

BYLAWS

of

NonProfits' United

Workers' Compensation Group, Inc.

Approved by the Board of Trustees June 16, 2011

Approved by OSIP July 28, 2011

Approved by the Group Members October 4, 2011

**BYLAWS
of
NonProfits' United Workers' Compensation Group, Inc.**

ARTICLE I - PREAMBLE

NonProfits' United Workers' Compensation Group, Inc. is established for the purpose of operating and maintaining a cooperative program of private group, workers' compensation, self-insurance, loss prevention, and risk management, as well to provide a forum for the discussion, study, development, and implementation of procedures of mutual benefits in risk sharing, loss prevention, and risk management programs among **Group Members** in other areas of insurance beyond workers' compensation liabilities.

ARTICLE II - PURPOSES

Section 1 - Purposes

The purposes of the **Group** are:

- A. To provide a private **group, workers'** compensation, self-insurance, loss prevention and risk management program through a system which will achieve the following objectives for the benefit of the **Group's Members** in all types of risks covered by the **Group**:
1. Reduced cost of workers' compensation over the cost of commercial insurance coverage through effective loss control practices and combined purchasing power;
 2. Reduced severity and frequency of losses of **Group Members** through loss control techniques;
 3. Reduced cost of claims administrative services through shared management, volume, and combined purchasing power;
 4. Greater stability of workers' compensation costs through long term commitments and relationships;
 5. Improved recovery from responsible third party tort-feasors;

6. Increased awareness of hazards causing losses and providing guidance in the alleviation of such hazards.
- B. To provide funding for a **workers' compensation program**:
1. To pay workers' compensation benefits pursuant to Memoranda of Coverage issued to the **Group Members**;
 2. To establish realistic reserves for expected future claims payment on all claims;
 3. To jointly purchase specific and/or aggregate excess commercial insurance, where such purchase is advantageous to the **Group Members** as a whole; and
 4. To share administrative and other vendor services including risk management, consulting, excess brokerage, marketing, claims administration and adjusting, safety and loss prevention, data processing, legal, and related services.
- C. To acquire, hold, and dispose of property, real and personal, necessary or desirable for the purpose of providing the Members of the **Group** with a complete private group self-insurance and risk management program, including, but not limited to, the acquisition of necessary facilities and equipment, services, the employment of personnel, and the operation and maintenance of a system of risk management.

ARTICLE III - DEFINITIONS

Section 1 - Definitions

In these Bylaws unless the context otherwise requires:

- A. **Articles** shall mean the Articles of Incorporation creating the **NonProfits' United Workers' Compensation Group, Inc.**, as amended from time to time.
- B. **Board** or **Board of Trustees (hereinafter "Board")** is the governing body of the **Group** constituted as set forth in these Bylaws.
- C. **Certificate** or **Certificate of Consent to Self-Insure** shall mean the document from **DIR OSIP** that authorizes an employer to be self-insured for workers' compensation liabilities pursuant to Labor Code Section 3700.
- D. **Coverage Year** shall mean the period from January 1st of each year through December 31st of the same year that begins at 12:01 a.m. on January 1st and ends at midnight on December 31st.
- E. **DIR OSIP** shall mean the State of California Department of Industrial Relations, Office of Self-Insurance Plans.

- F. **Group** shall mean the corporation, the **NonProfits' United Workers' Compensation Group, Inc.**, also known as **NPU-WCG**.
- G. **Group Administrator** shall mean that person or **group** appointed by the **Board** and given responsibility for the normal, day-to-day management, administration, and operation of the **Group** activities.
- H. **Group Member** shall mean a nonprofit organization employer in the State of California which is exempt from federal income tax pursuant to IRC Section 501(c)(3), and which has a primary three digit North American Industry Classification Code of 624. This industry is defined, in terms of their activities, as providing social assistance directly to their clients and providing special needs transportation to the infirm, elderly, or handicapped. These employers are formed as private nonprofit public-benefit corporations pursuant to California Nonprofit Public Benefit Corporation law § 5110 et seq. and are parties to the **Articles** of Incorporation and the Bylaws, and must also have been granted a **Certificate of Consent to Self-Insure** as a Member of the **Group**.
- I. **Joinder** shall mean the Indemnification Agreement and Power of Attorney that are executed by the applicant **Group Member** agreeing to assume joint and several liability of the discharge of any compensation liability of the **Group Members** and grants signature authority to the Group Administrator to bind the **Group** as set forth in **DIR OSIP** regulation Section 15479, and becomes incorporated into these Bylaws, and evidences the acceptance by the **Group** of the application of the prospective **Group Member**.
- J. **Memorandum of Coverage** shall mean a document issued by the **Group Administrator** to **Group Members** specifying the type, amount, and conditions of coverage provided to each participant by the **Group**.
- K. **Workers' Compensation Program** shall mean a self-insured funding program to provide workers' compensation coverage pursuant to a **Memorandum of Coverage** and/or provided by purchased excess insurance.
- L. For purposes of these bylaws, "Trustee(s)" shall have the same meaning as does "Director(s)" in the California Nonprofit Mutual Benefit Corporation Law.

ARTICLE IV - NAME AND LOCATION

Section 1 - Name

The name of the corporation shall be, as stated in the **Articles**, as follows: **NonProfits' United Workers' Compensation Group, Inc.**, a California Corporation, hereafter referred to as the "**Group**".

Section 2 - Incorporation

The **Group** is incorporated as a California Corporation under the private, nonprofit mutual benefit corporation statutes to operate as a **group** self-insurance plan for pooling of workers' compensation liabilities as a private **group** self-insurer pursuant to the laws of the State of California.

Section 3 - Principal Office

The **Group** shall maintain its principal office in the County of Sacramento, State of California.

Other offices for the transaction of **Group** business may be located in the State of California at such places as the **Board** or **Group Administrator** may from time to time determine.

Section 4 - Records

The Corporation shall maintain all its records within the State of California.

ARTICLE V - GOVERNING DOCUMENTS

Section 1 - Governing Documents

The Governing Documents of the **Group** shall be the **Articles** of Incorporation of the **Group**, these Bylaws, the Operating Plan, the **Memorandum of Coverage** for the Program, and any other policy or procedural document duly adopted by the Board.

These Bylaws are adopted pursuant to and in compliance with the Laws of the State of California and in compliance with the State statutes and the administrative regulations relating to workers' compensation self-insurance adopted by the **State of California Department of Industrial Relations**.

ARTICLE VI - GROUP MEMBERS

Section 1 - Membership Eligibility

Any organization meeting the definition in Article III, Section 1.H. above may become a "**Group Member**" by agreeing to be bound by the Governing Documents, and by complying with all of the following requirements:

- A. Agreement to be a **Group Member** for at least three (3) consecutive full **Coverage Years** after commencement of membership in the **Group**;
- B. Completion of an application for Membership in the **Group**, along with supporting loss history, loss prevention, and financial statement documentation as needed to determine eligibility to join the **Group**;

- C. Meet the Underwriting requirements set for participation in the **Group** by the **Board**;
- D. Execution by the **Group Member** of a **Joinder** Agreement considered a counterpart to these Bylaws and incorporated herein;
- E. Execution of the Indemnity Agreement and Power of Attorney;
- F. Submit certified, independently audited financial statements for the most recently completed two (2) year period;
- G. Agree to follow safety and accident prevention guidelines established by the **Board** or **Group Administrator**;
- H. Acceptance for membership by a two-thirds (2/3) vote of the **Board of Trustees** present and voting at any **Board** meeting. The **Group Administrator** shall advise the applicant of the **Board's** decision on its application;
- I. Meet the approval of the excess risk insurance carrier;
- J. Agree to follow Claims Management Guidelines; and
- K. Apply for an Affiliate or Interim Affiliate **Certificate of Consent to Self-Insure** and be issued a **Certificate** by the **DIR OSIP** to participate in the **Group** as a Group Member.

The **Board** may grant the **Group Administrator** or designated consultant the authority to recruit new applicants for membership.

Section 2 - Approval of Membership

The **Group Administrator** shall review each application of proposed **Group Member** with respect to conformity with the requirements of Section 1 above, and may schedule and coordinate a safety inspection of the facilities of the proposed **Group Member**. The decision whether to accept an applicant for membership shall be made either by the Board, or by the Group Administrator if such authority has been delegated pursuant to Article VII, Section 3.F. below.

Section 3 - Ineligibility/Termination of Membership

Membership shall terminate on the occurrence of any of the following events:

- A. Resignation of a Group member upon notice to the Group. A Group Member that voluntarily leaves the Group will be required to adhere to the provisions listed in DIR OSIP regulation section 15422 regarding notification to DIR OSIP. If any Group Member is involuntarily expelled from the Group for cause, the Group Administrator will request DIR OSIP to revoke the Group member's Certificate of Consent to Self Insure in the Group.

The withdrawal of any **Group Member** from the **Workers' Compensation Program** after the effective date of such Program shall not terminate its responsibility to contribute its share of premiums or funds to any fund or insurance Program created by the **Group**. All current and past Group Members shall be responsible for their respective share of the expenses, as determined by the **Group Administrator**, until all claims, or other unpaid liabilities, covering the period of the **Group Member's** participation in the risk pooling Program have been finally resolved and a determination of the final amount of payments due by, or credit to, the Group Member for the period of its participation has been made by the Board. All past Group Members shall be billed for their share of the additional expenses and shall receive any distribution of dividends based on the same methodology of the current Group Members. The withdrawal of any **Group Member** from any Program shall not require the repayment or return to that Group Member of all or any part of any contributions, payments, advances, or distributions except in conformance with these Bylaws. All claims and claim liability for any period of coverage of a Group Member will remain with the **Group**, unless such liability is sold off via a special excess workers' compensation insurance policy pursuant to Labor Code 3702.8.

- B. Failure of a Group Member to pay any dues, premiums, or assessments within the period of time fixed by the Board or by law after they become due and payable.
- C. A final determination from the Internal Revenue Service that the Group member no longer qualifies as an organization entitled to tax exempt status pursuant to IRC Section 501(c)(3). Upon such a determination by IRS, the Group member shall immediately notify the Group Administrator and the termination of membership in the Group shall be immediately effective.
- D. Expulsion pursuant to this Article.

Section 4 - Suspension or Expulsion from Membership

Any Group Member may be suspended or expelled in accordance with this Article, based on the good faith determination by the Board, or a committee authorized by the Board to make such a determination, that the Group Member has failed in a material and serious degree to comply with the corporation's Articles of Incorporation, bylaws, code of ethics if any, or any law applicable to the corporation and its Group Members; excessive losses as determined by the Board; no longer meets the criteria for membership described in Article VI, Section 1 of these bylaws; or has engaged in conduct materially and seriously prejudicial to the purposes and interests of the corporation.

Section 5 - Procedure for Suspension or Expulsion

If grounds appear to exist for suspension or expulsion of a Group Member under this Article, the procedures set forth below shall be followed:

- A. The Group Member shall be provided at least sixty (60) days prior notice of the proposed suspension or expulsion and the reasons for the proposed suspension or expulsion. Notice shall be given by any method reasonably calculated to provide actual notice. Any notice given by mail shall be sent first class or express mail to the Group Member's last address as shown on the corporation's records. However, facsimile or electronic mail may be used for this notice if the Group member has consented to such methods of notice and if the corporation reasonably believes that the Group Member will receive the notice.
- B. The Group Member shall be given an opportunity to be heard, either orally or in writing, at least five (5) days before the effective date of the proposed suspension or expulsion. The hearing shall be held, or the written statement considered, by the Board or by a committee authorized by the Board to determine whether the suspension or expulsion should take place.
- C. The Board or authorized committee shall decide whether or not the Group Member should be suspended, expelled or sanctioned in some other way. If the Board's decision is to expel, the Group Administrator shall immediately send a written request to DIR OSIP asking that agency to revoke the Group Member's Affiliate Certificate of Consent to Self Insure.

The expulsion of any Group Member, after the effective date of the Coverage Year has commenced, shall not terminate the Group Member's responsibility to contribute its share of premiums or funds to any fund or insurance Program created by the Group. All current and past Group Members shall be responsible for their respective share of the expenses, as determined by the Group Administrator, until all claims, or other unpaid liabilities, covering the period of the Group Member's participation in the risk pooling Program have been finally resolved and a determination of the final amount of payments due by, or credit to, the Group Member for the period of its participation has been made by the Board.

A Group Member whose membership is suspended shall not be a Group member in good standing during the period of suspension.

An expulsion shall be effective on the date **DIR OSIP** officially revokes the Affiliate **Certificate** of Consent to Self-insure of the Group Member from the Group.

- D. Any legal action challenging a suspension or expulsion of membership, including a claim alleging defective notice, must be received by the corporation within one (1) year after the effective date of the suspension or expulsion.

Section 6 - Effect of Suspension or Expulsion

All rights of a Group Member shall cease upon suspension or expulsion from membership. In the case of expulsion, the Group Member's membership in the corporation shall terminate on the effective date of the expulsion. However, suspension or expulsion shall not relieve the Group member (or former Group member) of any existing obligations to the corporation.

Section 7 - No Property Rights/No Withdrawal Value

Membership in the Group does not constitute an ownership interest in any asset of the Group at any time. If a membership is terminated for any reason, the Group shall not be liable for the payment of any amount whatsoever to the Group member. Each Group Member is received into membership on his/her/its express agreement to this provision.

Section 8 - Transfer of Memberships

A membership or any right arising from membership may not be transferred to another person without the prior written approval of the Board.

Section 9 - Limitations

No person shall hold more than one membership in the Group.

Section 10 - Liability of Group Members/Attorneys' fees/Venue

Except as provided by law, no Group member is liable for the Group's debts, liabilities, or obligations.

However, if an action at law or in equity is necessary to enforce or interpret the terms of these Bylaws or any agreement signed by the parties, the prevailing party shall be entitled to recover its reasonable attorneys' fees and costs in addition to any other reasonable relief to which it may be entitled. With respect to any suit, action or proceeding arising out of or related to these Bylaws or any relevant agreement, or the documentation related hereto, the parties hereby submit to the jurisdiction and venue of the appropriate court in the County of Sacramento, State of California for any proceeding arising hereunder.

Section 11 - Meetings of Group Members

- A. **Place of Meetings.** Meetings of the Group Members shall be held at any place designated by the Board. In the absence of any such designation, Group Members' meetings shall be held at the Group's principal office.
- B. **Annual Meeting.** An annual meeting of the Group Members shall be held each year at a time and location determined by the Board. At this meeting, any proper business may be transacted, subject to any limitations in law or these Bylaws. Written notice of the annual meeting shall be given to all Group Members of the corporation, and the board of trustees, in accordance with the procedures provided in subsections D. and E. below. Only voting members of the Group may vote at the annual membership meeting.
- C. **Special Meetings of the Group Members.** Other meetings of the Group Members ("special meetings") may be called at any time by 1) the Board, 2) the Chairperson of the Board, or 3) five (5) percent of the membership.

A special meeting of Group Members may be called by written request, specifying the general nature of the business proposed to be transacted and submitted to the Chairperson or the Secretary of the Group. The officer receiving the request shall cause notice to be given promptly to the Group members entitled to vote, in accordance with subsections D. and E. below, stating that a meeting will be held at a specified time and date. If the meeting is called by anyone other than the Board, the meeting date shall be at least thirty-five (35), but not more than ninety (90) days after receipt of the request. If the Board calls the meeting, the meeting date may be any date for which appropriate notice is given in accordance with subsections D. and E. below. If notice of a requested special meeting is not given within twenty (20) days after receipt of the request, the person or persons requesting the meeting may give the notice.

No business other than the business, the general nature of which was set forth in the notice of the meeting, may be transacted at a special meeting.

- D. **Notice Requirements for Group Members' Meetings.** Written notice of any membership meeting shall be given, in accordance with these Bylaws, to each voting member of the Group. Subject to any additional requirements in law or these Bylaws, the notice shall state the place, date and time of the meeting, the means of electronic transmission by and to the Group (Corporations Code Sections 20 and 21) or electronic video screen communication, if any, by which Group Members may participate in the meeting, and the general nature of the business to be transacted, and no other business may be transacted. The notice

of any meeting at which trustees are to be elected shall include the names of all those who are nominees at the time the notice is given to Group Members.

- E. **Manner of Giving Notice for Meetings.** Except as otherwise provided in these Bylaws or by law, notice of any meeting of Group Members shall be shall be given not less than ten (10) nor more than ninety (90) days before the date of the meeting to each Group Member who, on the record date for notice of the meeting, is entitled to vote.

Notice of a Group Members' meeting shall be given personally, by electronic transmission (Corporations Code sections 20 and 21), or by regular, bulk, or express mail service, addressed to a Group Member at the address of the Group Member appearing on the books of the Group or given by the member to the Group for purpose of notice. Notice given by electronic transmission by the Group under this subdivision shall be valid only if it complies with Corporations Code Section 20. Notwithstanding the foregoing, notice shall not be given by electronic transmission by the Group after either of the following:

1. The Group is unable to deliver two consecutive notices to the Group Member by that means.
2. The inability to so deliver the notices to the Group Member becomes known to the Secretary or other person responsible for the giving of the notice.

Section 12 - Waiver of Notice or Consent

The transactions of any Group Members' meeting, however called or noticed and wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if 1) a quorum is present, and 2) either before or after the meeting, each Group Member who is not present in person, signs a written waiver of notice, a consent to holding of the meeting, or an approval of the minutes. The waiver of notice, consent or approval need not specify either the business to be transacted or the purpose of any meeting of Group Members. All such waivers, and consents, or approvals shall be filed with the Group records or made a part of the minutes.

A Group Member's attendance at a meeting shall also constitute a waiver of notice of and presence at that meeting, unless the Group Member objects at the beginning of the meeting to the transaction of any business because the meeting was not lawfully called or convened. Also, attendance at a meeting is not a waiver of any right to object to the consideration of matters required to be included in the notice of the meeting, but not so included, if that objection is expressly made at the meeting.

Section 13 - Quorum

Ten (10) of the voting Group Members shall constitute a quorum for the transaction of business at any meeting of Group Members. Provided, however, that if any meeting of members is actually attended by less than one-third (1/3) of the voting power, the only matters that may be voted on are those for which the general nature of the action was specified on the notice of the meeting.

Section 14 - Loss of Quorum

The Group Members present at a duly called or held meeting at which a quorum is present may continue to transact business until notwithstanding the withdrawal of enough Group Members to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the Group Members required to constitute a quorum (or by a greater number if required by law or by the Articles of Incorporation or these Bylaws). Any meeting may be adjourned by a majority of those Group Members in attendance, whether or not a quorum is present.

Section 15 - Act of the Group Members

If a quorum is present, the affirmative vote of a majority of the voting power represented at the meeting, entitled to vote and voting on any matter, shall be the act of the Group Members, unless the vote of a greater number is required by law, or by the Articles of Incorporation or these Bylaws.

Section 16 - Eligibility to Vote/Number of Votes

Voting Group Members entitled to vote at any meeting of Group Members or by ballot shall be all those voting Group Members in good standing as of the date the vote is taken. Each voting Group Member shall be entitled to one vote at any annual or special meeting of Group Members.

Section 17 - Proxies

Proxy voting is not allowed.

Section 18 - Action of Group Members by Written Ballot Without a Meeting

Any action that may be taken at any meeting of Group Members may be taken without a meeting by complying with the following procedure.

The Chairperson of the Group shall cause a ballot to be distributed to each voting Group Member in accordance with Section 11.E. of this Article.

Any written ballot pursuant to this section shall: 1) set forth the proposed action, 2) provide an opportunity to specify approval or disapproval of any proposed action, and 3) provide a reasonable time within which to return the ballot to the Group.

The cover letter or memo soliciting ballots shall indicate the number of responses needed to meet the quorum requirement and, with respect to ballots other than for the election of trustees, shall state the percentage of approvals necessary to pass the action submitted. The solicitation must specify the time by which the ballot must be received by the Group in order to be counted.

Approval of an action by written ballot pursuant to this section shall be valid only when the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

Trustees may be elected by written ballot under this section. If trustees are to be elected by written ballot and the Board adopts a nomination procedure for the election process, the procedure may provide for a date for the close of nominations prior to the printing and distributing of the written ballots.

A written ballot may not be revoked. All written ballots shall be filed with the Secretary of the Corporation and maintained in the corporate records for at least three years.

ARTICLE VII - BOARD OF TRUSTEES

Section 1 - Board Functions

Except as specifically provided herein, the **Board** shall be responsible for setting policy, overall operation and administration of the **Group**. Accordingly, the **Board** will determine all instructions required hereunder, determine all questions, make all decisions, with advice from legal, financial, accounting, claims management specialists and the **Group Administrator** hired by the **Board** to assist the **Group**. Unless specifically prohibited by law, any such functions may be delegated to the Group Administrator or such other employees or contractors as the Board may deem appropriate.

Section 2 - Composition

The **Board** shall be composed of nine (9) trustees. Pursuant to Title 8 of the California Code of Regulations, at least two-thirds (2/3) of the trustees shall be employees or officers of **Group Members**.

Section 3 - Board of Trustees Powers

- A. The **Board** may employ or retain such employees, agents, assistants, legal counsel and/or **Group Administrator**, as it may deem necessary. The **Board** shall retain its own legal counsel, separate from any legal counsel that may handle day-to-day matters for the operation of the **Group** activities. In addition, the **Board** may employ such accountants, clerical and other service providers as may be required in fulfilling the obligations under this Agreement.
- B. The **Board**, by a majority vote, shall elect officers and shall appoint a manager, referred to as the "**Group Administrator**," who shall not be a member of the **Board**, but may serve as the **Board** Assistant Secretary and/or as Assistant Treasurer. All officers so elected or appointed shall serve at the pleasure of the **Board**.
- C. The Board shall provide policy direction for the Officers, the **Group Administrator**, and any standing committees. The **Board** may delegate any or all of its responsibilities, except those requiring a vote by the **Board**, as specified in the **Articles** or other governing **Group** documents, State statutes and regulations.
- D. The Board may authorize an individual, or more than one individual, to act as agents with regard to execution and delivery of instruments necessary for the furtherance of the Board's responsibilities and duties.
- E. The **Board** may take such actions as are necessary or desirable for the smooth flow of information in proper administration of the **Group**. However, such authority must be consistent with all provisions of Agreement including the stated purposes and operational goals herein provided.
- F. The Board may accept a new member to the **Group** (two-thirds (2/3) vote of the Board), subject to subsequent approval by the **DIR OSIP** of the potential Group Member's application for an Affiliate **Certificate of Consent to Self-Insure**. The Board may delegate the authority to accept new Group Members to the Group Administrator, with concurrence of the Chairperson, or to another person or committee, in the Board's sole discretion. The Board shall take all necessary precautions to protect the assets of the **Group**, including but not limited to:
1. Accept indebtedness (two-thirds (2/3) vote of the Board);
 2. Adopt an annual budget;
 3. Furnish or insure adequate fidelity coverage is provided; and
 4. Assess **Group Members** for necessary contributions for each covered time period and for the **Group Members'** share of ongoing liabilities and expenses of the **Group**, including any subsequent assessments for actuarially unsound **Coverage Years**.

- G. Amend these Bylaws;
- H. Approve a Memorandum of Coverage;
- I. Create an Office;
- J. Elect the Officers of the **Group**;
- K. Contract for specific excess and aggregate excess coverage as may be required by the **DIR OSIP** or desired;
- L. Set requirements for the admission of **Group Members** in keeping with the regulatory requirements of the **DIR OSIP**, and which may include precautions that the Board from time to time shall deem appropriate to promote the safe and proper operation, financial stability, and injury and illness prevention within the **Group**;
- M. Endeavor to see the **Group** is financially and prudently administered to ensure its financial stability and ability to pay all **Group Member** claims and **Group** expenses;
- N. Perform any other function incident to their office and in keeping with the applicable laws and regulations of the State of California;
- O. In addition to any and all indemnification provisions of this Agreement, the **Group** shall indemnify, defend and hold harmless each member of the **Board** in his or her capacity as a Board member. The **Board** may require the Financial Institution, the **Group Administrator** and the TPA to hold the **Group** harmless from all damages, losses, injuries, claims, actions, suit, penalties, liabilities, costs and expenses, direct and indirect including but not limited to attorney's fees, arising out of or relating to the performance of their obligations and responsibilities hereunder, so long as the actions are consistent with and in discharge of such obligations and responsibilities, and provided that the same shall not advise or relate to the negligence of the **Board**, a Board member for matters concerning the **Group** are delegated under the terms of this Agreement.

Section 4 - Election of Trustees

Trustees shall be elected at the annual meeting of the membership, or by written ballot in accordance with these Bylaws. The Board may adopt nomination and election procedures to further set forth the method and procedure for the election of trustees.

Section 5 - Terms of Office

The term of office of each trustee shall be two (2) years and all trustees shall serve until expiration of the term for which elected and until a successor has been elected and qualified. There shall be no limit on the number of terms a trustee may serve if he or she

remains qualified and elected. The Board may stagger the terms of trustees using any reasonable method.

Section 6 - Resignations/Removals

Except as provided below, any trustee may resign by giving written notice to the Chairperson or the Secretary. The resignation shall be effective when the notice is given unless it specifies a later time for the resignation to become effective. Any trustee may be removed from the Board by a vote of the Group Members. No change of the authorized number of trustees shall have the effect of removing any trustee before that trustee's term of office expires.

Section 7 - Vacancies

A vacancy or vacancies on the Board shall exist on the occurrence of the following: (a) the death or resignation of any trustee, (b) the declaration by resolution of the Board of a vacancy in the office of a trustee who has been declared of unsound mind by an order of court or convicted of a felony, (c) the vote of the Group Members to remove any trustee(s), (d) the increase of the authorized number of trustees, (e) the failure of the Group Members, at any meeting of members at which any trustee or trustees are to be elected, to elect the number of trustees required to be elected at that meeting, or (f) the determination of ineligibility or the suspension or expulsion of the Group Member that the trustee represents.

Section 8 - Filling Vacancies

Vacancies on the Board may be filled by a majority vote of the remaining trustees on the Board at any properly called Board meeting. The Group Members may fill any vacancy or vacancies not filled by the trustees. Any individual filling a vacancy pursuant to this section shall represent a Group Member of the Group in good standing. Except as provided below, an individual appointed to fill a vacancy shall serve until the end of the term of the trustee whose vacancy he or she is filling.

Section 9 - Annual and Special Board Meetings

An annual meeting of the Board shall be held on the same day as, or the day before or after, the annual meeting of the Group Members. Other special meetings of the Board may be held from time to time on the call of the Chairperson or the Board. The time and purpose for any special meeting shall be set by the person(s) calling such meeting.

Section 10 - Notice of Board Meetings

Notice of meetings of the Board, specifying the time and place of the meeting, shall be given to each trustee at least seven (7) days before the meeting if sent by first-class mail or express mail service, or forty-eight (48) hours before the meeting if personally

delivered or delivered by telephone (including a voice messaging system), or by electronic transmission by the Group (Corporations Code Section 20).

Notice shall be deemed delivered when deposited in the U.S. mail or with an express mail service, or when received if delivered personally or by telephone, or on its confirmation of delivery if by electronic transmission. A notice, or waiver of notice, need not specify the purpose of any meeting of the Board.

Section 11 - Place and Time of Meetings

Meetings of the Board shall be held at whatever place and time is designated from time to time by the Board or persons calling the meeting and, in the absence of any designation, shall be held at the principal office of the Group.

Section 12 - Board meetings by Telephone or Video Conference or by Electronic Transmission

Trustees may participate in a meeting of the Board through use of conference telephone, electronic video screen communication, or electronic transmission by and to the Group (Corporation Code Sections 20 and 21).

Participation in a meeting through use of conference telephone or electronic video screen communication constitutes presence in person at that meeting as long as all trustees participating in the meeting are able to hear one another.

Participation in a meeting through use of electronic transmission by and to the Group, other than conference telephone and electronic video screen communication, constitutes presence in person at that meeting if both of the following apply:

- A. Each trustee participating in the meeting can communicate with all of the other trustees concurrently.
- B. Each trustee is provided the means of participating in all matters before the Board, including, without limitation, the capacity to propose, or to interpose an objection to, a specific action to be taken by the Group.

Section 13 - Waiver of Notice and Consent to Board Meetings

Notice of a meeting need not be given to any trustee who, either before or after the meeting, signs a waiver of notice, a written consent to the holding of the meeting, or an approval of the minutes of the meeting. The waiver of notice or consent need not specify the purpose of the meeting. All such waivers, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meetings. Notice of a meeting need not be given to any trustee who attends the meeting and does not protest, before or at the commencement of the meeting, the lack of notice to him or her.

Section 14 - Quorum

A majority of the authorized number of trustees shall constitute a quorum of the Board for the transaction of business.

Section 15 - Act of the Board

Unless otherwise restricted by law or these Bylaws, every act or decision done or made by a majority of trustees present at a meeting duly held at which a quorum is present shall be regarded as an act of the Board. A meeting at which a quorum is initially present may continue to transact business, despite the withdrawal of a trustee(s), if any action taken or decision made is approved by at least a majority of the required quorum for that meeting.

Section 16 - Adjournment

A majority of the trustees present, whether or not a quorum, may adjourn any meeting to another time and place. If the meeting is adjourned for more than twenty-four (24) hours, notice of the adjournment to another time or place must be given prior to the time of the adjourned meeting to the trustees who were not present at the time of the adjournment. Any business that might have been transacted at a meeting as originally noticed may be transacted at an adjourned and rescheduled meeting.

Section 17 - Closed Meetings

Any meeting of the Board may be closed by the Chairperson so that only trustees and individuals deemed necessary by the Chairperson are present. Members of the Group who are not trustees may attend any Board meeting unless excluded by the Chairperson as described in this Section.

Section 18 - Board Action Without Meeting

Any action required or permitted to be taken by the Board may be taken without a meeting, if all trustees on the Board individually or collectively consent in writing to that action. An action by written consent shall have the same force and effect as a unanimous vote of the trustees.

Section 19 - Compensation of Trustees

Trustees shall not receive compensation for their services as trustees. Trustees may, at the discretion of the Board, receive reimbursement for travel and other actual expenses related to activities on behalf of the Group if authorized by the Board or a committee having such authority.

Section 20 - Voting Power

For all purposes, the voting power of each voting trustee shall be one vote.

Section 21 - Property Rights

No trustee shall have any property rights in any assets of the Group.

ARTICLE VIII - OFFICERS

Section 1 - Officers

The elected Officers of the **Group** shall consist of a Chairperson, a Vice Chairperson, a Treasurer, and a Secretary. All officers so elected or appointed shall serve at the pleasure of the **Board**.

Section 2 - Election of Officers

The elected officers of the Group shall be elected by the Board from among its trustees at the annual meeting.

Section 3 - Terms of Office; Term Limits

Elected officers shall serve at the pleasure of the Board for one (1) year terms. There is no limit on the number of terms an officer may serve if he/she is a trustee and continues to be qualified and elected by the Board.

Section 4 - Removal of Officers

Any elected officer may be removed at any time, with or without cause, by a two-thirds (2/3) vote of the Board at any properly called meeting where a quorum is present.

Section 5 - Resignation of Officers

An officer may resign at any time by giving written notice to the Chairperson or Secretary of the Group. The resignation shall take effect as of the date the notice is received or at any later time specified in the notice and, unless otherwise specified in the notice, the resignation need not be accepted to be effective.

Section 6 - Vacancies in Office

A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled by a majority vote of the trustees present at any annual or special meeting of the Board where a quorum is present. The individual filling a vacant officer position shall serve until the end of the term of the officer whose vacancy he or she is filling.

Section 7 - Duties

- A. Chairperson - The Chairperson shall preside at all meetings of the **Group**. The Chairperson shall appoint the members of all committees that may be formed as necessary or appropriate for carrying on the activities of the **Group**. Committee members appointed by the Chairperson may hold office beyond the appointing Chairperson's term of office. The Chairperson shall execute documents on behalf of the **Group** as authorized by the Board and shall serve as the primary liaison between this and any other organization. The Chairperson, the **Group Administrator**, and the Treasurer acting jointly may pay bills and conduct other related business which is necessary and for which, in the opinion of the Chairperson, there is no reason to call a special **Board** meeting. However, the Board shall be informed of and updated on all such actions at each Board meeting. The Chairperson shall serve as ex-officio member of all committees.
- B. Vice Chairperson - In the absence of or temporary incapacity of the Chairperson, the Vice Chairperson shall exercise the functions covered in Section 7.A. above.
- C. Secretary
1. **Book of Minutes.** The Secretary shall keep or cause to be kept, at the Group's principal office or such other place as the Board may direct, a book of minutes of all meetings, proceedings, and actions of the Board, and committees of the Board. The minutes of meetings shall include the time and place that the meeting was held, whether the meeting was annual or special, and, if special, how authorized, the notice given, and the names of those present at the Board and committee meetings. The Secretary shall keep or cause to be kept, at the principal office in California, a copy of the Articles of Incorporation and the Bylaws, as amended to date.
 2. **Notices, Seal, and Other Duties.** The Secretary shall give, or cause to be given, notice of all meetings of the Board and of its committees required by these Bylaws. The Secretary shall keep the corporate seal, if any, in safe custody and shall have such other powers and perform such other duties as the Board or the Bylaws may prescribe.
 3. If both the Chairperson and the Vice-Chairperson are absent or unable to serve, or if there is no Vice-Chairperson and the Chairperson is absent or unable to serve, the Secretary shall perform all the duties of the Chairperson. When so acting, the Secretary shall have all powers of and be subject to all restrictions on the Chairperson.

D. Treasurer

1. Books of Account. The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and accounts of the Group's properties and transactions. The Treasurer shall send or cause to be given to the trustees such financial statements and reports as are required to be given by law, by these Bylaws, or by the Board. The books of account shall be open to inspection by any trustee at all reasonable times.
2. Deposit and Disbursement of Money and Valuables. The Treasurer shall deposit, or cause to be deposited, all money and other valuables in the name and to the credit of the Group with such depositories as the Board may designate, shall disperse the Group's funds as the Board may order, shall render to the Chairperson, the Group Administrator, if any, and the Board, when requested, an account of all transactions as Treasurer and of the financial condition of the corporation, and shall have such other powers and perform such other duties as the Board or the Bylaws may prescribe.

ARTICLE IX - GROUP ADMINISTRATOR

Section 1 - Group Administrator

The Board shall retain/appoint a **Group Administrator**. The **Group Administrator** shall be responsible for the daily administration, management, and operation of the **Group's** Programs and shall be subject to the direction and control of the Board. The **Group Administrator** may not be an employee of a **Group Member**, nor shall the **Group Administrator** be owned by or an employee of the Third Party Claims Administrator.

Section 2 - Responsibilities

The responsibilities of the **Group Administrator** or a designated contractor are, among other matters, to:

- A. Monitor the status of the **Group's** Programs and operations, Group Member's losses, administrative and operational costs, service companies' performance, and broker's performance;
- B. Provide appropriate risk management counseling and information to **Group Members** and the **Board**;
- C. Prepare an annual budget;
- D. Advise Group **Members** of the risk impact of any proposed new Programs or changes to existing Programs;

- E. Assist the **Board** in selecting brokers, auditors, insurance companies, and claims administration services;
- F. Perform or contract for claims audits and actuarial studies to determine cost allocations;
- G. Develop criteria to assist **Group Members** in preparation of risk management plans;
- H. Conduct risk management audits to review the participation of each **Group Member** in the Program and submit an audit report to the **Group Member** within a reasonable time after such audit;
- I. Develop effective risk management and loss control procedures and advise **Group Members** of how to implement them;
- J. Implement, coordinate, and supervise the **Group's** Programs of Safety and Loss Control; and
- K. Design and implement new **Group** Programs of risk management and self-insurance as directed by the **Board**.

Section 3 - Limitations

Outlined below are the limitations of the Board of Trustee's delegation authority. The **Board** may not delegate the following:

- A. The appointment of successor Financial Institutions in which the **Group** funds are placed.
- B. The investment decisions regarding the **Groups'** assets.
- C. The removal or appointment of the Financial Institution in which the **Group** funds are placed.
- D. The selection of CPA's necessary to audit the **Group**, although the **Board** may base this selection on the recommendations of the **Group Administrator**.
- E. Financial functions specifically outlined in self-insurance regulations in California Code of Regulations, Title 8, Section 15475 as retained by the **Board**.

Section 4 - Compensation and Employment

The **Group** shall compensate the **Group Administrator** for services rendered to the **Group** in such amount and manner as may occasionally be adopted by the Board. Details respecting compensation, termination, and other employment related matters pertaining to the **Group Administrator** shall be governed by such terms and conditions as the Board shall establish.

Section 5 - Deposit and Investment of Group Funds

The Treasurer may deposit and invest **Group** funds, subject to any applicable provisions of the **DIR OSIP** regulations and in accordance with the Investment Policy adopted by the **Board**.

Section 6 - Accounting Method for Pooled Programs

The accounting method for the **Workers' Compensation Program** shall be accounted for separately on a full-accrual basis and will be in accordance with the provisions and the principles established by the Financial Accounting Standards Board. Each calendar year of operation of the **Group** shall be maintained separately for accounting purposes for the benefit of Group Members active during that fiscal year. All claims shall be allocated to the fiscal year in which they were reported to the **Group**.

ARTICLE X - COMMITTEES

Section 1 - Committees of the Board

The Board may create one or more "committees of the Board", each consisting of two (2) or more trustees *and no persons who are not trustees*, to serve at the pleasure of the Board. The Chairperson shall appoint the members of all committees of the Board. Any such committee, to the extent provided in the Board resolution creating the committee, shall have all the authority of the Board, except that no committee, regardless of Board resolution, may:

- A. Fill vacancies on the Board or on any committee that has the authority of the Board;
- B. Fix compensation of the trustees for serving on the Board or on any committee;
- C. Amend or repeal Bylaws or adopt new Bylaws;
- D. Amend or repeal any resolution of the Board that by its express terms is not so amendable or repealable;
- E. Create any other committees of the Board or appoint the members of committees of the Board; or
- F. Approve any contract or transaction to which the Group is a party and in which one or more of its trustees has a material financial interest, except as allowed by the California Corporations Code.

Section 2 - Executive Committee

The Executive Committee shall be a “standing committee of the board” subject to all the rules applicable to “committees of the Board” described in this Article.

The Executive Committee shall consist of the elected officers of the Group – Chairperson, Vice Chairperson, Secretary, and Treasurer.

The Executive Committee shall have the authority of the Board between Board meetings to make decisions and take actions relative to the operation of the Group. The Executive Committee shall report any decisions made or actions taken at each meeting of the full Board. The Executive Committee may also develop policies for Board approval, and may review and recommend to the Board changes to the Bylaws and to other operating policies.

Without diluting the general authority granted to the Executive Committee by this provision, the Executive Committee shall oversee and have final decision-making authority with respect to personnel matters and may delegate such authority to the Group Administrator.

Section 3 - Notice Requirements for Committees of the Board

Written notice for meetings of committees of the Board shall be given in accordance with Article VI, Section 11 of these Bylaws. Provided, however, that this notice may be waived in writing, or by the committee member’s actual attendance at the meeting.

Section 4 - Quorum for Committees of the Board

A majority of the voting members of any committee of the Board shall constitute a quorum, and the acts of a majority of the voting members present at a meeting at which a quorum is present shall constitute the act or recommendation of the committee.

Section 5 - Advisory Committees

The Board may also establish advisory committees composed of at least one (1) trustee and any number of non-trustees. Advisory committees shall provide advice and recommendations to the Board but shall not have the authority of the Board or any final decision making authority.

Section 6 - Meetings by Telephone or Video Conference or by Electronic Transmission

Any meeting of a committee may be held by telephone or video conference or by electronic transmission in the same manner provided for Board meetings.

ARTICLE XI - AUDIT

Section 1 - Audit Required

The Board shall cause to be made, by a qualified, independent individual or firm, an annual audit of the financial accounts and records of the **Group**. The minimum requirements of the audit shall be those prescribed by State statutes and regulations.

Section 2 - Filing an Audit

The financial audit report shall be filed with the **DIR OSIP** within six (6) months of the end of the fiscal year under examination.

Section 3 - Costs of Audit

The **Group** shall bear all costs of the audit. Such costs shall be charged against the operating funds of the **Group**.

ARTICLE XII - COVERAGE YEAR

Section 1 - Workers' Compensation Coverage Year

- A. Each **Coverage Year** shall be a separate set of books in the accounting records of the **Group**. The income and expenses of each **Coverage Year** shall be accounted for separately from any other **Coverage Years'** income or expenses. The Board shall approve a contribution to be charged to each **Group Member** at the inception of the **Coverage Year** to fund the losses and expenses anticipated for the life of the **Coverage Year**.
- B. The life of the **Coverage Year** may be many years. A **Coverage Year** shall not be closed until such time that the Board authorizes closure, being convinced that known claims for the year are all closed and the probability of further claims being discovered is minimal.

Section 2 - Actuarial Soundness

- A. The Board shall strive to maintain each **CoverageYear** as actuarially sound as a separate unit, and assure the **Workers' Compensation Program** is actuarially sound as a whole. A contribution based on the findings of an actuarial study shall be charged annually and allocated to the **Group Member** in accordance with the Member's exposure to loss and its past record of claims.
- B. To maintain actuarial soundness, an actuarial study shall be performed annually and action shall be immediately taken by the Board to develop a plan to make up the deficit funding if the **Workers' Compensation Program** should be found to be actuarially deficient. The **Group** shall strive to maintain the program funding as a whole at the eighty percent (80%) confidence level.

Section 3 - Action required when the Workers' Compensation Program is found to be Actuarially Unsound

- A. If the **Workers' Compensation Program**, as a whole, is found to be actuarially unsound:
1. Each **Group Member** participating in the unsound **Coverage Year(s)**, may be assessed its pro rata share of the total funding necessary to make the **Workers' Compensation Program**, as a whole, actuarially sound beginning with the oldest **Coverage Year** and continuing to the next oldest **Coverage Year** until the **Workers' Compensation Program** as a whole is actuarially sound.
 2. Each **Group Member's** pro-rata share shall be determined as that percentage of the amount needed to make the **Workers' Compensation Program** actuarially sound which is equal to the **Group Member's** original annual contribution for the year as it relates to the total annual contribution for the **Workers' Compensation Program** for that year.
 3. The amounts contributed under this process shall be allocated to each respective **Group Member** for the year that is being augmented.
 4. The **Group Administrator** shall advise **DIR-OSIP** immediately if any calendar year funding is insufficient to cover all reported claims and costs for that year. The **Group Administrator** shall also provide to the Manager of **DIR OSIP** a plan to achieve full funding for the **Coverage Year(s)** for **DIR OSIP** approval.
- B. If the **Workers' Compensation Program** as a whole is sound, the **Group Administrator** may determine and recommend to the Board that no assessment is necessary, provided that there is sufficient surplus in the other **Coverage Years** to cover the actuarial deficiency in the deficient **Coverage Year**. Whenever the Board accepts the **Group Administrator's** recommendation for no assessment, the **Group Administrator** may determine the amount of interest which would have been earned on the funds of the other **Coverage Years** had the deficient **Coverage Year** been adequately funded. The difference between the amount of interest actually earned and the amount that could have been earned shall then be charged against the deficient **Coverage Year** and allocated to the other **Coverage Years**.

Section 4 - Equity Allocation

The redistribution of funds in excess of amounts required to maintain reserves at an eighty percent (80%) confidence level for the program as a whole shall be determined by the **Board**. The **Board** is under no obligation to distribute surplus or declare dividends. Distributions of surplus shall be determined at the sole discretion of the **Board**, and shall be made from program years that are at least three (3) years old at the time of the distribution, that have been determined by the Board to be actuarially sound. **Group Members** shall have no equity interest in any surplus, and **Group Members** that have withdrawn or been expelled from the **Group** shall not participate in any distribution of surplus. If any surplus is

distributed, all or any part may be used for rate relief in determining contributions for the then-current or upcoming Program Year; or may be used for specific grants to individual **Group Members** for safety, training and loss control assistance relating to workers' compensation liability; or may be distributed as rebated premiums to current **Group Members** that participated in the program year(s) resulting in a surplus. The amount distributed as rebated premiums shall be a fixed liability of the **Group** at the time of the declaration and any surplus in the compensation loss fund shall be held for a minimum period of twelve (12) months from the date of the **Board** ' declaration.

If rebated premiums are distributed, the Board shall adopt a formula for distribution, with one-half (1/2) of the rebated premiums assigned pro rata in accordance with the respective shares of total premiums paid by current **Group Members** for the year(s) from which the surplus is rebated ("pro rata based on premiums"), and one-half (1/2) assigned pro rata based on the respective positive balances of each **Group Member**, in each program year, of the difference between the loss fund premium contributed by that **Group Member** and claims paid or reserved for that **Group Member** at the time of the declaration ("pro rata based on losses"). Any **Group Member** for which the claims paid and reserved exceeds the loss fund premium paid in a program year shall receive no allocation of rebated premiums from that program year under the "pro rata based on losses" portion of the formula, but shall be entitled to rebated premiums from other program years for which the **Group Member** has a positive balance, and from the "pro rata based on premiums" portion of the formula.

Surplus funds may also be transferred by the **Board** to any program year that is deemed by the **Board**, in its sole discretion, to be actuarially unsound, in order to supplement the assets needed to provide coverage for that Program Year, and to avoid the need to assess **Group Members**.

ARTICLE XIII - BUDGET

Section 1 - Budget

The Board shall adopt an annual budget by November 1 of each year, with receipt of a draft budget thirty (30) days prior.

ARTICLE XIV - ESTABLISHMENT AND ADMINISTRATION OF FUNDS

Section 1 - Administration and Investment of Funds

The **Group** is responsible for the strict accountability of all funds and reports of all receipts and disbursements. It shall comply with every provision of law relating to the subject.

The funds received for each **Coverage Year** shall be accounted for separately on a full-accrual basis. The portion of each **Coverage Year's** contribution allocated for payment of claims and losses, if any, shall be held by the **Group** in trust for the program participants in separate trusts for each **Coverage Year**. The Treasurer shall receive, invest, and disburse funds only in accordance with procedures established by the Board and in conformity with applicable law and self-insurance regulations.

Section 2 – Investment Trustee

The Board shall appoint an investment trustee, which may be a Bank or other financial institution, to hold and invest funds for the **Group** in accordance with provisions of California corporation law, the Labor Code, and regulations of the **DIR OSIP**, as applicable. The investment trustee shall make recommendations to the Board as to the securities in which the **Group's** funds may be invested or reinvested, provided that such investments shall be limited to investments permissible for the Board to make under **DIR OSIP** regulations and are acceptable to any further non-conflicting investment policy restrictions adopted by the **Board**. The **Board** may from time to time change their investment policies and the investment trustee at their discretion.

ARTICLE XV - LEGAL REPRESENTATION

Section 1 - Counsel Authorized

The Board shall retain outside legal counsel to advise it. Legal counsel, to advise on normal day-to-day matters relating to the operation of the **Group**, may be provided by the **Group Administrator** and approved by the **Board**.

The **Group** shall have the right to pay such legal counsel reasonable compensation for said services.

ARTICLE XVI - EXECUTION OF CONTRACTS

Section 1 - Authorization by Board

The **Board** may authorize the **Group Administrator**, any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name and on behalf of the **Group** and such authorization may be general or confined to specific instances. Unless so authorized by the **Board**, no officer, agent, or employee shall have any power to bind the **Group** by any contract or to pledge its credit or to render it liable for any purpose or to any amount.

ARTICLE XVII - COMPENSATION FOR TRUSTEES AND OFFICERS

Section 1 - Reimbursed Expenses

The **Group** may reimburse any Trustee or Officer, who does not otherwise receive compensation for actual expenses incurred and reasonable out of pocket expenses of the Trustee or Officer in the performance of his/her duty on behalf of the **Group**.

Section 2 - Directors and Officers Insurance

The **Group** shall purchase fidelity coverage and may purchase liability insurance indemnifying the Trustees, Officers, and any Administrative employees for personal liabilities arising out of wrongful acts in the discharge of their duties to the **Group**. Fidelity coverage shall be in an amount determined by the Board to be adequate to insure the integrity of Member or **Group** funds handled by the **Board**. The Board may require the **Group Administrator** and shall require the third party claims administrator to provide fidelity coverage for funds handled by each of these parties.

ARTICLE XVIII - DISSOLUTION AND DISTRIBUTION

- A. Voluntary Dissolution. The Group may be voluntarily dissolved at any time by a two-thirds (2/3) vote of the Group Members at any properly called and noticed membership meeting. If the voting Group Members approve the dissolution, the Board shall promptly notify **DIR OSIP** and cease operations and proceed to wind up and dissolve the Group.
- B. The **Group** continues to exist after termination for the purpose of disposing of all claims, distribution of assets, and all other functions necessary to conclude the obligations and affairs of the **Group**.

Upon dissolution, the assets of the **Group** shall be distributed and apportioned among the **Group Members** that have been participants in its Programs, except for those members who withdrew or were expelled pursuant to these Bylaws. Any additional funds received after the above distributions are made, shall be returned in proportion to the contributions made.

- C. If at any time the **Group** is found to be insolvent, fails to pay any required assessments under the self-insurance statutes and regulations, or fails to post required deposit or submit required reports to the Manager of the **DIR OSIP**, or fails to comply with any provisions of the workers' compensation statutes or with any regulations promulgated there under, the Manager of the **DIR OSIP** may revoke the **Group's** self-insured status and, at its discretion, may take control of the **Group** in lieu of the **Board**, or may approve this Trust to operate as a Runoff Fund to pay existing claims incurred during the effective Period of Self-Insurance.

- D. If the **Group's** self-insurance status is revoked for any reason, the **Group Members** shall each insure their ongoing, new liability with a standard workers' compensation insurance policy issued by an admitted carrier authorized to write Workers' Compensation Insurance by the State of California. Upon **Group** coverage termination of any **Group Member** or **Group Member(s)**, all remaining balances of the revoked **Group Members** in the **Group** shall be applied to fulfill the existing obligations of the **Group** for each **Coverage Year** during which the Fund was providing Member coverage. When all claims arising out of each individual **Coverage Year** during which the Period of Self-Insurance applied have been satisfied, any remaining balance for each **Coverage Year** shall be distributed to the **Group Members** in such proportions as may be determined by the **Board**.
- E. Any **Group Member** may petition the **Board** to permit the **Group Member** to sell off the **Group Member's** compensation liabilities with a special excess workers' compensation insurance policy pursuant to Labor Code Section 3702.8. The **Board** may authorize such a transfer of liabilities to the special excess carrier, subject to the approval of the **DIR OSIP**.

ARTICLE XIX - NOTICES

Section 1 - Notices to the Group

Notices to the **Group** shall be in writing and given by delivery of such notice to the mailing address of the **Group**.

Section 2 - Notices to Group Members

Notices to **Group Members** will be in writing and delivered to the appointed representative of each **Group Member** or mailed to the address on file with the **Group**.

Section 3 - Claims Against the Group

Claims against the **Group** shall be presented to the mailing address of the **Group**.

ARTICLE XX - AMENDMENTS

These Bylaws may be amended, or repealed and new bylaws adopted, by a two-thirds (2/3) vote of the Board at any properly called and noticed Board meeting. However, approval of the members is also required for any amendment or for new bylaws that would:

- A. Materially and adversely affect the Group Members' rights as to voting or dissolution;

- B. Effect an exchange, reclassification, or cancellation of all or part of the memberships;
- C. Authorize a new class of membership;
- D. Change the number of authorized trustees;
- E. Change from a fixed number of trustees to a variable number of trustees, or vice versa;
- F. Increase or extend the terms of trustees;
- G. Allow any trustee to hold office by designation or selection rather than by election by the Group Members;
- H. Increase the quorum for Group Members' meetings; or
- I. Repeal, restrict, create, expand, or otherwise change proxy rights.

All proposed Bylaw amendments or new Bylaws must be sent to all trustees and/or Group Members eligible to vote on such amendments or new Bylaws at least three (3) days prior to the meeting at which the amendments or new Bylaws will be discussed and voted on. Proposed Bylaw amendments or new Bylaws shall also be provided to DIR OSIP at least thirty (30) days prior to the effective date of such amended or new Bylaws.

ARTICLE XXI - MISCELLANEOUS

Section 1 - Effective Date and Supremacy

These Bylaws, and any amendments hereto, shall be effective immediately upon the approval of the Board and the Group members (if required), and the appropriate notice to DIR OSIP.

The adoption or subsequent amendment of the Bylaws shall supersede and cancel, as of the effective date of these Bylaws, any prior Bylaws and/or amendments thereto.

However, the adoption of these Bylaws shall not affect the Articles of Incorporation or any amendments to the Articles of Incorporation. Any clauses in these Bylaws that are inconsistent with the Articles of Incorporation shall be superseded by those clauses in the Articles of Incorporation but only to the extent of the inconsistency.

Section 2 - Inspection of Records

The Group Members and trustees of the Group shall have the right to inspect the records of the Group to the extent and under the circumstances provided by the California Nonprofit Mutual Benefit Corporation Law.

Section 3 - Annual Report

Within one hundred twenty (120) days after the close of the Group's fiscal year, the Board shall cause an annual report to be prepared in accordance with Section 8321 of the California Corporations Code. The report shall be made available to any Group Member who requests a copy.

Section 4 - Annual Statement of Transactions and Indemnifications

As part of the Annual Report described in Section 3 above, the Board shall cause to be prepared a statement of any transaction of indemnification if required by Section 8322 of the California Corporations Code.

Section 5 - Fiscal Year

Unless changed by the Board, the fiscal year of the Group shall begin on the first day of January and end on the last day of December of each year.

Section 6 - Conflicts of Interest

Board members and committee members must actively seek to avoid situations and activities that create an actual or potential conflict between the individual's personal interests and the interests of the corporation. If a Board member or committee member believes that a conflict exists relative to a particular issue being considered by the Board or any committee, he or she shall disclose the conflict to the Board or committee, as appropriate, and abstain from discussion or voting on the issue.

For purposes of this section and these Bylaws, a "conflict of interest" means a situation in which a Board or committee member is part of a discussion or decision by the Board or a committee which has the potential to financially benefit that Board or committee member or a member of that Board or committee member's immediate family in a way distinguishable from the way it will affect all Board members/Group Members. "Immediate family" means spouse or same-sex/domestic partner, children, parents, siblings, parents-in-law, or siblings-in-law.

Both the fact and the appearance of a conflict of interest should be avoided. Board members or committee members who are unsure as to whether a certain transaction, activity, or relationship constitutes a conflict of interest should discuss it with the Board Chairperson, who will determine whether disclosure to the Board or the assistance of legal counsel is required.

Section 7 - Intellectual Property

All intellectual property prepared or purchased by or on behalf of the Group, including but not limited to the name, educational, promotional, and training materials,

newsletters, contracts, logos, service marks, membership lists, and research results, shall be the exclusive property of the corporation and Board agree to deal with it as such. Board agree that they will not sell, transfer, publish, modify, distribute, or use for their own purposes, the intellectual property belonging to the Group without prior approval of the Board memorialized in writing and signed by the Chairperson.

Section 8 - Required Disclosures and Reporting

The Group shall comply with the disclosure and reporting requirements of federal and state agencies to which it is subject.

Section 9 - Construction and Definitions

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the Nonprofit Mutual Benefit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of this provision, the singular includes the plural, the plural includes the singular, the masculine includes the feminine and neuter, and the term "person" includes both an individual and an entity.


CERTIFICATE OF SECRETARY

OF

NONPROFITS' UNITED WORKERS' COMPENSATION GROUP, INC.

I certify that I am the duly elected and acting Secretary of the **NONPROFITS' UNITED WORKERS' COMPENSATION GROUP, INC.**, a California Nonprofit Mutual Benefit Corporation, that the above Bylaws, consisting of 34 typewritten pages including this page, are the Bylaws of this corporation as approved by the Board of Trustees on June 16, 2011, by the DIR OSIP on July 28, 2011, and by the Group Members on October 4, 2011.

Executed on the 2nd day of November, 2011 at
Sacramento, California.



Signature of Secretary

Jeffrey R. Einhorn
Type or print name of Secretary