



MEMORANDUM OF UNDERSTANDING AND AGREEMENT

This agreement is entered into by and between the _____ ("CLAIMANT AGENCY") and Municipal Intercept Services ("MIS")

WHEREAS, Article 3 of Chapter 18 of Title 40, Code of Alabama 1975, (the Act), authorizes claimant agencies to submit debts to the Alabama Department of Revenue ("ADOR") for interception under the procedures established in the Act, namely by setting off against any refund, as defined in subdivision (5) of Section 40-18-100, Code of Alabama 1975, the sum of any debt owed to the claimant agency; and

WHEREAS, pursuant to the Act, MIS, an entity established by the Alabama League of Municipalities, is authorized to submit delinquent debts on behalf of a local government, CLAIMANT AGENCY, as defined in the Act; and

WHEREAS, CLAIMANT AGENCY is a county or municipal government or entity authorized to submit a debt owed to it pursuant to the Act; and

WHEREAS, CLAIMANT AGENCY desires to enter into this agreement with MIS in order to participate under the Act in an effort to increase the collection rate of delinquent debts owed to CLAIMANT AGENCY; and

WHEREAS, MIS agrees to submit delinquent debts on behalf of CLAIMANT AGENCY.

NOW THEREFORE, in consideration of the mutual covenants and agreements, terms and conditions contained herein, CLAIMANT AGENCY and MIS mutually agree as follows:

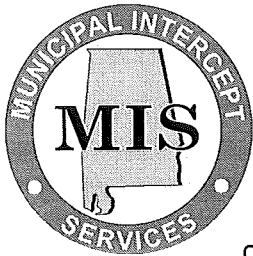
SECTION I: TERM/TERMINATION.

This memorandum of understanding and agreement shall remain and continue in full force and effect from year to year unless modified or terminated in writing by either party upon ninety (90) days written notice to the other party. Upon termination of this agreement all sums due and owing from either party to the other shall remain a lawful obligation of the party and be due and payable.

SECTION II: REPRESENTATIONS AND OBLIGATIONS OF CLAIMANT AGENCY.

A. CLAIMANT AGENCY hereby designates, appoints, and authorizes MIS to process delinquent debts to be submitted to ADOR for interception. For purposes of this agreement, "DELINQUENT DEBT" is defined to mean any liquidated sum of \$25.00 or more due and owing a claimant agency which has accrued through contract, subrogation, tort or operation of law regardless of whether there is an outstanding judgment for that sum. To become a delinquent debt, a minimum period of sixty (60) days must have elapsed between the time CLAIMANT AGENCY declares all of the applicable accounts or monetary obligations delinquent and the date the delinquent debt is submitted to MIS for interception.

B. CLAIMANT AGENCY shall, upon execution of this agreement file a "Participation Form" with MIS designating a debt set-off coordinator/contact as well as execute a "Direct Deposit Authorization Form". Both forms will be provided to the CLAIMANT AGENCY by MIS. Information contained on the participation form will be used to set up a user profile in the MIS system including a unique username and password. If CLAIMANT AGENCY is submitting



debts to MIS through the use of a third party administrator, said third party shall be designated on the participation form. Information contained on the participation form can be updated by the CLAIMANT AGENCY through the MIS system. The debt set-off coordinator and/or third party administrator shall be the designated person or entity authorized to receive notices and communication from MIS to insure that the requirements of this agreement and the requirements of the Act are met. The debt set-off coordinator or third party administrator shall supply MIS with any and all information that in the opinion of MIS is necessary for the proper implementation of this agreement. MIS will only discuss or share information regarding debts submitted to MIS by the CLAIMANT AGENCY with the debt setoff coordinator or third party administrator designated in the CLAIMANT AGENCY'S user profile on the MIS system.

C. Using the MIS system, CLAIMANT AGENCY shall input debt files and/or any adjustments to debt files that CLAIMANT AGENCY certifies to MIS are owed to CLAIMANT AGENCY and that CLAIMANT AGENCY desires to have MIS submit to ADOR for interception. If, in the opinion of MIS, changes to the file format are necessary to carry out this program, MIS will timely notify the CLAIMANT AGENCY. The CLAIMANT AGENCY covenants and agrees that it shall immediately implement any changes required by MIS.

D. CLAIMANT AGENCY shall comply with and certify to MIS that, prior to submitting a debt to MIS for interception, it has complied with all statute of limitations, notice and hearing procedures for the type of debt submitted, including obtaining a final judgment where required by law, and that it does not have notice of any legal action staying the collection of the debt.

E. CLAIMANT AGENCY shall, after a debt file has been submitted to MIS for interception, advise MIS of any debtor repayment, partial or paid in full, or any notice of a legal action staying the collection of the debt, by logging into the MIS system and updating the debt file information by close of business on the day the repayment or notice of stay is received by the CLAIMANT AGENCY.

SECTION III: REPRESENTATIONS AND OBLIGATIONS OF MIS

A. MIS shall, upon receipt of CLAIMANT AGENCY'S debt file in the MIS system, submit the debt to the ADOR for possible interception within fourteen (14) days of receipt of the debt file.

B. Upon notice to MIS from ADOR that a debt will be intercepted on behalf of the CLAIMANT AGENCY, and as soon as practicable thereafter, MIS will mail notice to the taxpayer/debtor notifying the taxpayer/debtor of the CLAIMANT AGENCY's intention to set-off the taxpayer's refund against the debt owed to the CLAIMANT AGENCY and that any refund in excess of the claimed debt will be sent to the taxpayer/debtor by the State of Alabama. The notice will also provide that the taxpayer/debtor has thirty (30) days from the date of the mailing of the notice to contest the set-off and request a hearing with the CLAIMANT AGENCY. The notice will include the name and address of the CLAIMANT AGENCY and will also notify the taxpayer/debtor that failure to apply for a hearing in writing within the thirty (30) day period will be deemed a waiver of the opportunity to contest the set-off. MIS will email a copy of the notice sent to the taxpayer/debtor to the CLAIMANT AGENCY at the email address designated in CLAIMANT AGENCY'S user profile in the MIS system.

C. Once funds are actually received and deposited with MIS by the State of Alabama with regard to a successful interception on behalf of CLAIMANT AGENCY, MIS will hold said funds for a minimum of thirty (30) days. Within forty-five (45) days of receipt and deposit of funds by the State of Alabama, MIS will remit to the



CLAIMANT AGENCY, by way of direct deposit as authorized on the Direct Deposit Authorization Form, any funds received on behalf of the CLAIMANT AGENCY.

D. MIS will provide the CLAIMANT AGENCY with access to the MIS system through a secure web based portal. MIS will provide, at no cost to CLAIMANT AGENCY, technical support for the MIS system. Further, MIS will provide, at no cost to CLAIMANT AGENCY, opportunities for training at least annually on the use of the MIS system.

SECTION IV: UNDERSTANDING OF PARTIES

A. ADOR gives priority to debt set-off claims of State agencies over local governments or entities. With regard to debts submitted by CLAIMANT AGENCIES to MIS, the date and time of submission of the debt file into the MIS system will constitute the date and time to establish the priority within the MIS system in the event there are multiple CLAIMANT AGENCIES seeking debt set-off from the same taxpayer/debtor. Any submitted changes or additions to a debt file will result in a new date and time for that file. A delinquent debt submitted to MIS that has been reduced, by set-off or otherwise, to an amount of less than \$25.00 will lose its existing priority and cannot be submitted to ADOR for interception. If such delinquent debt is thereafter combined with a future delinquent debt submission of at least \$25.00 for the same taxpayer/debtor and thereby becomes eligible for interception by ADOR, it will be treated as a new debt file and will have a new submission date and time for that file.

B. MIS shall not accept a debt file that is not prepared as specified by MIS. MIS agrees to submit delinquent debts to ADOR; provided, however the CLAIMANT AGENCY is solely responsible for complying with the Act except as expressly provided in this agreement.

C. CLAIMANT AGENCY acknowledges and accepts that it is solely responsible for verifying any data submitted to MIS and that CLAIMANT AGENCY is solely responsible for any hearing and appeal requirements should a taxpayer file a protest or application in writing contesting a set-off. Further, CLAIMANT AGENCY acknowledges that any monies disbursed as provided in Section III of this agreement, are required to be held in escrow until a final determination is made regarding the validity of a debt submitted for set-off.

D. CLAIMANT AGENCY acknowledges that MIS cannot validate or verify a debtor's name or social security number nor can MIS validate or verify the amount of debt or type of debt being submitted for set-off. Further, CLAIMANT AGENCY acknowledges that it is solely responsible for validating or verifying whether or not a debtor has filed any legal action, including but not limited to bankruptcy, staying any collection efforts. CLAIMANT AGENCY is solely responsible for validating this information and providing the same to MIS using the MIS system.

SECTION V: COMPENSATION

A. MIS shall receive as compensation for its services a \$25.00 fee on each debt that is submitted on behalf of CLAIMANT AGENCY by MIS and collected through a successful interception. "SUCCESSFUL INTERCEPTION" is defined to mean the ADOR matched all or a portion of a debt submitted by MIS against a State tax refund for interception and payment towards a debt owed to CLAIMANT AGENCY.

B. CLAIMANT AGENCY, by the execution of this agreement, authorizes MIS to retain the \$25 collection



fee imposed on each delinquent debt for each successful interception. CLAIMANT AGENCY further authorizes MIS to retain said fee collected by it in the event CLAIMANT AGENCY is required, by law or otherwise, to return funds to a debtor that have been intercepted by ADOR.

C. CLAIMANT AGENCY may not combine individual debts of \$25.00 or more by an individual debtor/taxpayer for submission to MIS.

D. In the event of the partial payment of a debt, the CLAIMANT AGENCY may continue to submit the balance of the debt, if \$25.00 or more, as a part of subsequent submissions to ADOR for interception. If the previously submitted debt is reduced to an amount of less than \$25.00, it may be combined with a future debt submission of at least \$25.00 for the same debtor/taxpayer, and will be treated as a part of the "new" debt for purposes of priority and imposition of the collection fee.

SECTION VI: INDEMNIFICATION/REIMBURSEMENT

CLAIMANT AGENCY fully understands and warrants to MIS that by submission of any delinquent debt to MIS for set-off CLAIMANT AGENCY has complied with all of the provisions of the Act, any laws relating to debt collection, and this agreement. The CLAIMANT AGENCY shall hold MIS free and harmless and shall indemnify MIS against any and all damages, claims, injuries, actions, liability, or proceedings arising from the interception of debt as provided in the Act and pursuant to this agreement. CLAIMANT AGENCY shall be solely responsible for the repayment of any and all sums intercepted on CLAIMANT AGENCY'S behalf pursuant to this agreement, including any fees, interest, penalties and court costs to a taxpayer/debtor in the event a court of competent jurisdiction rules that said repayment is due and owing.

SECTION VII: ASSIGNMENT

This Agreement is not assignable by either party.

SECTION VIII: CONFIDENTIAL INFORMATION

In the course of performance of this Agreement, the parties may find it necessary to disclose to the other party certain confidential information ("Confidential Information"). Confidential Information includes, but is not limited to, information relating to the parties' employees, trade secrets, customers, vendors, finances, operations, products, and other business information. Except as otherwise provided by law, the following terms apply to Confidential Information:

(a) the non-disclosing party shall treat as confidential and use the same degree of care as it employs in the protection of its own similar confidential information, but in no event less than a reasonable degree of care; and,

(b) the non-disclosing party will only use the information in connection with its business dealings with the disclosing party, and shall disclose information only to employees or contractors having a need to know and who agree to be bound by the terms of this Section, unless otherwise authorized in writing by the disclosing party. Information shall not be subject to these terms if: (i) it is in the public domain at the time of disclosure, or enters the public domain without breach of this Agreement; (ii) it is known to the non-disclosing party prior to the disclosure, or it is independently developed by the non-disclosing party; (iii) it is obtained by non-disclosing



party in good faith from a third party not under obligation of secrecy to the disclosing party; or, (iv) it is the subject of a court or government agency order to disclose, provided the non-disclosing party gives prompt notice to the disclosing party to allow the disclosing party to contest such order. The obligations set forth in this Section survive termination, rescission, non-renewal or expiration of this Agreement.

All information, including but not limited to printed, written, oral or computer-formatted information, which MIS may gain access to during the course of the performance of this Agreement shall be the property of CLAIMANT AGENCY, shall be held in the strictest confidence, and shall be used solely for the business purposes that are the subject of this Agreement. MIS shall maintain confidentiality of such information not only during the course of the performance of this Agreement, but following its termination.

SECTION IX: MISCELLANEOUS

A. This Agreement represents the full and final understanding of the parties with respect to the subject matter described herein and supersedes any and all prior agreements or understandings, written or oral, express or implied. This Agreement may be modified or amended only by a written statement signed by both parties.

B. The laws of the State of Alabama shall govern the terms and conditions of this Agreement. Should any dispute arise between the parties concerning any matter under this Agreement, such disputes shall be submitted to binding arbitration before the American Arbitration Association, in accordance with applicable rules.

C. CLAIMANT AGENCY shall enter into no other contract for submission of debts to ADOR for interception with any other entity so long as this Agreement remains in effect.

D. The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the day and date indicated by the signatures below and have been granted all authority of their respective governing bodies to do so.

CLAIMAINT AGENCY:

I, _____, certify, by signing below, that I am authorized to enter into and execute this Agreement in the name and on behalf of the CLAIMANT AGENCY.

By: _____ Date: _____
(title) _____

MUNICIPAL INTERCEPT SERVICES:

By: _____ Date: _____

Richard Buttenshaw,
President, Municipal Intercept Services, LLC