

Bylaws of the Texas Schools Health Benefits Program

The Texas Schools Health Benefits Program ("Program") has been created as an administrative agency of cooperating political subdivisions pursuant to the Interlocal Cooperation Act, Section 791.001, *et. seq.*, of the Texas Government Code, Section 21.922 of the Texas Education Code, and an interlocal agreement between participating political subdivisions ("Members") to supervise the performance of governmental functions and services.

I. Purpose and Objectives

The general purposes and objectives of the Program are to identify qualified providers of employee benefits and services, including self-insurance, to relieve the burdens of the governmental purchasing function for Program Members, to realize the potential economies of scale for governmental entities that elect to participate in the Program, and to perform such other services as the Program governing Board may authorize from time to time.

The program is a contractual mechanism through which its Members may collectively or individually discharge their governmental functions of procuring employee benefits under the Interlocal Cooperation Act and other laws.

II. Nature of the Organization

The Texas Schools Health Benefits Program is an entity made up of Texas government entities, including counties, municipalities, state agencies, independent school districts, charter schools, and any other entity which is authorized to be a party to an interlocal cooperation agreement under the Interlocal Cooperation Act, provided that the income from such entity qualifies for exemption under Section 115 of the Internal Revenue Code ("IRC").

To be eligible to participate in the Program, a political subdivision must adopt the Texas Schools Health Benefits Program Interlocal Agreement. The Program is not intended to operate as an insurance company, but rather is intended to be a nonprofit contractual mechanism by which each Member provides self-insurance to extend employee benefits to its employees through an interlocal agreement with other political subdivisions. The political subdivision's financial obligations shall continue each year that they participate in the interlocal risk pool. This provision shall survive the termination of the interlocal agreement.

III. Establishment of the Board

The Program created by these bylaws shall be governed by a Board of Directors. The Board shall operate the Program on a nonprofit basis on behalf of the Program Members pursuant to these Bylaws and shall have the further functions, powers, and duties as hereinafter set forth. All Board members will act in their official capacities as officers or employees, as representatives of their respective political subdivisions, and in turn as the official and legal representatives of all Program Members.

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IV. Board Qualifications

A Director shall be a person who is not under a legal disability and who is either an (a) trustee, (b) official, (c) officer, or (d) member of the governing body of a political subdivision that is a participant. There shall be no more than one Director affiliated with any single political subdivision as a trustee, official, officer, or member of its governing body; provided, however, that no Director who was qualified to serve as a Director at the time he or she assumed office on the Board of Directors shall be disqualified from serving the unexpired portion of his or her term by reasons of a subsequent breach of such prohibition occurring during his or her term of office.

V. Composition of Board

Each participating entity shall appoint one person as their voting member to elect a Board of Directors to carry out the responsibilities as outlined in these Bylaws. The initial Board of Directors shall compose of five individuals to serve for two years. No Program Member shall have more than one individual on the Board. The Board of Directors may, by majority vote, add two or four additional directors to the Board.

VI. Vacancy

Any Board vacancy, whether for a full or partial term, shall be filled by the Board within 120 days of when the position becomes vacant. Regardless of the authorized Board size established by these Bylaws, each vacancy on the Board shall reduce the Board's full membership by one (1), for all purposes, including the determination of a quorum, until such time as the vacancy is filled. However, in no event shall the Board's membership constitute fewer than three (3) individuals.

VII. Removal

Any Director who is absent from three (3) consecutively scheduled meetings may be subject to removal from the Board by a majority vote of the remaining Directors. Additionally, if a Director is unable or unwilling to serve, that Director's position may be declared vacant by a majority of the remaining Directors.

VIII. Term of Board

Upon expiration of the initial term, the participating entities shall elect a new Board of Directors. A term on the Board shall last for five (5) years and shall begin on the first day of September and end on the last day of August.

Notwithstanding the above, if a Director is appointed to a term and serves fewer than 120 days in that term, such time shall not be counted toward the Director's maximum time of service. Furthermore, if a Director ceases to serve as an elected official or employee of one Member and assumes a similar position with another Member, such Director may be reappointed to the same term without the reappointment constituting a new partial term as long as the reappointment is made within 120 days of the Director's departure from the preceding Member.

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IX. Election of Officers, Meetings, Quorum

The annual meeting of the Board of Directors shall be held within 210 days after the completion of the Program's fiscal year; provided that such annual meeting shall be held at least once in each calendar year.

Regular meetings of the Board of Directors may be held with or without notice at such times and places as shall, from time to time, be determined by the Board. Special meetings of the Board of Directors shall be held from time to time upon the call of the chairman, the vice-chairman, the secretary, or any two Directors, or at any time fixed by resolution of the Directors. Notice of any special meeting shall be mailed or otherwise given to the Directors not less than 48 hours before the meeting but may be waived in writing by any Director before, during or after such meeting. A majority of the Directors shall constitute a quorum for the transaction of business. The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. If a quorum is not present at any meeting of the Board of Directors, the Directors present may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present. A Director's attendance at a meeting constitutes waiver of notice of the meeting unless the person attends for the express purpose of objecting to the transaction of any business because the meeting was not properly called or convened. Any agreement or other instrument of writing executed by one or more of the Directors or by any Person on behalf of the Program shall be valid and binding upon the Directors and upon the Program when authorized or ratified by action of the Directors.

An action that may be taken by the Board of Directors, or any committee of the Board, at a meeting may be taken without a meeting if a consent in writing setting forth the action so taken is signed by all of the members of the Board of Directors or such committee.

A meeting of the Board may be conducted in person or by alternate means, such as teleconference, videoconference, the Internet, or any other means by which each meeting participant can be communicate with all other meeting participants. In person meetings may be held at the Program's principal office, or at any other location upon proper notice to Directors.

X. Officers

The Board of Directors shall annually elect, from among their number, a chairman, who shall be the chief officer of the Program, and a vice-chairman. The Board of Directors shall also elect or appoint from among their number or otherwise, a secretary, a treasurer, and, if desired, one or more assistant secretaries and assistant treasurers and such other officers or agents, each of whom shall have such powers, duties, and responsibilities assigned to them as the Directors may deem advisable and appropriate. Two or more officers, except those of chairman and vice-chairman may be held by the same Person. The treasurer and secretary, if not themselves Directors, shall attend meetings of the Board of Directors but shall have no voting power thereat.

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The Board shall elect its Officers at the annual meeting to serve a one-year term.

A. Chairman

The Chairman shall preside at all meetings of the Board, perform such other duties as provided in these Bylaws, and have such other authority and powers as the Board may prescribe.

The Chairman, on behalf of the Program, shall have the authority to sign and execute all contracts and other instruments.

B. Vice Chairman

In the absence of the Chairman or in the event of the Chairman's inability or refusal to act, the Vice Chairman shall perform the duties of the Chairman, and when so acting shall have all the duties of and be subject to all the restrictions upon the Chairman. The Vice Chairman shall perform such other duties as may be assigned by the Chairman.

C. Secretary

The Secretary shall keep the minutes of all meetings of the Board and shall attend to the giving and serving of all notices.

The Secretary shall have charge of the Program books, records, and such other books and papers as the Board may direct and shall have the authority to sign and execute contracts and other instruments as delegated by the Board or Chairman. The Secretary shall in general perform all duties incident to the office of Secretary subject to the control of the Board.

In any meeting of the Board at which both the Chairman and Vice Chairman are absent, the Secretary shall initially preside over such meeting for the sole purpose of having the Directors elect a presiding officer for the duration of the meeting.

In the absence of the Secretary, the Chairman may appoint any person, other than the Chairman, to act as Secretary during such absence.

XI. Committees

The Directors, by resolution adopted by a majority of the entire Board of Directors, may designate any two or more Directors to constitute a Committee. This Committee, unless its authority is expressly limited by such resolution, shall have and may exercise all of the authority of the Board of Directors in the business and affairs of the Program except where action of the Board of Directors is required by statute, the Interlocal Agreement or any Bylaws adopted by the Board of Directors. Committee members shall be appointed and vacancies in the membership of the Committee shall be filled by vote of a majority of the entire Board of Directors at a regular or special meeting. The Board may remove Committee members and may discontinue Committees, in its discretion.

XII. Expense Reimbursement

The Directors of the Board shall serve without compensation. In accordance with the Board policy, the Program may reimburse reasonable expenses incurred by Directors in attending to the

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business of the Program, including certain expenses which may be characterized as “compensation” for federal tax purposes. However, under no circumstance may a Director of the Board simultaneously serve as an employee, consultant, or independent contractor of the Program.

XIII. Powers and Duties

Subject to the provisions of the Interlocal Agreement or these Bylaws, the Directors shall have, without other or further authorization, full, exclusive and absolute power, control, and authority over the Program and its affairs and absolute powers of delegation as may be permitted by the Interlocal Agreement. The Directors may do and perform such acts and things as in their sole judgement and discretion are necessary and proper to conduct the affairs of the Program or promote the interest of the fund and the Members.

A. The Directors may adopt and amend Bylaws, not inconsistent with the Interlocal Agreement, providing for the conduct of the business and affairs of the Program and may amend and repeal such Bylaws to the extent that such Bylaws do not reserve that right to the Members.

B. The Directors may, as they consider appropriate, elect and remove officers and appoint and terminate agents and consultants and hire and terminate employees, any one or more of the foregoing of whom need not be a Director, and may provide for the compensation of all of the foregoing.

C. The Board may contract for such professional services as it may deem necessary and shall fix the time, manner, and payment therefor. The Board shall have the general power to make and enter into all contracts, leases, and agreements necessary or convenient to carry out any of the powers granted under these Bylaws or any other law. All such contracts, leases, and agreements, or other legal documents herein authorized shall be approved by resolution of the Board and shall be executed by those persons designated in such resolution. In the absence of such designation they shall be executed by the chairman or vice-chairman and attested by the secretary of the Board.

D. It shall be authorized to contract with any qualified organization to perform any of the functions necessary for the carrying out of a self-insured employee benefits pool arrangement, including excess loss insurance, stop-loss insurance, handling of claims, administrative services, and any and all other services that the Board shall deem expedient for the proper servicing of those Program members who use the services of the Program. The Member is bound by the terms and conditions of the coverage agreement. The Member shall participate in the responsibility for notifying the employees of any changes in coverage.

E. It shall make provisions for proper accounting and reporting procedures for each of the Program Members so that they shall be apprised at all times of the nature of the claims arising within their jurisdiction and the manner in which these claims are being handled and the effect of the same upon the Program.

F. The Board may require an audit of the annual financial statements of the Program by a certified public accountant. In addition to having the annual financial statements audited, the Board may require such other audits at other times it deems appropriate.

G. The Board shall have the authority, on behalf of all Program Members, to terminate the membership of any Program Member in accordance with its agreements, Bylaws, or Board policies.

H. The Board shall have the discretion and authority to regulate the commencement, defense, or other appearance of the Program in any litigation, claims, or dispute related to Program matters, and to engage counsel and appropriate experts for the Program, with respect to such litigation.

I. It shall arrange for the investing of the monies of the Program so as to keep the same

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invested according to law and at the best interest rates obtainable for the benefit of the Program members. It shall provide for the banking of the monies of the Program and the proper security to any and all investments.

XIV. Principal Office

The principal office of the Program is located at 2175 N. Glenville Drive, Richardson, Texas 75082. The Program may also have such other offices and places of operation as the Board may designate.

XV. Fiscal Year

The fiscal year for the Program shall begin September 1 of each year and end on August 31 of the succeeding year. Unless otherwise specified, any reference to “annual” or “annually” in these Bylaws shall mean the fiscal year of the Program.

XVI. Books and Records

The Program shall keep books and records of account, minutes of the proceedings of the Board, and shall keep at its principal office a record of the names and addresses of its Members.

XVII. Withdrawal

Each Program member will be required to pay to the Program the contribution as provided by the Interlocal Agreement. Failure to pay the contribution as and when due shall render the membership of the Program member subject to termination of the Board.

Any Program member may withdraw from the Program during its contract term by giving at least 90 days written notice in writing to the Board of its desire to do so prior to any anniversary date. A Member who withdraws from the Program must abide by and honor its pending contracts with any and all Program providers until the current terms of said contracts expire. The Member must also honor any payment obligations to the Program itself that relate to its business with the Program providers or the Member’s participation in the Program.

XVIII. Termination

The Board of Directors may elect to terminate this Program at any time by action of two-thirds (2/3) of the majority of the full Board. On dissolution of the Program, all remaining funds will be disbursed according to Texas law.

XIX. Limitation of Liability

To fullest extent permitted by law, the Board, its administrator, endorsers, or sponsors, including their respective officers, board members, or employees, shall not be liable for any action or omission to act on behalf of the Program or its Members unless caused by gross or willful misconduct, and shall enjoy the broadest immunities afforded by law.

X. Governmental Immunity

To the greatest extent authorized by laws, no provision of these Bylaws, or any Program agreement, shall

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be construed to waive the Program's governmental immunity, or that of any Member. The Program and its Members expressly reserve their governmental and official immunities provided under law.

XI. Indemnification

To the extent permitted by law, the Program shall indemnify, defend, and hold harmless (either directly or through insurance) each Officer and Director of the Board, to the extent permitted by law, for any and all litigation, claims or other proceedings, including but not limited to reasonable attorney fees, costs, judgments, settlement payments and penalties, arising out of the management and operation of the Program, unless the litigation, claim, or other proceeding resulted from gross or willful misconduct of such person. The Board, at its discretion, may have the Program indemnify, defend, and hold harmless its administrator, endorser, sponsor, agent, or representative, to the extent permitted by law.

XII. Miscellaneous Provisions

Any notice required or permitted by these Bylaws to be given to a Director, Member, or other person, may be given in person or by U.S. mail, facsimile, e-mail, or other mode of delivery typically used in commerce and accessible to the intended recipient. If mailed, a notice is deemed delivered when deposited in the U.S. mail addressed to the person at his or her address as it appears in the Program's records, with postage prepaid. If given by facsimile, a notice is deemed delivered when printed confirmation of receipt is obtained from the transmitting mechanism. If given by e-mail, a notice is deemed delivered at the moment it is sent. A person or entity may give notice of a change in address in writing to the Secretary.

If the conclusion of any time period provided for herein falls on a weekend or a federal holiday, the conclusion of such time period shall be deemed to be extended until the next business day. Otherwise, references to time periods measured by days shall mean calendar days unless business days are specifically designated.

These Bylaws shall be construed under Texas law. All references in these Bylaws to statutes, regulations, or other sources of legal authority will refer to the authorities cited, or their successors, as they may be amended from time to time.

To the greatest extent possible, these Bylaws shall be construed to conform to all legal requirements for obtaining and maintaining all tax exemptions that may be available to unregistered entities, such as the Program.

If any Bylaws provision is held invalid, illegal, or unenforceable in any respect, the invalidity, illegality, or unenforceability will not affect any other provision, and the Bylaws will be construed as if they had not included the invalid, illegal, or unenforceable provision.

In the event any Bylaws requirement is not followed due to impossibility of performance, mistake, inadvertence, or other reason, the Board is authorized to remedy such failure to the fullest extent permitted by law. The remedy shall give effect to the intent and purpose of the Bylaws requirement and attempt to mitigate any harm as much as feasible.

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