

ILLINOIS SCHOOL DISTRICT  
AGENCY AGREEMENT

Effective: September 1, 1986

Amended and Restated: March 1, 1990

Amended and Restated: July 1, 1993

Amended and Restated: May 2, 1994

Amended and Restated: July 1, 1995

Amended and Restated: March 7, 1996  
with amendments to sections 3.1(d) and 4.1 effective September 1, 1995.

Amended and Restated: May 17, 1996  
with amendments to sections 4.4, 6.2, 6.4, and 9.1 (e), (i) and (n)

Amended and Restated: May 28, 1999  
with amendments effective April 1, 1999 as described on attached pages.

Amended and Restated: September 14, 2000  
with amendments to sections 7.2, 7.3, 7.5, 7.6, 7.11 and 13.1

Amended and Restated: January 22, 2009  
with a new section 8.9 added effective December 3, 2008

Amended and Restated: April 1, 2009  
with an amendment to section 10.1 added effective April 1, 2009

Amended and Restated: July 31, 2013  
with an amendment to section 4.3 added effective July 1, 2013

Amended and Restated July 1, 2015  
with amendments to sections 3.1, 4.2, 4.5, 6.1, 6.4, 6.5, 6.10, 10.1 and 13.1.

# ILLINOIS SCHOOL DISTRICT AGENCY AGREEMENT TABLE OF CONTENTS

ARTICLE ONE - CREATION AND PURPOSE OF AGENCY .....	6
1.1 Creation and Purpose of Agency. ....	6
1.2 Authority for Agency. ....	7
1.3 Tort Immunity. ....	7
1.4 Federal Income Tax. ....	8
ARTICLE TWO - TERM OF AGREEMENT .....	8
2.1 Term of Agreement. ....	8
ARTICLE THREE - DEFINITIONS .....	8
3.1 Definitions. ....	8
ARTICLE FOUR - MEMBERSHIP .....	11
4.1 Eligibility. ....	11
4.2 Action Required to Become a Full Member. ....	12
4.3 Action Required to Withdraw as a Member. ....	12
4.4 Rate Guarantee. ....	13
4.5 Termination of Membership by the Board of Regents .....	13
ARTICLE FIVE - FULL MEMBERS MEETINGS .....	14
5.1 Organizational Meeting. ....	14
5.2 Intentionally omitted. ....	14
5.3 Special Meeting. ....	14
5.4 Representatives of Full Members. ....	14
5.5 Conduct of Members Meetings. ....	15
5.6 Quorum. ....	15
5.7 Voting by Ballot. ....	15
5.8 Notice of Meetings. ....	15
5.9 Waiver of Notice. ....	15
5.10 Action by Consent. ....	16
ARTICLE SIX - OBLIGATIONS OF MEMBERS .....	16
6.1 Obligations of Members. ....	16
6.2 Reserve Contribution and Reserve (Capital) Contribution. ....	17
6.3 Regular Contributions. ....	17
6.4 Obligations of Terminated Member. ....	18
6.5 Special Assessments. ....	19
6.6 Rules and Regulations. ....	19
6.7 Loss Reporting. ....	19
6.8 Cooperation. ....	20
6.9 Duration of a Full Member's Financial Obligation. ....	20
6.10 Enforcement of Obligations. ....	21
ARTICLE SEVEN - BOARD OF REGENTS .....	22
7.1 Administration of the Agency. ....	22
7.2 Intentionally omitted. ....	22
7.3 Number, Qualifications and Term of Office. ....	22
7.4 Automatic Termination. ....	23
7.5 Resignation and Removal. ....	23
7.6 Filling Vacancies. ....	24
7.7 Limitation on Number of Terms. ....	24

7.8	Annual Meeting. ....	24
7.9	Regular Meetings. ....	24
7.10	Special Meetings; How Called; Notice. ....	25
7.11	Quorum. ....	25
7.12	Action by Consent. ....	25
7.13	Telephonic Meeting. ....	26
7.14	Compensation. ....	26
7.15	Presumption of Assent. ....	26
7.16	Liability. ....	27
7.17	Indemnification; Insurance. ....	27
ARTICLE EIGHT - OFFICERS AND COMMITTEES. ....		29
8.1	Officers. ....	29
8.2	Election and Term of Office. ....	30
8.3	Removal. ....	30
8.4	Chairman of the Board. ....	30
8.5	Vice Chairman of the Board. ....	30
8.6	Treasurer of the Board. ....	30
8.7	Secretary of Board. ....	30
8.8	Executive Committee. ....	31
8.9	Chief Investment Officer. ....	32
8.10	Audit Committee. ....	32
8.11	Other Committees. ....	32
ARTICLE NINE - BOARD'S POWERS AND DUTIES. ....		33
9.1	General Powers and Duties. ....	33
9.2	Risk Pool. ....	36
9.3	Custodial Banks. ....	36
9.4	Investment Powers. ....	36
9.5	Prohibited Payments. ....	38
ARTICLE TEN - PLAN OF COVERAGE. ....		38
10.1	Plans of Coverage. ....	38
10.2	Tort Immunity. ....	39
10.3	Insurance. ....	39
10.4	Exclusivity. ....	39
ARTICLE ELEVEN - ACCOUNTING AND SPECIAL ASSESSMENT. ....		39
11.1	Fiscal Year. ....	39
11.2	Year of Account. ....	40
11.3	Special Assessment for a Deficit. ....	40
11.4	Contingency Fund. ....	41
11.5	Experience Refund. ....	41
11.6	Preferred Dividends. ....	42
ARTICLE TWELVE - AMENDMENT. ....		43
12.1	Amendments. ....	43
12.2	Special Amendments. ....	43
ARTICLE THIRTEEN - TERMINATION PLAN OF COVERAGE AND AGENCY. ....		44
13.1	Termination of Plan of Coverage and Agency. ....	44
ARTICLE FOURTEEN - MISCELLANEOUS. ....		45
14.1	Severability. ....	45
14.2	Notices. ....	45

14.3	Applicable Law.....	45
14.4	Counterparts.....	45

## ILLINOIS SCHOOL DISTRICT AGENCY AGREEMENT

Upon acceptance shown below, the undersigned School District becomes a Full Member or a Limited Member of Illinois School District Agency, as defined in this Illinois School District Agency Agreement and indicated in the accompanying quotation and/or binder, pursuant to its execution of this Agreement in its name on the date and in the city indicated.

(1) NAME OF MEMBER SCHOOL DISTRICT:

Sesser-Valier CUSD #196

(2) ADDRESS OF MEMBER SCHOOL DISTRICT:

4626 State Hwy 154, Sesser, IL 62884

Dated: 7/8/2019

City: Sesser, Illinois

Attest:

(School District)

*Vera L. Malinee*  
Dist Treas

By: *Jason D. Henry, Supt.*

(Print Name & Title)

Vera L. Malinee, District Treasurer

(Print Name & Title)

Jason D. Henry, Superintendent

### ACCEPTANCE

The above School District is accepted as a Full Member or a Limited Member of the Illinois School District Agency as indicated in the accompanying quotation and/or binder.

Illinois School District Agency

Dated: 5-20-15

By: *Gary Kelly*

## ILLINOIS SCHOOL DISTRICT AGENCY AGREEMENT

THIS AGREEMENT, effective September 1, 1986, as amended and restated effective July 1, 2015, by and between those certain school districts located in the state of Illinois signatory hereto.

### WITNESSETH:

WHEREAS, the school districts signatory to this Agreement have created a joint self-insurance agency for the purposes stated herein;

WHEREAS, subsequent to the initial effective date, this Agreement, has been substantially amended in accordance with the procedures set forth in Article Twelve hereof; and

WHEREAS, the Board of Regents has deemed it advisable to amend this Agreement in certain respects and to restate the Agreement in its entirety, including all the amendments, effective as of July 1, 2015.

NOW THEREFORE, in consideration of the premises and mutual promises herein contained, the parties hereto mutually agree as follows:

### ARTICLE ONE - CREATION AND PURPOSE OF AGENCY

#### 1.1 Creation and Purpose of Agency.

The school districts that are a party to this Agreement (hereinafter referred to as a "Full or Limited Member" or "Members") create and establish pursuant to this intergovernmental Agreement the intergovernmental cooperative undertaking to be known as the Illinois School District Agency (hereinafter referred to as the "Agency"). The purpose of the Agency is to implement joint self-insurance among school districts which become Members of the Agency. In consideration of each Member's agreement to jointly self-insure all Members of the Agency, the Agency will indemnify each Member for covered losses and defense of claims in

designated insurable areas in accordance with the Property and Casualty Plan of Coverage and the Student Accident Plan of Coverage.

### 1.2 Authority for Agency.

The Agency created pursuant to this Agreement is an intergovernmental cooperative undertaking by the Members that is authorized by the Illinois Constitution of 1970, Article VII, §10 and the Intergovernmental Cooperation Act, 5 ILCS 220/1 - 220/9, as amended now or hereafter (hereinafter referred to as the “Intergovernmental Cooperation Act”). The Illinois Constitution of 1970, Article VII, §10 and Section 220/6 of the Intergovernmental Cooperation Act authorize public agencies including school districts to jointly self-insure, and authorize each public agency member signatory to an intergovernmental contract to utilize its funds to protect, wholly or partially, any public agency members of the contract against liability or loss in designated insurable areas. The Agency is not intended to be a reciprocal or interinsurance exchange nor to constitute the transaction of an insurance business within the State of Illinois.

### 1.3 Tort Immunity.

All funds at risk in the joint self-insurance arrangement administered by the Agency will be contributed by Illinois school districts, community college districts and intergovernmental cooperatives of school districts and/or community colleges. It is intended that the Members shall not waive any defenses or immunities provided by the Local Governmental and Governmental Employees Tort Immunity Act, 745 ILCS 10/1-101 et seq., as amended now or hereafter (hereinafter referred to as the “Tort Immunity Act”), or any other applicable statute or common law.

1.4 Federal Income Tax.

It is intended that the Agency shall not be subject to federal income tax pursuant to section 115 of the Internal Revenue Code of 1986, as amended now or hereafter.

ARTICLE TWO - TERM OF AGREEMENT

2.1 Term of Agreement.

The term of the Agreement shall commence on September 1, 1986 and continue until June 30, 1987, at which time the Agreement will automatically renew for successive terms of twelve months commencing each July 1. Each term of the Agreement, including the term September 1, 1986 through June 30, 1987, shall be referred to as a Year of Account, unless the Board exercises its discretion to change the Year of Account to a period other than the term of this Agreement. Each Year of Account shall be designated by reference to the appropriate calendar year. The Agreement shall terminate pursuant to section 13.1.

ARTICLE THREE - DEFINITIONS

3.1 Definitions.

As used herein, the following terms have the meaning set forth after each:

(a) "Agency" shall mean the Illinois School District Agency authorized by the Illinois Constitution of 1970, Article VII, §10 and the Intergovernmental Cooperation Act and established and maintained pursuant to this Agreement.

(b) "Board of Regents" or "Board" shall mean the administrative joint board that controls and manages the operation and administration of the Agency.



(c) “Fiscal Year” shall mean the fiscal year of the Agency for accounting and any other purposes.

(d) “Member” which includes both a Full Member and a Limited Member means an Illinois school district, a community college district, intergovernmental cooperative or “public agency” as that term is defined in the Illinois Intergovernmental Cooperation Act, that satisfies the eligibility requirements of section 4.1 and which becomes a member of the Agency by executing this Agreement pursuant to authorization by its Board of Education or Board of Directors (hereafter, any reference to a Member=s Board of Education or Board of Directors shall also include a Board of Trustees.)

(e) “Full Member” shall mean and include all Members that participate in the pooling of property and casualty losses pursuant to the terms and conditions of the Property and Casualty Plan of Coverage Agreement and may also participate in the pooling of student accident benefits pursuant to the terms and conditions of the Student Accident Plan of Coverage Agreement and/or the pooling of school board legal liability losses pursuant to the terms and conditions of the School Board Legal Liability Plan of Coverage Agreement.

(f) “Limited Member” shall mean and include all Members that do not participate in the pooling of property and casualty losses pursuant to the terms and conditions of the Property and Casualty Plan of Coverage Agreement but participate solely in the pooling of student accident benefits pursuant to the terms and conditions of the Student Accident Plan of Coverage Agreement and/or the pooling of school board legal liability losses pursuant to the terms and conditions of the School Board Legal Liability Plan of Coverage Agreement.

(g) “Plans of Coverage” shall mean the Property and Casualty Plan of Coverage, Student Accident Plan of Coverage and School Board Legal Liability Plan of Coverage Agreement. “Property and Casualty Plan of Coverage” shall mean the plan of indemnity for property and casualty losses and defense of claims adopted and implemented by the Board of Regents as joint self-insurance. “Student Accident Plan of Coverage” shall mean the plan of student accident benefits adopted and implemented by the Board of Regents as joint self-insurance. “School Board Legal Liability Plan of Coverage shall mean the plan of indemnity for school board legal liability losses and defense of claims adopted and implemented by the Board of Regents as joint self-insurance.

(h) “Plan of Coverage Period” shall mean a twelve-month (unless reduced or increased for a Member by the Board) period of a Full Member’s participation in the Property and Casualty Plan of Coverage.

(i) “Rate Guarantee Agreement” shall mean a written agreement between the Board and a Full Member pursuant to which the Board agrees that the cost rate(s), which is applied to risk and exposure factors to determine the total contribution due under a Plan of Coverage, shall remain constant for the entire term of such Rate Guarantee Agreement. Although the cost rate(s) remains constant during the entire term of such Rate Guarantee Agreement, total contributions for a Full Member may change due to changes in risk and exposure factors.

(j) “Risk Pool” shall mean the Illinois School District Risk Pool established and maintained pursuant to section 9.2 of this Agreement.

(k) "Year of Account" shall refer to the terms of the Agreement which initial term commences on September 1, 1986 and terminates on June 30, 1987 and thereafter each term shall be successive twelve-month periods commencing each July 1, unless the Board exercises its discretion to change the Year of Account to a period other than the term of this Agreement. Each Year of Account shall be designated by reference to the appropriate calendar year.

#### ARTICLE FOUR - MEMBERSHIP

##### 4.1 Eligibility.

Those eligible for membership in the Agency are limited to school districts created or operating under the authority of the School Code of Illinois, 105 ILCS 5/1-1 et. seq., as amended now or hereafter ("Illinois School Code"), to community college districts created or operating under the Illinois Public Community College Act, 110 ILCS 805/1-1, et. seq., as amended now or hereafter ("Public Community College Act"), to intergovernmental cooperatives organized pursuant to the Illinois Intergovernmental Cooperation Act by school districts and/or community college districts that are created or operating under the Illinois School Code or Public Community College Act, and to a "public agency" as that term is defined in the Illinois Intergovernmental Cooperation Act which districts, cooperatives and public agencies meet the underwriting requirements for participation that are established by the Board of Regents. For purposes of this Agreement and unless otherwise indicated, the term "school district" shall refer to a school district created or operating under the authority of the Illinois School Code; a community college district created or operating under the Public Community College Act; an intergovernmental cooperative organized pursuant to the Illinois Intergovernmental Cooperation Act by a school district and/or a community college district that

is created or operating under the Illinois School Code or Public Community College Act; and/or a “public agency” as that term is defined in the Illinois Intergovernmental Cooperation Act.

Prior to April 1, 1999, there was only one class of membership; on and after April 1, 1999, there are two classes of membership, Full Members and Limited Members.

#### 4.2 Action Required to Become a Full Member.

An eligible school district that meets the underwriting requirements for participation shall become a Full Member of the Agency upon execution of this Agreement (pursuant to authorization by the Full Member’s Board of Education or Board of Directors) and written acceptance of the school district as a Full Member by the Board of Regents on behalf of the Agency. Each Full Member agrees to participate in the Agency and Property and Casualty Plan of Coverage and either (i) participate in the Student Accident Plan of Coverage covering all students from kindergarten through twelfth grade (“K-12”) (ii) present written proof of coverage under a substantially similar plan of student accident coverage or insurance policy covering all students K-12 and in all other respects to comply with this Agreement. A Full Member may also participate in the School Board Legal Liability Plan of Coverage. Each twelve-month period of a Full Member’s participation in the Plan(s) of Coverage shall be referred to as the Full Member’s “Plan(s) of Coverage Period.” The Board of Regents may shorten or lengthen the period included in a Full Member’s Plan of Coverage Period. Each Full Member whose initial Plan of Coverage Period shall begin on or after July 1, 2015, agrees to participate in the Agency and the Property and Casualty Plan of Coverage for a minimum of three Plan of Coverage Periods.

#### 4.3 Action Required to Withdraw as a Member.

After participating in the Agency and the Property and Casualty Plan of Coverage for the minimum number of Plan of Coverage Periods required pursuant to section 4.2 above, a

Full Member may withdraw from the Agency only by giving a minimum of one hundred twenty (120) days' prior written notice of withdrawal. At the effective date of withdrawal as a Full Member, this Agreement shall terminate, subject to any continuing obligations in this Agreement and the Plan(s) of Coverage.

#### 4.4 Rate Guarantee.

A Full Member may enter into a Rate Guarantee Agreement only pursuant to resolutions adopted by the Full Member's Board of Education or Board of Directors. Those school districts that are Full Members on the date that the Agency first ceases to offer a Property and Casualty Plan of Coverage (and Student Accident Plan of Coverage) pursuant to section 13.1 shall remain Full Members, without any further action required of the Full Member's Board of Education or Board of Directors, until the Agency and the Agreement terminate pursuant to section 13.1.

#### 4.5 Termination of Membership by the Board of Regents.

The Board of Regents is authorized to terminate a Full Member which (i) fails to remit any reserve contribution, reserve (capital) contribution, regular contribution or any special assessment imposed by the Board, (ii) fails to submit reports or comply with rules and regulations adopted by the Board, or (iii) fails to meet other obligations under this Agreement. The Board is authorized to terminate a Limited Member which (i) fails to remit any regular contribution, (ii) fails to submit reports or comply with rules and regulations adopted by the Board, or (iii) fails to meet other obligations under this Agreement. The Board shall terminate a Full or Limited Member by giving such Member a minimum of thirty (30) days' prior written notice of termination and the reason for such termination. Upon the effective date of termination, the Member's participation in the Plans of Coverage shall terminate. As more fully

set forth in section 6.4 below, and notwithstanding anything to the contrary in this Agreement including termination of membership, a Member and terminated Member shall be obligated to pay the entire amount of the contribution(s) due and/or the total amount that would have been due under Plan(s) of Coverage, which were in effect and/or would have been in effect but for termination of such Member.

#### ARTICLE FIVE - FULL MEMBERS MEETINGS

##### 5.1 Organizational Meeting.

As soon as practicable after the effective date of this Agreement, provided at least twenty school districts have become Full Members, there shall be an organizational meeting of Full Members at a time and place set by the interim Board of Regents. At the organizational meeting at which the chairman of the interim Board shall preside, the Full Members shall elect members of the first Board of Regents, which is more fully described in section 7.3.

##### 5.2 Intentionally omitted.

##### 5.3 Special Meeting.

A special meeting of the Full Members may be called by the chairman of the Board of Regents, by resolution of the Board of Regents or whenever ten percent of the Full Members so request in writing. Business transacted at special meetings shall be confined to the purposes stated in the notice and matters germane thereto.

##### 5.4 Representatives of Full Members.

At all meetings of the Full Members, each Full Member shall be represented by the president of its Board of Education or Board of Directors or his or her designee, or through

the president's proxy; such representative of a Full Member shall have one vote in all matters. Limited Members shall have no representation.

5.5 Conduct of Members Meetings.

The chairman of the Board of Regents, or in his or her absence, the vice chairman, shall preside at all annual and special meetings of the Full Members.

5.6 Quorum.

A majority of the Full Members represented in person or proxy shall constitute a quorum at any meeting of the Full Members. If a quorum is present, the affirmative vote of a majority of the Full Members represented at the meeting shall be the act of the Full Members unless the vote of a greater number is required by this Agreement or by law.

5.7 Voting by Ballot.

Voting on any question or in any election may be viva voce unless the presiding officer shall order, or a majority of representatives of Full Members shall request, that voting be by ballot.

5.8 Notice of Meetings.

Written notice stating the place, day and hour of the meeting, and in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered to each Full Member not less than ten nor more than forty days before the date of the meeting, either personally or by mail, by or at the direction of the chairman of the Board.

5.9 Waiver of Notice.

Any Full Member may waive notice of any annual or special meeting of Full Members by filing with the chairman of the Board of Regents, either before or after the date of such meeting, a written waiver and, in that event, shall be deemed to have received such notice. Attendance of a Full Member's representative at any annual or special meeting of Full Members shall constitute a waiver of notice of such meeting except where a Full Member attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not properly called or convened.

#### 5.10 Action by Consent.

Any action required to be taken at a meeting of the Full Members, or any other action which may be taken at a meeting of the Full Members, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Full Members entitled to vote with respect to the subject matter thereof. Any such consent signed by all the Full Members shall have the same effect as a unanimous vote, and may be stated as such in any document.

### ARTICLE SIX - OBLIGATIONS OF MEMBERS

#### 6.1 Obligations of Members.

Each Full Member agrees to participate in the Agency and Property and Casualty Plan of Coverage (and may participate in the Student Accident Plan of Coverage and/ or School Board Legal Liability Plan of Coverage) and each Limited Member agrees to participate in the Agency and the Student Accident Plan of Coverage and/or School Board Legal Liability Plan of Coverage and in all other respects to comply with this Agreement. In particular, each Full Member agrees to participate in the Agency and Property and Casualty Plan of Coverage for the minimum number of Plan of Coverage Periods required pursuant to section 4.2 above.



## 6.2 Reserve Contribution and Reserve (Capital) Contribution

Each Full Member which executes this Agreement prior to March 1, 1990 or delivers a Consent pursuant to section 4.2 shall remit to the Agency within twenty business days after receipt of an invoice the requisite reserve contribution as determined by the Board. A reserve contribution shall be assessed only when a Full Member initially joins the Agency. Full Members that pay reserve contributions shall have the preferred dividend rights set forth in section 11.6. In addition, each Full Member shall remit to the Agency within twenty days after receipt of an invoice (or at such other date set forth in the invoice) a reserve (capital) contribution as determined by the Board. Reserve contributions and reserve (capital) contributions may be refunded to a Full Member at the Board's discretion according to a schedule established by the Board. Upon termination or withdrawal of a Full Member or upon termination of the Agency, a Full Member's unrefunded reserve contributions and any unpaid preferred dividends that have accrued for the Member's benefit and any unrefunded reserve (capital) contributions may be used to offset any amounts the Full Member owes to the Agency and may be paid to the Full Member in the discretion of the Board only after the Full Member has satisfied all possible obligations to the Agency. Depending on the experience of the Agency and other factors, a Full Member may never receive a refund of its reserve contribution, the payment of all the preferred dividends that have accrued for its benefit or a refund of its reserve (capital) contribution.

## 6.3 Regular Contributions.

Each Member shall remit to the Agency the requisite amount of contribution for the Member's participation in the Plans of Coverage within twenty business days after receipt of the invoice.

#### 6.4 Obligations of Terminated Member.

A terminated Member shall pay to the Agency within thirty (30) days after the effective date of termination (i) all contributions due for prior Plans of Coverage, and (ii) all contributions due and/or all contributions that would have been due under Plan(s) of Coverage, which were in effect and/or would have been in effect but for the termination of such Member. If a Full Member, which either executed this Agreement prior to March 1, 1990 or pursuant to section 4.2, is terminated prior to participating in the Property and Casualty Plan of Coverage for three Plan of Coverage Periods, such terminated Full Member shall pay regular contributions when ordinarily due until such terminated Full Member shall have paid regular contributions for a total of three Plan of Coverage Periods.

For purposes of calculating total contributions due after termination, which amount will be due as liquidated damages and not as a penalty, it will be assumed that there are no changes in the risk and exposure factors used to calculate contributions due from each Member with respect to the Plans of Coverage during which the Member is terminated, unless the Board determines that other risk and exposure factors should be used for calculating such contributions. A terminated Full Member shall also be liable for one or more special assessments that the Board imposes, prior to or subsequent to its termination, on all Full Members with respect to a Year of Account in which the terminated Full Member participated in the Property and Casualty Plan of Coverage. In addition to the amounts described above, a terminated Full Member shall also pay any portion of its reserve contribution or reserve (capital) contribution which remains unpaid on the date of its termination as well as all costs, including reasonable attorneys' fees, that the Agency incurs in recovering through litigation or otherwise, amounts owed to the Agency. A Limited Member shall be liable only for contributions due for

coverage under the Student Accident Plan of Coverage and/or School Board Legal Liability Plan of Coverage.

#### 6.5 Special Assessments.

Each Full Member, which for purposes of this special assessment includes a former Full Member whether terminated by the Board or by the school district's own action to withdraw, shall remit to the Agency the amount of any special assessment. A special assessment is the Full Member's pro rata portion of any deficit for a Year of Account in which the Full Member participated in the Property and Casualty Plan of Coverage. A Full Member's pro rata portion of any deficit shall be calculated by multiplying the total amount of the deficit by a fraction, the numerator of which is the Full Member's regular contribution to the Agency for that Year of Account and the denominator of which is the total regular contribution of all Full Members for that Year of Account. The Board may modify this formula for determining Full Members' pro rata portion of any deficit whenever it determines that such modification is required to make the special assessment more equitable. The Board may impose a special assessment for a particular Year of Account at any time but not later than 88 months after the close of the term of the Agreement on which the special assessment is based. A Full Member shall remit to the Agency the amount of the special assessment within twenty business days after receipt of the notice of special assessment.

#### 6.6 Rules and Regulations.

Each Member agrees to comply with all rules and regulations adopted by the Board of Regents.

#### 6.7 Loss Reporting.

Each Member agrees to report to the claims administrator within time limits specified by the Board of Regents any claim in which indemnity or defense of claims could be sought through the Agency.

6.8 Cooperation.

Each Member agrees (i) to allow the Board or its designee reasonable access to all of the Member's facilities and records including financial records which relate to the Plans of Coverage and (ii) to fully cooperate with the Board's administrator, attorneys and any other designee of the Board in connection with its obligations under the Plans of Coverage.

6.9 Duration of a Full Member's Financial Obligation.

As more fully described in section 2.1, the term of the Agreement shall commence on September 1, 1986 and continue until June 30, 1987, at which time the Agreement will automatically renew for successive terms of twelve months commencing each July 1. With respect to any Year of Account, a Full Member is potentially liable for special assessments that may be imposed not later than 88 months after the close of the term of the Agreement on which the special assessment is based. As a result, the maximum duration of the Full Members' financial obligation under the Agreement is as follows:

(a) Certain Full Members are obligated to participate in the Agency and the Plan of Coverage for a minimum of three Plan of Coverage Periods pursuant to section 4.2 (the "Three-Year Commitment"). The maximum duration of a Full Member's financial obligation under the Agreement pursuant to a Three-Year Commitment should not exceed 124 months, unless the Board has lengthened a Full Member's Plan of Coverage Period pursuant to section 4.2.

(b) The other Full Members are obligated to participate in the Agency and the Plan of Coverage for a minimum of one Plan of Coverage Period pursuant to section 4.2 (the “One-Year Commitment”). The maximum duration of a Full Member’s financial obligation under the Agreement pursuant to a One-Year Commitment should not exceed 100 months, unless the Board has lengthened a Full Member’s Plan of Coverage Period pursuant to section 4.2 of this Agreement.

(c) As described in section 4.3, after participating in the Agency and the Property and Casualty Plan of Coverage for the minimum number of Plan of Coverage Periods required pursuant to section 4.2, a Full Member may continue to participate during each subsequent Plan of Coverage Period by agreeing to be obligated under this Agreement for each such Plan of Coverage Period pursuant to authorization by the Full Member’s Board of Education or Board of Directors. The maximum duration of a Full Member’s financial obligation under the Agreement for each subsequent Plan of Coverage Period should not exceed 100 months.

Anything to the contrary notwithstanding, the maximum duration of a Full Member’s financial obligation under the Agreement pursuant to either the Three-Year or One-Year Commitment or for any subsequent Plan of Coverage Period shall never exceed 144 months.

#### 6.10 Enforcement of Obligations.

Each Member agrees that obligations under this Agreement and the Plans of Coverage and any claims or controversies regarding those obligations may be enforced solely in

the courts of Cook County, Illinois. Each Member further agrees that the Agency shall be entitled to recover the following in connection with enforcing the Member's obligations under this Agreement, regardless of whether the Agency files suit:

- (a) the Agency's costs, including reasonable attorneys fees; together with
- (b) simple interest on any outstanding balance that the Member owes the Agency at the rate of 1% per month as liquidated damages and not as a penalty, for each month that the Member fails to comply with its obligations.

#### ARTICLE SEVEN - BOARD OF REGENTS

##### 7.1 Administration of the Agency.

The Board of Regents (hereinafter referred to collectively as the "Board of Regents" or the "Board" and individually as "Regents") shall control and manage the operation and administration of the Agency and the Risk Pool established and maintained pursuant to this Agreement. The Board shall hold all assets and take all action hereunder in the name of and for the Agency.

##### 7.2 Intentionally omitted.

##### 7.3 Number, Qualifications and Term of Office.

The Board shall consist of seven Regents, six Regents elected by the Board and one ex officio Regent who shall be the executive director of the Illinois Association of School Boards ("IASB"). At all meetings of the Board or any committee thereof and in any action of the Board taken by consent pursuant to section 7.12, the ex officio Regent may act for himself or herself or may be represented by his or her designee who shall, pursuant to appointment in

writing, perform all the functions and exercise all the power of said ex officio Regent just as if he or she were present and acting for himself or herself. The appointed and ex officio Regents shall have the same powers, duties and obligations. Only members of school boards of education or school boards of directors and employees of school districts are eligible to be appointed a Regent; the "school district" with which a school board member or employee is affiliated must be a school district created or operating under the authority of the Illinois School Code (which for purposes of this Agreement includes an intergovernmental cooperative which such school districts organize pursuant to the Intergovernmental Cooperation Act), but the school district need not be a Full Member for such person to be eligible to serve as a Regent. The Regents shall be elected for terms of three years, and shall hold office until the latter of the expiration of their term of office, election of their successor, their resignation, death or removal pursuant to section 7.5.

#### 7.4 Automatic Termination.

A Regent's term of office shall automatically terminate on the day following the date when the Regent is no longer a board member of a school district or employed by a school district.

#### 7.5 Resignation and Removal.

A Regent may resign at any time. Such resignation shall be in writing and shall take effect at the time specified therein or, if no time be so specified, at the time of its receipt. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided therein. Any appointed Regent who fails to attend two or more Board meetings within

a Year of Account during which there are at least four Board meetings, where such absences are not excused by the chairman or vice chairman of the Board, shall be deemed to have resigned effective at the end of the Year of Account. A majority of all the Regents serving at that time may vote to terminate the term of office of any elected Regent for any reason.

#### 7.6 Filling Vacancies.

In the event of the termination of the term of office of any Regent for any reason, a majority of all the Regents serving at that time shall elect a new Regent who has been nominated by a committee of the Chairman of the Board of Regents, a Regent appointed by the Chairman and the Executive Director of IASB. The new Regent shall serve the unexpired term.

#### 7.7 Limitation on Number of Terms.

An eligible person may serve as a Regent for two consecutive full three year terms together with any shorter terms and, after stepping down as a Regent for at least one year, such eligible person may serve an additional two consecutive three year terms. No person may serve more than four full three year terms as a Regent plus any shorter terms.

#### 7.8 Annual Meeting.

An annual meeting of the Board of Regents shall be held at such time and place as set forth in the notice of meeting.

#### 7.9 Regular Meetings.

The Board of Regents may provide by resolution, the time and place, for the holding of regular meetings of the Board without other notice than such resolution.



#### 7.10 Special Meetings; How Called; Notice.

Special meetings of the Board of Regents may be called by the chairman of the Board or at the written request of any three Regents. Not less than two days' prior notice of any such meeting shall be given to each Regent personally or by mail, telegram, cablegram, radiogram or similar communication. Notice of any special meeting may be waived in writing or by telegram, cablegram or radiogram or similar communication signed by any of the Regents then in office, and any such waiver shall, as to such Regent, be in substitution for, and equivalent to, the due giving of such notice. Any Regent may waive notice of any special meeting by filing a written waiver and, in that event, shall be deemed to have received such notice. Attendance of a Regent at any meeting shall constitute a waiver of notice of such meeting except where a Regent attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not properly called or convened pursuant to this Agreement. Neither the business to be transacted at, nor the purpose of, any special meeting of the Board of Regents need be specified in the notice or waiver of notice of such meeting.

#### 7.11 Quorum.

A majority of the number of Regents serving at that time shall constitute a quorum for transaction of business at any meeting of the Board of Regents, provided that if less than a majority of such number of Regents are present at said meeting, a majority of the Regents present may adjourn the meeting from time to time without notice other than announcement at the meeting. The act of the majority of the Regents present at a meeting at which a quorum is present shall be the act of the Board of Regents, unless the vote of a greater number is required by this Agreement or by law.

#### 7.12 Action by Consent.

Any action required to be taken at a meeting of the Board of Regents, or any other action which may be taken at a meeting of the Board of Regents or the Executive Committee thereof, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all the Regents entitled to vote with respect to the subject matter thereof, or by all the members of the Executive Committee, as the case may be. Any such consent signed by all the Regents or all the members of the Executive Committee shall have the same effect as a unanimous vote, and may be stated as such in any filed document.

#### 7.13 Telephonic Meeting.

The Board may participate in and act at any meeting of the Board through the use of a conference telephone or other communication equipment by means of which all persons participating in the meeting can hear each other, provided that a majority of the Regents participating in the meeting consent and provided that minutes are taken of the meeting and circulated for approval by all Regents participating in the meeting.

#### 7.14 Compensation.

Regents shall not receive any compensation for their services, but by resolution of the Board, the Agency will reimburse a Regent for expenses incurred in connection with attending meetings.

#### 7.15 Presumption of Assent.

A Regent who is present at a Board meeting at which action on any matter is taken shall be conclusively presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof.

#### 7.16 Liability.

No Regent shall be personally liable to Members or former or terminated Members for any act which he or she may do or omit to do hereunder in good faith and in the exercise of his or her best judgment or for the acts or omissions of any administrative, clerical or other personnel selected by the Board with reasonable care. Any act done or omitted pursuant to the advice of an attorney shall be deemed conclusively to have been committed or omitted in good faith.

#### 7.17 Indemnification; Insurance.

The Agency shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Agency) by reason of the fact that he was a member of the Board of Regents or officer thereof, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Agency, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Agency, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

The Agency shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Agency to procure a judgment in its favor by reason of the fact that he is or was a member of the Board of Regents or officer thereof against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Agency, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Agency unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

Any indemnification under the first two paragraphs of this section 7.17 (unless ordered by a court) shall be made by the Agency only as authorized in the specific case upon a determination that indemnification of the member of the Board of Regents or officer thereof is proper in the circumstances because he has met the applicable standard of conduct set forth in the said two paragraphs. Such determination shall be made (i) by the Board of Regents by a majority vote of a quorum consisting of members of the Board of Regents thereof who were not parties to such action, suit or proceeding, or (ii) if such a quorum is not obtainable, or even if obtainable, and a majority of disinterested members of the Board of Regents so directs, by independent legal counsel in a written opinion, or (iii) by the Full Members.

Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Agency in advance of the final disposition of such action, suit or proceeding as

authorized by the members of the Board of Regents in the manner provided in the third paragraph of this section 7.17 upon receipt of an undertaking by or on behalf of the member of the Board of Regents or officer thereof to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Agency as authorized in this section.

The indemnification provided by this section 7.17 shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any other by-laws, agreement, vote of Full Members or disinterested members of the Board of Regents or otherwise both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a member of the Board of Regents or officer thereof and shall inure to the benefit of the heirs, executors and administrators of such person.

The Agency shall have power to purchase and maintain insurance on behalf of any person who is or was a member of the Board of Regents or officer thereof against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such, whether or not the Agency would have the power to indemnify him against such liability under the provisions of this section 7.17.

If the Agency has paid indemnity or has advanced expenses to a member of the Board of Regents or officer thereof, the Agency shall report the indemnification or advance in writing to the Full Members with or before the notice of the next Members meeting.

#### ARTICLE EIGHT - OFFICERS AND COMMITTEES

##### 8.1 Officers.

The elected officers of the Board of Regents shall be chairman, vice chairman, treasurer and secretary. No individual may hold more than one office.

8.2 Election and Term of Office.

The officers of the Board shall be elected annually by the Board of Regents from the Regents then in office. Vacancies may be filled by the Board of Regents.

8.3 Removal.

Any officer elected or appointed by the Board of Regents may be removed by the Board whenever, in its judgment, the best interests of the Agency would be served.

8.4 Chairman of the Board.

The chairman shall preside at all meetings of the Board and Full Members and shall perform such other duties as may be assigned by the Board from time to time.

8.5 Vice Chairman of the Board.

The vice chairman shall preside at the meetings of the Board and Full Members in the absence of the Chairman and shall perform such other duties as may be assigned by the Board from time to time.

8.6 Treasurer of the Board.

The treasurer shall be the chief financial officer of the Agency and shall perform such duties as may be assigned by the Board from time to time.

8.7 Secretary of Board.

The secretary shall give, or cause to be given, where required by this Agreement, notice of all meetings of Full Members and of the Board and in case of his absence, any such notice may be given by any person designated by the chairman, or by the Regents or the Full Members upon whose request the meeting is called; he or she shall record, or cause to be recorded, all the proceedings of the meetings of the Full Members and the Board of Regents in a book or books to be kept for that purpose, and shall perform such other duties as may be assigned to him by the Board of Regents or by the chairman, under whose supervision he shall be.

#### 8.8 Executive Committee.

The Board of Regents, by a resolution adopted by a majority of the whole Board then in office, may designate three or more Regents to constitute an Executive Committee, which Committee, to the extent provided in the resolution, shall have and exercise, during the interim between the meetings of the Board, all the authority of the Board in the management of the Agency. The designation of such Committee shall not relieve the Board nor any member thereof of any responsibility imposed by law or this Agreement. The Board of Regents, by a majority vote of the whole Board then in office, shall fill any and all vacancies in the Executive Committee and may, from time to time, appoint alternate members of the Executive Committee to serve in the temporary absence or disability of any member. Such designation of a member or such appointment of an alternate member may be terminated at any time, with or without cause, and any member or alternate member of said Committee may be removed, with or without cause, at any time, by vote of a majority of the whole Board then in office. The Executive Committee may adopt rules governing the time of its meetings and the method of calling and/or method of holding such meetings, and may also adopt rules governing the conduct of its business. The

Executive Committee shall keep minutes of its acts and proceedings and shall report thereon to the Board of Regents. A majority of the members of the Executive Committee shall constitute a quorum for the transaction of business, and the act of a majority of those present at a meeting at which there shall be a quorum shall be the act of the Executive Committee.

8.9 Chief Investment Officer.

The Board of Regents shall appointment a Chief Investment Officer who shall administer the investment program of the Agency in accordance with written instructions from the Board of Regents. The responsibilities of the Chief Investment Officer are intended to be ministerial and not discretionary. The Board of Regents shall adopt, and from time to time review and revise as necessary, written instructions as to responsibilities of the chief investment officer. The Board of Regents may appoint any qualified person as Chief Investment Officer.

8.10 Audit Committee.

The Board of Regents shall designate three of its members to constitute an Audit Committee to hold office during the pleasure of the Board. The Audit Committee shall review in advance the annual audit plan with the certified public accountants and shall review the completed audit with them. In addition, the Audit Committee shall review the adequacy of internal control with the certified public accountants.

8.11 Other Committees.

The Board of Regents shall have the power to appoint other committees and to grant them powers not inconsistent with the laws of the State of Illinois and this Agreement.



## ARTICLE NINE - BOARD'S POWERS AND DUTIES

### 9.1 General Powers and Duties.

The Board shall have the following powers and duties, in addition to those described elsewhere in this Agreement:

- (a) To develop and implement Plans of Coverage as more fully described in Article Ten.
- (b) To determine for the Plans of Coverage the funding which it deems necessary to maintain an amount in the Risk Pool that is adequate to support anticipated disbursements, reserves and other authorized charges against the Risk Pool.
- (c) To obtain from each Member information and reports that are necessary for determination of the proper contribution due from each Member.
- (d) To establish rules and regulations required to operate the Agency and the Plans of Coverage, and, if necessary, to adopt bylaws.
- (e) To determine the amount of the reserve contributions and reserve (capital) contributions required from each Full Member having an obligation to pay such contributions pursuant to section 6.2 as well as the amount of the regular contributions required from each and every Member; such determinations to be in the discretion of the Board considering funding required for the Risk Pool, the extent of the Member's participation in the Plans of Coverage and the Member's experience and risk factors.
- (f) To collect from each Member the amount of contribution approved by the Board, and to deposit such contributions and any other moneys received in the Risk Pool.

(g) To settle and pay all claims in accordance with the Plans of Coverage and to take any other required action to fulfill any obligation of the Plans of Coverage, including but not limited to, the defense of any suit brought against a Full Member or former or terminated Full Member seeking damages, even if any of the allegations of the suit are groundless; the Board may make such investigation and settlement of any claim or suit as the Board deems expedient, but the Board shall not be obligated to pay any claim or defend any suit after the applicable limit of the Plan of Coverage has been exhausted by payment of judgments or settlements.

(h) To impose and collect a special assessment of the Full Members and former and terminated Full Members (which special assessment is described in section 11.3) whenever the Board deems it prudent.

(i) To file suit or take any other reasonable action to collect from any Limited Member (or former or terminated Limited Member) any overdue contribution and from any Full Member (or former or terminated Full Member) any contribution, reserve contribution, reserve (capital) contribution, and special assessments due, including all costs in connection therewith such as attorneys' fees.

(j) To employ and compensate investment advisors, claims administrators (who process and pay claims and expenses, subject to the Board's review), sales agencies, program administrators, auditors, attorneys, actuaries and other administrative personnel as the Board deems necessary in the operation and administration of the Agency; the Board is authorized to compensate the IASB or its subsidiary for services rendered in connection with its sponsorship and promotion of the Agency and to reimburse the IASB for costs and expenses incurred to establish the Agency (other than the salary of IASB

personnel). The Board may enter into contracts of definite term for the provision of these administrative services. The Board may delegate both ministerial and discretionary powers and duties to such agents and other administrative personnel.

(k) To maintain accurate books of account which shall show all receipts and disbursements and to prepare a monthly report of the results. There shall be an annual audit of the books and records of the Agency by certified public accountants selected by the Board.

(l) To borrow funds on a short or long term basis in an amount and on such terms as the Board deems acceptable and, if required, to give appropriate security therefor utilizing property in the Risk Pool.

(m) To begin, maintain or defend any type of litigation in connection with controlling and managing the operation and administration of the Agency and to compromise, arbitrate, settle or abandon claims and demands in connection with the Agency.

(n) To collect reserve contributions and reserve (capital) contributions from the Full Members having an obligation to pay such contributions pursuant to section 6.2 for the purpose of providing funds for the Risk Pool in an amount considered sufficient by the Board to implement and maintain the Plans of Coverage; to pay preferred dividends with respect to said reserve contributions pursuant to section 11.6; and to refund said reserve contributions and reserve (capital) contributions, if the Board deems it to be prudent, on a schedule determined by the Board.

(o) To return to the Full Members all or part of any surplus produced with respect to a particular Year of Account, if the Board deems such a return of surplus to be prudent, to the extent permitted by, and in the manner specified by, section 11.5 of this Agreement.

(p) To enter into any other contract or transaction and to perform any and all other acts which in the Board's judgment are necessary or appropriate for the proper and advantageous operation and administration of the Agency.

## 9.2 Risk Pool.

The Board shall establish and maintain one or more custodial and operational accounts to be known as the Illinois School District Risk Pool (hereinafter referred to as the "Risk Pool"). The Risk Pool shall consist of all contributions received from Members, and all money and other property which the Agency shall receive and hold. All assets in the Risk Pool shall be held in the name of the Agency. The Risk Pool (and the Agency) shall not be liable for the debts of any Member or former or terminated Member and shall not be subject to seizure by any creditor of any Member or former or terminated Member, and no direct action may be brought against the Risk Pool (and Agency) by any such creditor.

## 9.3 Custodial Banks.

The Board shall select one or more national or state chartered banks located in Illinois, each of which must be a member of the Federal Deposit Insurance Corporation (hereinafter referred to as a "Custodial Bank") in which the Board shall establish one or more custodial and operational accounts that constitute the Risk Pool.

## 9.4 Investment Powers.

The Board or its investment advisor(s) shall direct the investment and reinvestment of the Risk Pool in the following instruments in accordance with investment guidelines adopted by the Board and reviewed from time to time as circumstances require:

(a) Bonds, notes, certificates of indebtedness, treasury bills or other securities which are issued or guaranteed by the United States of America or by agencies or instrumentalities of the United States of America, and repurchase agreements involving these securities;

(b) Interest-bearing savings accounts, interest-bearing certificates of deposit, or interest-bearing time deposits constituting direct obligations of any bank, provided, that such bank is insured by the Federal Deposit Insurance Corporation;

(c) Commercial paper which at the time of purchase is rated Prime-1 by Moody's Investors Service, Inc. ("Moody's"), A-1 by Standard & Poor's Corporation ("S&P") or, if unrated, issued or guaranteed by a corporation with outstanding debt rated AA or better by Moody's or AA or better by S&P;

(d) Corporate notes, bonds and debentures rated AA or better by Moody's or AA or better by S&P at time of purchase;

(e) Fixed-income mutual funds which are approved by the Board; and

(f) Any other investment or type of investment approved by the Board.

The Board shall include in its investment guidelines any restrictions on investments including, but not limited to, restrictions on the maturity date or concentration of investment in a particular issue or type of investment.

Investments may be held in any form (e.g., Federal Book-entry Account System) which in the Board's judgment is advantageous for the investment and reinvestment of the Risk Pool.

The Board may perform or cause to be performed any and all acts which in the Board's judgment are necessary or appropriate for the proper and advantageous management and investment of the Risk Pool.

#### 9.5 Prohibited Payments.

Anything to the contrary notwithstanding, unless the Board has first refunded all reserve contributions in full and has paid all preferred dividends which have accrued and become payable pursuant to section 11.6, it shall make no return of surplus or return of assets pursuant to sections 11.5 and 13.1, respectively, and shall make no other payment to any Full Member except: (a) refunds of all or part of the Full Members' reserve contributions, (b) payments of preferred dividends, or (c) payments made in the course of the settlement of claims in accordance with the Plans of Coverage.

### ARTICLE TEN - PLAN OF COVERAGE

#### 10.1 Plans of Coverage.

As soon as practicable after the effective date of this Agreement, the Board shall develop and implement a written plan of joint self-insurance that will indemnify Full Members for property and casualty losses and defense of claims ("Property and Casualty Plan of Coverage"). The Board shall also develop and implement a written plan of joint self-insurance that will provide accident benefits for the students of members ("Student Accident Plan of Coverage") and a written plan of joint self-insurance that will indemnify Members for school board legal liability losses and defense of claims ("School Board Legal Liability Plan of

Coverage”). The Board may revise the Plans of Coverage from time-to-time to add or delete types of coverages, to raise or lower limits of coverage and to change the terms of coverage. Anything in this Agreement to the contrary notwithstanding, the Board may enter into Rate Guarantee Agreements for terms not exceeding forty-eight (48) months.

#### 10.2 Tort Immunity.

The Plans of Coverage shall not waive any defenses or immunities of Members provided by the Tort Immunity Act or any other applicable statute or common law.

#### 10.3 Insurance.

In maintaining the Plans of Coverage, the Board is authorized to purchase insurance and reinsurance to protect the Risk Pool and Agency in such amount and on such terms as appear prudent to the Board. Insurance and reinsurance purchased by the Board shall protect the Risk Pool and Agency, and no Member shall have any individual right of recovery.

#### 10.4 Exclusivity.

No Member (including former and terminated Members) nor any other person, partnership, corporation or association shall have any right, title or interest in or to the Risk Pool or the Agency except when, and to the extent that, indemnity and/or expense is payable under the terms of the Plans of Coverage as determined by the Board, or except as provided elsewhere in this Agreement.

### ARTICLE ELEVEN - ACCOUNTING AND SPECIAL ASSESSMENT

#### 11.1 Fiscal Year.

The Fiscal Year of the Agency for accounting and any other purposes stated in this Agreement shall begin on July 1 and end on June 30 of the succeeding calendar year.

#### 11.2 Year of Account.

Full Members shall be permitted to commence participation in the Property and Casualty Plan of Coverage at any time during the Year of Account. The Board shall maintain its books and records to reflect annually, and at other times as deemed necessary by the Board, the surplus or deficit for the Property and Casualty Plan of Coverage written for each Year of Account as claims are reported, reserved and settled. In calculating surplus or deficit for a Year of Account, the Board may in its discretion include reserves for incurred and reported claims and for incurred but not reported claims, all production and loss adjustment expenses, net investment income and any other relevant items including administrative expenses. The Board may close a Year of Account at any time when all reported claims have been settled or reserved for loss and expense and when reserves for loss and expense have been established for claims which are incurred but not reported. The Year of Account must close not later than 88 months after the expiration of all Plans of Property and Casualty Coverage issued during the Year of Account. In order to close a Year of Account, the Board may debit the Contingency Fund in an amount equal to any deficit for such Year of Account.

#### 11.3 Special Assessment for a Deficit.

Whenever a particular Year of Account produces a deficit, the Board may impose a special assessment on the Full Members, including terminated and former Full Members, which participated in the Property and Casualty Plan of Coverage during that Year of Account. The special assessment will reduce or eliminate the deficit. The timing of any special assessment is in the discretion of the Board; however, it is intended that when a Year of Account is closed



(not later than 88 months after the close of the period on which the Year of Account is based), there will be no deficit. The Board cannot impose a special assessment with respect to a Year of Account that is closed and once closed, a Year of Account cannot be reopened. Limited Members are not subject to any assessment.

#### 11.4 Contingency Fund.

The Board may by resolution transfer part of the unappropriated fund balance as set forth in the Agency's most recent financial statement to an account called the Contingency Fund. If the Board establishes a Contingency Fund, it is intended that transfers of unappropriated fund balance to the Contingency Fund be made on a regular basis in an amount determined by the Board. In the discretion of the Board, transfers from the Contingency Fund may be made at any time to any Year of Account in order to reduce or eliminate a deficit, permit payment of an experience refund or in connection with closing a Year of Account. The Board by resolution may reduce or terminate the Contingency Fund by transfers to the unappropriated fund balance of the Agency.

#### 11.5 Experience Refund.

Whenever a particular Year of Account produces a surplus, the Board may, if it deems such a payment to be prudent and if the payment is not prohibited pursuant to section 9.5, return all or part of such surplus to the Full Members, including former Full Members, which participated in the Property and Casualty Plan of Coverage during that Year of Account. At the close of Year of Account there may be a final return of surplus. Any permitted return of surplus shall be paid as a credit against contributions or assessments due to the Agency or in cash on such basis as the Board determines to be equitable. Limited Members shall not receive any experience refund.

#### 11.6 Preferred Dividends.

Each Full Member that makes reserve contributions shall have the preferred dividend rights set forth in this section. Beginning July 1, 1989, the balances of the reserve contributions of each such Full Member held in the Risk Pool shall accrue preferred dividends at the rate set forth in the following paragraph. These preferred dividends shall continue to accrue until the date on which the balances of a Full Member's reserve contributions shall have been refunded in full (regardless of whether, pursuant to section 13.1, the Agency ceases to offer a Property and Casualty Plan of Coverage prior to that date). However, no preferred dividends shall accrue during a particular Fiscal Year for the benefit of any Full Member that fails to pay the Agency a reserve contribution due and owing on or before the end of that Fiscal Year. In addition, after the date of its withdrawal or termination, no preferred dividends shall accrue for the benefit of any Full Member that withdraws or is terminated by the Agency.

Preferred dividends shall accrue at an annual rate which shall be adjusted as of June 30 of each year for the dividends accrued over the course of the preceding Fiscal Year. This annual rate shall be equal to the three-month Treasury Bill rate for non-competitive tenders fixed at the last Treasury Bill sale in June of such Fiscal Year. For purposes of this dividend computation, reserve contributions received and reserve balances refunded within the first five days of any month shall be deemed to have been received or paid out, as the case may be, as of the first day of that month, and reserve contributions received and reserve balances refunded after the fifth day of the month shall be deemed to have been received or paid out, as the case may be, as of the first day of the next succeeding month. Preferred dividends shall be computed on the basis of a 360-day year and a month of thirty days. Anything to the contrary notwithstanding, if these preferred dividends are considered as interest for the purposes of a

usury or similar statute, they shall not be payable hereunder at a rate in excess of that allowed by law.

The Board shall pay any preferred dividends which accrued during a particular Fiscal Year within three months after the close of that Fiscal Year; provided that the Board determines that the Agency has sufficient surplus available. Any dividends not so paid within the three-month payment period shall be paid whenever the Board determines that sufficient surplus has become available. Unpaid preferred dividends shall themselves bear interest from the end of such three-month payment period at the annual rate determined as above for the Fiscal Year or Fiscal Years during which such dividends remain unpaid.

#### ARTICLE TWELVE - AMENDMENT

##### 12.1 Amendments.

Except as provided in section 12.2, a majority of the entire Board of Regents, as then constituted, may amend this Agreement at any time to such extent as it deems necessary or advisable by adopting a resolution which sets forth the amendment and its effective date.

##### 12.2 Special Amendments.

Anything to the contrary notwithstanding, sections 9.5, 11.6 and 12.2 of this Agreement may only be amended by the unanimous consent of all the Full Members that either executed this Agreement prior to March 1, 1990 or delivered a Consent pursuant to section 4.2. Such a consent shall be evidenced by a written instrument setting forth the amendment. This written instrument shall be executed pursuant to authority granted by the Board of Education or Board of Directors of each Full Member whose consent is required.

## ARTICLE THIRTEEN - TERMINATION PLAN OF COVERAGE AND AGENCY

### 13.1 Termination of Plan of Coverage and Agency.

The Agency shall continue to offer Plans of Coverage as long as permissible under the laws of the State of Illinois, but a three-fourths majority of the entire Board may determine to cease offering a Property and Casualty Plan of Coverage (and a Student Accident Plan of Coverage and School Board Legal Liability Plan of Coverage) or the Board may be instructed to cease offering a Property and Casualty Plan of Coverage (and a Student Accident Plan of Coverage and School Board Legal Liability Plan of Coverage) when two-thirds of the Full Members' Boards of Education or Boards of Directors approve such instruction to the Board. After the date on which no Plans are offered, the Agreement and Agency shall remain in force in order for the Agency to wind up its affairs. The Board shall continue to elect members of the Board of Regents. The Board shall continue to control and manage the Agency and to exercise all of its powers and duties granted herein (except that it shall not offer Plans of Coverage) in order to wind up the affairs of the Agency. Full Members, including former Full Members and terminated Full Members, shall remain liable for special assessments imposed pursuant to section 6.5. The Agency shall remain in effect until the close of all Years of Account and all administrative matters involved in winding up the Agency are completed. If any assets remain after the satisfaction of or provision for known liabilities, the Board shall return such assets to Full Members including former Full Members in an amount determined by the Board to be equitable; provided that such payment is not prohibited pursuant to section 9.5. Thereafter, the Board shall adopt a resolution of termination, on the effective date of which the Agency and this Agreement shall terminate. In no event shall the Agency and this Agreement remain in effect more than eleven years after no Property and Casualty Plan of Coverage is offered.

## ARTICLE FOURTEEN - MISCELLANEOUS

### 14.1 Severability.

If any provision of this Agreement or the rules or regulations made pursuant hereto are held to be illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provision of this Agreement unless such illegality or invalidity prevents accomplishment of the objectives and purposes of this Agreement.

### 14.2 Notices.

All notices required hereunder shall be mailed or delivered, unless otherwise indicated. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Member at the address as it appears in the records of the Agency, with first-class postage thereon prepaid.

### 14.3 Applicable Law.

This Agreement and the Agency it creates shall be construed according to the laws of the State of Illinois without regard to conflict of laws principles.

### 14.4 Counterparts.

The Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same document.