for the benefits of Members as are required by this Agreement, the Bylaws of NPAIP, and applicable statutes or

regulations.

ARTICLE 7

BOARD OF DIRECTORS

Section 1. Appointment and Term of Office. Commencing with the effective date of the Agreement and annually thereafter in January, each Member shall appoint a voting representative and an alternate voting representative to the Board of Directors to serve for a term of one year. Such representatives shall be eligible for reappointments for successive one year terms and shall serve until his or her successor is duly appointed.

Section 2. Voting. Each Member shall be entitled to one vote by its representative to the Board or by its alternate voting representative in the absence of the representative. There shall be no voting permitted by proxies or other substitutes. All motions and actions of the Board shall be adopted by a majority of the Board members unless otherwise provided by the Bylaws of NPAIP.

Section 3. Compensation of the Board. Members of the Board shall not receive any salary for their services to the Board, but the Board by resolution may allow actual and necessary expenses for attendance at Regular or Special meeting of the Board.

Section 4. Meetings. The Board shall provide for the holding of Regular and Special meetings.

Section 5. Quorum. A simple majority of the members of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board. If less than a quorum is present at any meeting, a majority of those members as may be present may adjourn the meeting from time to time without further notice.

Section 6. Manner of Acting. The act of a majority of the members present at a meeting at which a quorum is present shall constitute an act of the Board.

Section 7. Legal Counsel. The Board shall be advised in legal matters with respect to NPAIP operations by its legal counsel.

ARTICLE 8

MEETING OF THE BOARD OF DIRECTORS

Section 1. Regular Meetings. The Board shall hold at least one regular meeting each year, scheduling the time, date and place thereof by resolution.

Section 2. Special Meetings. Special meetings of the Board may be called by the Chair of the Board, or in his absence by the Vice Chair, or by any two members of the Board.

Section 3. Minutes. The Executive Director of NPAIP, described in Article 13 hereof, shall provide for the keeping of minutes of Regular and Special meetings of the Board, and shall forward a copy of the minutes to each member of the Board.

Section 4. Open Meeting Law. All meetings of the Board shall be called, notice, held and conducted in accordance with the provisions of the Open Meeting Laws, Nevada Revised Statutes, Chapter 241, and any other laws of the State of Nevada.

ARTICLE 9

POWERS OF THE BOARD OF DIRECTORS

The Board of Directors shall be the governing body of NPAIP to oversee, administer, and determine its overall policies and shall have the following powers and authority:

- A. To manage the affairs of NPAIP and to do all things necessary or convenient for the furtherance of the purposes of NPAIP, including but not limited to: expending and receiving funds; entering into contracts and other agreements; renting, leasing, purchasing and otherwise procuring or receiving property, real and personal; employing personnel either as employees or by contract; and employing professional consultants such as attorneys, auditors, accountants, risk managers and actuaries;
- B. To form an Executive Committee, as provided in Article 12 hereof, and delegate to that committee such powers as it determines, provided that all such delegated powers to Executive Committee shall be exercised under the direction of the Board;
- C. To form committees as appropriate to act in an advisory capacity and to conduct the business of NPAIP, and the membership of such committee may consist in whole or in part of non-Board members;
- D. To elect the officers and appoint staff of NPAIP as may be necessary for the administration of NPAIP and as described in Articles 10 and 13 hereof;
- E. To prepare and adopt the annual operating budget of NPAIP;
- F. To develop and adopt each program of NPAIP, including all provisions for insurance and reinsurance, and administrative services as necessary to carry out such programs;
- G. To provide for necessary services to NPAIP and its Members to include, but not be limited to, risk management consulting, Loss prevention and control, centralized Loss reporting, actuarial consulting, claims adjusting, and legal services;
- H. To provide general supervision and policy direction to its Executive Director, either directly or through the Executive Committee, and adopt policies and procedures to carry out the purposes of NPAIP;
- I. To receive, review and act upon periodic reports and audits of the funds of NPAIP as required;
- J. To elect the Executive Committee by vote of its members present at the annual meeting;

- K. To amend the Bylaws of NPAIP by a two-thirds vote of the members present at a meeting, but no amendment shall take effect sooner than thirty days after adoption thereof; and
- L. To remove a member of the Board of Directors or of the Executive Committee by a two-thirds vote of the members present at a meeting.

ARTICLE 10

OFFICERS

Section 1. Chair and Vice Chair. The Board of Directors shall elect from its members a Chair and Vice Chair of the Board, each to hold office for two years effective from the beginning of the fiscal year following such election.

Section 2. Conducting Meetings. The Chair, or if absent, the Vice Chair, shall preside at and conduct all meetings of the Board and the Executive Committee.

Section 3. Powers and Duties of the Chair. The Chair, or together with such other officer or officers as the Board may designate by resolution, may execute any contracts or other instruments as authorized by the Board and shall generally perform all duties incident to the office of Chair as may be prescribed by the Board.

Section 4. Powers and Duties of the Vice Chair. The Vice Chair shall act as Chair in the latter's absence or inability or refusal to act.

Section 5. Fiscal Officer. The Chair will appoint a Fiscal Officer with duties as described in Articles 15, 16 and 17 hereof to hold office for two years effective from the beginning of the fiscal year contemporaneously with the Chair and Vice Chair.

Section 6. The Fiscal Officer shall chair the Audit Committee.

ARTICLE 11

LIABILITY OF BOARD OF DIRECTORS OR OFFICERS

Section 1. Standard of Care. The members of the Board of Directors and officers of NPAIP should use ordinary care and reasonable diligence in the exercise of their powers and duties hereunder.

Section 2. Limitation of Liability. The members of the Board of Directors shall not be liable for any mistake of judgment or other action made, taken or omitted by any of their agents, employees or independent contractors selected by them with reasonable care nor for loss incurred through investment of, or failure to invest, NPAIP funds, and no director shall be liable for any action taken or omitted by any other director.

Section 3. No Bonds. No director shall be required to give a bond or other security to guarantee the faithful performance of duties hereunder.

Section 4. Insurance. NPAIP shall defend and hold harmless any director acting within the scope of his authority for NPAIP. NPAIP may purchase insurance providing coverage for acts or omissions taken by the Board or performed by an officer or director within the scope of his or her authority for NPAIP.

ARTICLE 12

EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS

Section 1. Members. NPAIP shall be administered by the Executive Committee of the Board of Directors, composed of seven persons from among the Members of the Board of Directors, two of which shall represent Member counties or cities with a population of 35,000 or more (if there exist two such Members), at least two of which shall represent Member counties or cities with a population under 35,000, two representatives of school districts, one representative of special districts and the Chair and Vice Chair of the Board of Directors. The Executive Director, and the respective executive directors of the Nevada Association of Counties and the Nevada League of Cities shall be *ex-officio*, non-voting members of the Executive Committee.

Section 2. Business of the Executive Committee. The Executive Committee shall conduct the business of NPAIP between meetings of the Board, exercising such powers as are delegated by and under the direction of the Board. If at a duly noticed Board meeting a quorum of the Board is not present, the Executive Committee hereby is delegated the power to conduct the business of NPAIP on behalf of the Board pursuant to the Board meeting agenda.

Section 3. Meetings. Meetings of the Executive Committee shall be called at the request of the Chair, or in his absence, the Vice Chair, but any two members may request a meeting, and all such meetings shall be conducted in compliance with the provisions of the Nevada Open Meeting Laws.

Section 4. Quorum. A majority of the Executive Committee constitutes a quorum for the transaction of business at any meeting, but if less than a majority is present at any meeting, a majority of the members present may adjourn the meeting from time to time without further notice. Ex-officio members shall not be counted in determining a quorum.

Section 5. Manner of Acting. The act of a majority of the members present at the meeting at which a quorum is present shall be the act of the Executive Committee, unless a greater number is required by law or by the Bylaws of NPAIP. An alternate representative shall not be allowed to act for a member of the Executive Committee.

Section 6. Election and Term of Office. The Executive Committee shall be elected by the Members for two-year terms, which shall be staggered as follows:

- a. Two of the four representatives of cities and counties shall be elected for a two year term effective with the fiscal year beginning 2003
- b. Two of the four representatives of cities and counties shall be elected for a two-year term effective with the fiscal year beginning 2004

- c. One of the two representatives of school districts shall be elected for a two year term effective with the fiscal year beginning 2003
- d. One of the two representatives of school districts shall be elected for a two year term effective with the fiscal year beginning 2004
- e. The representative of special districts shall be elected for a two year term effective with the fiscal year beginning 2003

Succeeding elections to those noted in a-e shall be for two year terms effective with the fiscal year following the election.

ARTICLE 13 **STAFF**

Section 1. Executive Director. The Board may employ an Executive Director to administer the business and activities of NPAIP, be responsible for all minutes and records of NPAIP meetings, notices and records of NPAIP, and such other duties as are assigned by the Board and the Executive Committee, subject to the general supervision and policy direction of the Board of Directors and the Executive Committee.

Section 2. Other Staff. The Board shall provide for the appointment of such other staff as may be necessary for the administration of NPAIP.

ARTICLE 14 **DEVELOPMENT, FUNDING AND IMPLEMENTATION** **OF POOLING PROGRAMS**

Section 1. Program Coverage. Pooling or insurance programs of NPAIP may provide coverage for:

- A. Casualty insurance as defined in NRS 681A.020;
- B. Marine and transportation insurance as defined in NRS 681A.050;
- C. Property insurance as defined in NRS 681A.060;
- D. Surety insurance as defined in NRS 681A.070; and
- E. Insurance for any combination of these kinds of insurance.

Section 2. Minimum Participation. The Board shall determine for each pooling program, described in Section 1 above, a minimum participation for program implementation, which shall be communicated to each Member, and shall establish the amount of any Maintenance Deductible.

Section 3. Program and NPAIP Costs. General administrative expenses of NPAIP shall be allocated to the Members as a whole, whether every Member participates in all or part of any program of NPAIP. The Board shall determine the method of allocation to each Member and the amount of each Member's share.

Section 4. Development Charge. Development costs of a program shall be funded by a development charge, as determined by the Board of Directors, to be paid by each Member joining in the development of the program and thereby reserving the option to participate in the program following its adoption by the Board. Development charges are those costs incurred by NPAIP, or by the Nevada Association of Counties acting as sponsor of an Interlocal Cooperation Agreement entered into prior to the creation and

organization of NPAIP, or NPAIP's consultant, in developing a program for subsequent review and adoption by the Board, including but not limited to research, feasibility studies, information and liaison work among Public Agencies, preparation and review of documents, and actuarial and risk management consulting services, and may also include a share of NPAIP's general expense as allocated by the Board of Directors.

Section 5. Billing. The development charge shall be billed to all Members upon authorization of program development by the Board and be payable within thirty (30) days of the billing date, and contributions to the Nevada Association of Counties by interested Public Agencies for development of programs prior to the creation and organization of NPAIP shall be credited against the development charges for those programs assessed by NPAIP.

Section 6. Deficiencies. Upon the conclusion of program development, any deficiency in development funds shall be billed to all Members which have paid the development charge on a pro-rata or other equitable basis as determined by the Board, and any surplus in such funds shall be transferred into the loss reserve for the program, or, if the program is not implemented, NPAIP's general account.

Section 7. Annual Contributions. All costs of program, excluding development charges, shall be funded by annual contributions charged to the Members participating in the program for each Policy Year and also by interest earned on the funds so accumulated. Such contributions shall be determined by the Board upon the basis of a cost allocation plan and rating formula developed by NPAIP with the assistance of a casualty actuary, risk management consultant or other qualified person. The contributions for each Participating Member shall include its share of expected program losses, program insurance and reinsurance costs, program administrative costs for the year, and its share of NPAIP's general expense allocated to the program by the Board.

Section 8. Billing. Annual contributions shall be billed by NPAIP at the beginning of each Policy Year and shall be payable within thirty (30) days of the billing date. At the end of each Policy Year, program costs shall be audited by NPAIP. Any deficiency or surplus in the contributions paid by the Participating Member, as shown by such audit, may be adjusted by a corresponding increase or decrease in the contribution charge to that Member for succeeding years, unless the Member withdraws or is canceled from the program, in which case the provisions of Articles 21, 22, 23, 24 and 25 hereof shall be applicable and controlling.

Section 9. Program Implementation and Effective Date. Following development of a program and its adoption by the Board, NPAIP shall give each Member a written notice of the program which shall include:

- A. The terms of coverage of the program;
- B. The requirements for program implementation; and
- C. The estimated first year contribution by the Member for program participation.

Section 10. Membership. Each Member or Participating Member may elect to enter the program by giving written notice of such election, in a form prescribed by NPAIP, to the Executive Director within thirty (30) days of the date of NPAIP's notice of the establishment of the program.

Section 11. Late Entries. A Member not electing to enter a program upon its implementation or within 120 days thereafter pursuant to Section 10 above, or which becomes a party to the Agreement following implementation of the program, may petition the Executive Committee for late entry into the program.

ARTICLE 15

ACCOUNTS AND RECORDS

Section 1. Annual Budget. NPAIP annually shall adopt an operating budget to include a separate budget for each program under development or adopted and implemented by NPAIP.

Section 2. Funds and Accounts. The Fiscal Officer shall oversee such funds and accounts as may be required by good accounting practices and by the Board for each program and the books and records of NPAIP shall be open to inspection at all reasonable times by authorized representatives of Members.

Section 3. Report of the Fiscal Officer. The Fiscal Officer, within one hundred and eighty(180) days after the close of each Fiscal Year, shall give a complete written report of the Annual Audit for such Fiscal Year to the Board and to each Member.

Section 3. Annual Audit. The Board of Directors shall engage a certified public accountant to make an annual Fiscal Year audit of all accounts and records of NPAIP, and a report of the audit shall be filed as a public record by each Member within one hundred and eighty (180) days of the end of the Fiscal Year under examination.

ARTICLE 16

RESPONSIBILITIES FOR NPAIP'S FUNDS AND PROPERTY

Section 1. Custody and Disbursements. The Fiscal Officer shall oversee the custody of and disbursement NPAIP's funds, but may delegate that disbursing authority as may be authorized by the Board, subject to the requirements of Section 2 below.

Section 2. Maintenance and Safekeeping. The Fiscal Officer shall assure the following activities are carried out appropriately by the Executive Director who shall:

- A. Receive and acknowledge receipt for all funds of NPAIP and deposit them in NPAIP's Treasury for the credit of NPAIP;
- B. Be responsible for the safekeeping and disbursement of all NPAIP funds;
- C. Pay any sums due from NPAIP as approved by the Board or by any body or person to whom the Board has delegated approval authority;
- D. Verify and report in writing to the Executive Committee or the Board, as of the first day of each quarter of the Fiscal Year, the amount of money held for NPAIP, the amount of receipts since the last such report, and the amount paid out since that report; and
- E. Invest monies in accordance with applicable laws and regulations governing investments by Public Agencies.

Section 3. Responsibility for Funds and Property. The Executive Director, Fiscal Officer, and such other persons as the Board may designate, shall have charge of, administer, and have access to the funds and property of NPAIP.

Section 4. Bonds. NPAIP shall provide for fidelity bond or performance bonds in an amount and form specified by the Board for all of its officers and staff authorized by NPAIP to hold or disburse funds or have charge or access to property of NPAIP.

ARTICLE 17

TRUST ACCOUNT, CHECKS, DEPOSITS & REVENUES

Section 1. Establishment of a Trust Account. A trust account shall be established, referred to hereafter as the "Trust Account", in which all Member contributions, policy dividends or premiums received by NPAIP, investments made by NPAIP and income thereon, and any other money or property which shall come into the possession or control of NPAIP shall be placed.

Section 2. Use of the Trust Account. The Board may use the Trust Account to pay all expenses of NPAIP, including, but not limited to, payment of premiums for insurance policies, compensation to employees and staff, legal counsel, auditors, consultants, contracted services and other persons as authorized by the Board.

Section 3. Expenditures from Trust. Expenditures from the Trust Account may be made for payment of Losses, litigation costs, investigation, insurance premiums and deductible amounts, cost of Loss control activities, and any other costs determined by the Board.

Section 4. Excess Funds. Any excess funds in the Trust Account may be used, as determined by the Board, to reduce Member contributions, to increase the cash surplus of NPAIP as determined by policies established by the Board.

Section 5. Expenses of Administration. At its annual organizational meeting, the Board shall approve rates of compensation for administrative expenses incurred for administration of the Trust Account and legal services related thereto and shall approve its budget.

Section 6. Checks. All checks, drafts or orders for payment of money, notes or any other evidence of indebtedness issued in the name of NPAIP shall be signed by the Executive Director, or by such other person and in the manner as the Board may designate, with two signatures required, and in such manner as shall be prescribed.

Section 7. Deposits. All funds of the Board shall be deposited to the credit of NPAIP in such banks, trust companies or other depositories as the Board may determine.

Section 8. Other Funds. NPAIP funds in possession or control of the Board shall be received, disbursed, controlled and accounted for under the supervision of the

ARTICLE 18

RISK MANAGEMENT

Section 1. **Risk Management Services.** The Executive Director or other individual or organization shall be selected by the Executive Committee to provide risk management and insurance consulting services to include Loss prevention, review of Loss data, promotion and evaluation of Loss prevention programs, and reports to Members. The responsibilities include:

- A. Liaison with the Members' staff assigned the risk management and safety responsibility;
- B. Assistance to members in the development and implementation of risk management policies;
- C. Identification and evaluation of risk and Loss potentials, aided by a claims service company and legal counsel;
- D. Recommendations as to affirmative steps in order to avoid or reduce risks and Losses;
- E. Development of a system of claims reporting and on the scene investigation by Member's personnel; and
- F. Development and production of risk prevention educational programs for Member's personnel.

Section 2. **Treatment of Costs.** Costs of the risk management services shall be a general administrative expense of NPAIP.

ARTICLE 19

RESPONSIBILITIES OF MEMBERS

Members shall have the following responsibilities:

- A. To appoint an officer or employee to be responsible for the risk management function with that Member's organization to serve as a liaison between the Member and the NPAIP for all matters relating to risk management and insurance;
- B. To maintain an active safety program and act upon recommendations of the NPAIP to reduce or eliminate unsafe practices;
- C. To pay development charges, annual contributions, insurance premiums, and contributions surcharges to NPAIP within thirty (30) days of the billing date thereof;
- D. To pay to NPAIP any additional insurance premiums or contributions due as determined and assessed by the Board within thirty (30) days after the Member's act of withdrawal, cancellation, or termination from NPAIP;
- E. To provide NPAIP at its request such other information or assistance as may be reasonably necessary for NPAIP to develop and implement programs under this Agreement;
- F. To cooperate with and assist NPAIP, and any insurer of NPAIP, in all matters relating to this Agreement;
- G. To comply with all Bylaws of NPAIP and other rules adopted by the Board; and

- H. To have such other responsibilities as provided in this Agreement or established by the Board under this Agreement.

ARTICLE 20

ADMINISTRATION OF CLAIMS AND LITIGATION

Section 1. NPAIP Responsibilities. NPAIP, at its sole discretion, may undertake and be responsible for the investigation, defense and settlement, of claims made and suits or proceedings instituted against a Member arising out of a covered Loss. NPAIP solely is responsible for investigating, adjusting, evaluating, valuing and settling Property Coverage claims made by Members.

Section 2. Information From Member. A Member shall furnish to NPAIP with respect to any Claim for Loss or potential Loss:

- A. Prompt written notice of any claim made or suit brought against the Member or any claim made for damage to a Member's property;
- B. Any other information requested by NPAIP in order to adjust, investigate, evaluate, value or settle or defend a Claim or Loss;
- C. Cooperation in all matters in which NPAIP is acting on behalf of the Member or any other dispute against NPAIP or against a Member.

Section 3. Appointment of Claims Committee. The Chair of the Board shall appoint a five member committee as necessary, to be entitled the "Claims Committee", to oversee claims services and to settle appeals of coverage determinations made by the Claims Administrator. The Executive Director, Risk Manager, Claims Administration Company, and NPAIP's Administrator shall be non-voting, ex-officio members of the Claims Committee.

Section 4. Litigation Cooperation. Members shall be kept advised of the progress of litigation. All claims or cases shall be referred immediately to NPAIP's Claims Administrator by the Member upon which notice is given by a claimant or a complaint served. The Claims Administrator shall review the claim or case, investigate the facts where appropriate, and assign defense counsel from NPAIP's panel of approved defense counsel. A Member may request assignment of a specific panel counsel, but such assignment shall be made solely in the discretion of NPAIP and its Claims Administrator. The assigned defense counsel shall cooperate with the Member's legal counsel in the defense or settlement of litigation.

Section 5. Litigation Management. Management of litigation shall include evaluation of claims, assignment of qualified attorneys to represent the Member, monitoring of the litigation, providing periodic status and evaluation reports to the Executive Director, aid in promoting and evaluation risk management, and recommending reserves for claims in litigation.

Section 6. Litigation Costs. Litigation Management and fees from general counsel shall be treated as a general expense of NPAIP and fees of defense counsel shall be treated as a claims expense.

Section 7. Litigation Participation. A Member at its expense, shall have the right to participate with NPAIP in the settlement, defense, or appeal of such claim, suit or proceeding which, in the judgment of NPAIP, may involve liability of NPAIP.

Section 8. Advice From Members. Members will be given a reasonable opportunity in litigated cases or claims to advise NPAIP of the Members' preference with regard to settlement of the case or claim.

Section 9. Settlement Consent. A Member shall not enter into any settlement involving liability of NPAIP without the prior consent of NPAIP.

Section 10. Claims Handling. NPAIP shall select a duly licensed claims administration company on the basis of its ability to handle claims in a professional, efficient and economical manner, and to be responsible for investigating, adjusting, evaluating, valuing and settling all Claims made against the Member or against NPAIP.

Section 11. Claim Administration Company Responsibilities. NPAIP Claims Administration Company selected by NPAIP shall:

- A. Investigate, adjust, evaluate, value and settle all claims against NPAIP or its Members for which coverage may be afforded under the terms of NPAIP Coverage Form and as directed by the Claims Committee;
- B. Make settlements in accordance with the authority delegated by the Board in the Claims Administrator's contract;
- C. In addition to actually paying covered claims, provide periodic claim reports detailing each Member's losses, recommend proper and adequate reserves for outstanding and anticipated claims, file required reports to the State of Nevada, and provide any other related services as approved by the Board; and
- D. Refer cases which may require review by the Claims Committee or the Litigation Strategy Committee and consult with NPAIP's general counsel with respect to legal issues as necessary.

ARTICLE 21

TERM OF AGREEMENT

This Agreement shall be effective upon execution by the signatory parties and shall remain in effect until:

- A. Terminated upon election of three-fourths of the Members; or
- B. Suspended or superseded by a subsequent agreement between the

Members.

ARTICLE 22
WITHDRAWAL

Section 1. Member Insolvency. A Member may not withdraw as a Member for a period of two (2) years after its initial entry, except in case of insolvency or change in its legal status as a Public Agency.

Section 2. Notice of Withdrawal. After two years following its initial entry, a Member may withdraw from NPAIP upon giving one-hundred twenty (120) days written notice to the Board.

Section 3. Effect of Withdrawal. The withdrawal of a Member shall not affect the continuance of NPAIP by the remaining Members.

Section 4. Payments Before Withdrawal. In order to withdraw, the Member shall pay any outstanding amounts due and owing to NPAIP.

Section 5. Release Conditions. Withdrawal does not release the withdrawing Member from liability for further payments or assessments as provided elsewhere in this Agreement.

ARTICLE 23
CANCELLATION OR TERMINATION OF MEMBERSHIP

The Board of Directors:

- A. May cancel the membership of any Member in NPAIP on a vote of two-thirds of the Board members present at a meeting called for that purpose, and such Board action shall result in the cancellation of that Member's participation in all programs of NPAIP as of the date of the Board cancellation;
- B. May cancel any Member's participation in a program of NPAIP without canceling its membership in NPAIP or participation in other programs on a vote of two-thirds of the Board members present at a meeting called for that purpose;
- C. Cause NPAIP to give one hundred twenty (120) days advance written notice to the Member of the effective date of any cancellation under the foregoing provisions, and upon such effective date, the Member shall be considered as having voluntarily withdraw from NPAIP, or from the program of NPAIP, as the case may be.
- D. Cancel the membership of any Member that has not paid any assessments when due upon thirty (30) days notice to the Member. Such notice for non-payment may be issued by the Executive Director without a vote of the Board of Trustees; however, the Executive Committee will be

informed of the situation. The Executive Director may reinstate membership upon receipt of payment of the assessments prior to the effective date of the notice of cancellation. If payment is not received prior to the effective date of the notice of cancellation, the Member may apply for reinstatement through the Executive Director, which may be granted only by the Executive Committee.

ARTICLE 24

EFFECT OF WITHDRAWAL OR CANCELLATION FROM NPAIP

Section 1. Unearned Contributions. If a Member's participation in a program of NPAIP is canceled under Article 23 hereof, with or without cancellation of membership in NPAIP, and such cancellation is effective before the end of the Policy Year for that program, NPAIP shall promptly determine and return to the Member the amount of any unearned contributions payments for the Policy Year.

Section 2. Entitlement to Return of Contributions. Except as provided in Section 1 above, a Member, which withdraws or has its membership canceled in NPAIP or from any program of NPAIP, shall not be entitled to the return of any contributions or other payments to NPAIP, or of any property contributed to NPAIP.

Section 3. Termination of NPAIP. In the event of termination of this Agreement and concomitantly NPAIP, a Member having withdrawn or its membership canceled prior thereto may share in the distribution of assets of NPAIP as determined by the Board.

ARTICLE 25

TERMINATION AND DISTRIBUTION OF ASSETS

Section 1. NPAIP Activities After Termination. If this Agreement is terminated at any time, NPAIP shall continue to exist after such termination for the limited purpose of disposing of all outstanding claims, distributing its assets, and performing all other functions necessary to conclude its affairs and business.

Section 2. Asset Distribution. All assets of NPAIP utilized in each program shall be distributed among those Members which participated in that program in accordance with a distribution plan developed by the Board. . The Board shall determine such distribution within six months after final distribution of all claims pending at the termination of this Agreement and NPAIP.

Section 3. Final Contributions. Any Member, which was a participant in a program of NPAIP, shall be responsible for any additional amount of contributions as determined by the Board in accordance with a Loss allocation formula as necessary for final disposition of all claims arising from losses under that program during the Member's period of participation.

ARTICLE 26
CONTRACTUAL OBLIGATION AND MEMBER'S LIABILITY

Section 1. Member's Additional Obligations. In addition to the obligations and responsibilities of the Members expressly set forth in this Agreement, the Members agree to take no action or engage in any conduct inconsistent with this Agreement and the Bylaws of NPAIP.

Section 2. Enforcement of This Agreement. Except as limited by the provisions in Article 3, Section 4, the terms of this Agreement may be enforced in a court of law either by NPAIP or by any of its Members.

Section 3. Consideration. The consideration for the duties herewith imposed upon the Members to take certain actions and to refrain from certain other actions shall be based upon the mutual promises and agreements of the Members set forth herein.

Section 4. Duplicate Originals. This Agreement and the Bylaws of NPAIP may be executed in duplicate originals, and their execution and approval by the Members shall be evidenced by a certified copy of a resolution by the Board of Directors, provided, however, that except to the extent of the financial contributions to NPAIP agreed to herein, or such additional obligations as may come about through amendments to the Agreement, or the Bylaws of NPAIP, no Member shall be responsible for any claims in tort or contract asserted against any other Member.

Section 5. Limitation of Members' Relationships. In the creation of NPAIP, the Members intend only to establish an organization for joint insurance and self-insurance programs in accordance with the terms and within the scope of this Agreement and have not intended to create as between Members any other relationships of surety, indemnification or responsibility for the debts or claims of any other Member.

Section 6. Members' Liability. The liability of each Member for the obligations of NPAIP shall be individual, several and proportionate liability, and not joint.

Section 7. Responsibility For Assessments. Members who have withdrawn or have been terminated shall remain subject to the payments of any assessments for the year(s) during which such Member was a participant in the program of NPAIP.

ARTICLE 27
ASSESSMENTS

Section 1. Additional Contributions and Surcharges For Excessive Losses. If NPAIP experiences such a number of Losses or costs under a program during a Policy Year, so that notwithstanding insurance and reinsurance coverage for individual Losses, the joint pooled funds for the program may be exhausted, the Executive Committee may, upon consultation with a casualty actuary, impose contributions and/or surcharges on all Participating Members, which, in total amount, will assure adequate resources to NPAIP for the payment of all such Losses, but not to exceed two times the most recent annual

contribution without approval of two-thirds of the Board of Directors.

Section 2. Assessments When Liabilities Exceed Assets. The amount of any liability in excess of assets shall be assessed to the Members that are or were members of NPAIP within thirty (30) days after a deficiency is identified and shall be payable thereafter by the Members within ninety (90) days.

Section 3. Assessments For Operational Costs Deficiencies. The Board at its discretion may assess the Members for cost incurred in the operation and maintenance of NPAIP and for its purposes in the form, manner and amount prescribed by the Board for the Policy Year out of which the deficiency arose.

Section 4. Enforcement of Assessments. NPAIP is empowered to enforce the assessments hereunder and as provided elsewhere in this Agreement by appropriate legal proceedings.

ARTICLE 28 **BYLAWS AND PROCEDURES MANUAL**

Section 1. Bylaws. The Board shall adopt Bylaws to provide for the operation and administration of NPAIP.

Section 2. Procedures Manual. The Board shall cause the preparation of a Procedures Manual to govern the day-to-day operations of NPAIP.

ARTICLE 29

NOTICES

Section 1. Notices To Members. NPAIP shall address all notices, billings and other communications to a Member under this Agreement as directed by the Member to NPAIP.

Section 2. Notices To NPAIP. Members shall address notices and communications to NPAIP to the Executive Director, Nevada Public Agency Insurance Pool, 201 S. Roop Street, Suite 102, Carson City, Nevada, 89701.

ARTICLE 30 **AMENDMENT**

This Agreement may be amended at any time by a vote of two-thirds of the Members, acting through their governing bodies.

ARTICLE 31

PROHIBITION AGAINST ASSIGNMENT

No Member may assign any right, claim or interest it may have under this Agreement, and no creditor, assignee or third party beneficiary of any Member shall have any right, claim or title to any part, share, interest, fund, contribution, premium or asset of NPAIP.

ARTICLE 32

AGREEMENT COMPLETE

The foregoing constitutes the full and complete Agreement of the Members. There are no oral understanding or agreements not set forth in writing herein.

ARTICLE 33

GOVERNING LAW AND SEVERABILITY

Section 1. Governing Law. The construction, validity, and affect of this Agreement shall be governed by the laws of the State of Nevada.

Section 2. Severability. Should any covenant, condition, term or provision in this Agreement be deemed by a court of competent jurisdiction to be invalid or unenforceable, all of the remaining covenants, conditions, terms and provisions herein shall remain in full force and effect.

ARTICLE 34

FILING WITH ATTORNEY GENERAL

The Executive Director of NPAIP shall file a notice of this Agreement with the office of the Attorney General within thirty (30) days of its effective date as required by Nevada Revised Statutes.