

BYLAWS OF VLCT HEALTH TRUST, INC. A NON-PROFIT CORPORATION

ARTICLE I. OFFICES

The principal office of the corporation in the State of Vermont shall be located in the City of Montpelier, County of Washington. The corporation may have such other offices, either within or without the State of incorporation, as the board of directors may designate, or as the business of the corporation may from time to time require.

ARTICLE II. MEMBERS

1. ELIGIBILITY

Entities eligible to become members of the Trust are Vermont Municipal Corporations organized and existing under the law of Vermont which are members of the Vermont League of Cities and Towns. Such entities prior to becoming a member must:

- a. Complete such written application to become a member as the Board of Directors shall determine;
- b. Meet all other criteria established by the Trust and provide all information requested by the Trust; and
- c. Receive acceptance of membership by the Board of Directors of the Trust. The decision of the Directors in this regard shall be final, although any entity denied membership may reapply after a period determined by the Directors.

The effective date upon which the entity shall become a member may be determined by the Directors at the time of acceptance.

Provided, however, that any conditions and regulations of participation developed in accordance with this section, and the availability of any health insurance sponsored or endorsed by the corporation, shall comply with the requirements necessary for the corporation to be exempt as an association under 8 V.S.A. § 4080(h)(3) or any similar statute or regulation of Vermont law. To the extent this provision is inconsistent with any of the foregoing requirements pertaining to eligibility, this provision shall control.

2. TERMINATION

A member may be suspended or expelled from the Trust for failure to pay any contribution to the Trust when due and owing, failure to comply with the Articles of Association, Bylaws, Participation Agreement, or Rules of the Trust, or failure to comply with cost containment programs instituted by the Trust.

3. ANNUAL MEETING

There shall be an annual meeting of members to be held at such time and place as determined by resolution of the Board of Directors. At such annual meeting members acting through a

representative shall elect Directors to any Directorships, the terms of which expire that year, and conduct such further and other business as appropriate. A quorum for the annual meeting shall be attendance by representatives of at least five (5) percent of the current members.

ARTICLE III. BOARD OF DIRECTORS

1. GENERAL POWERS

The business and affairs of the corporation shall be managed by its Board of Directors. The directors shall in all cases act as a board, and they may adopt such rules and regulations for the conduct of their meetings and the management of the corporation as they may deem proper, not inconsistent with these Bylaws and the law of this State. Such rules and regulations, now in existence or hereafter adopted, shall be binding upon each and every entity identified in Article II of these Bylaws which avails itself of the services offered by or through the corporation.

2. NUMBER, TENURE AND QUALIFICATIONS

- a. The number of directors of the corporation shall be no more than five (5). Directors shall be elected or appointed officials of the members of Vermont League of Cities and Towns which participate in the VLCT Health Trust, Inc. The terms of directors shall be for three (3) years ending on December 31 of the third year, terms being staggered such that no more than two terms shall end in any one year. The Board of Directors and respective terms of the directors as of December 3, 1999 shall be as follows:

Director One.....Three year term ending December 31, 2001
Director TwoThree year term ending December 31, 2000
Director ThreeThree year term ending December 31, 2000
Director Four.....Three year term ending December 31, 1999
Director FiveThree year term ending December 31, 1999

- b. The Board of Directors may in its discretion appoint a person to the position of alternate director for a one-year term, or portion thereof, ending December 31. The alternate director shall receive the same compensation and reimbursement for expenses and have the same duties and obligations as regular directors except the alternate director may only vote when the presence of the alternate director is necessary to constitute a quorum.

3. REGULAR MEETINGS

A regular meeting of the directors shall be held at least once a year. The directors may provide, by resolution, the time and place for the holding of additional regular meetings without notice other than such resolution.

4. SPECIAL MEETINGS

Special meetings of the directors may be called by or at the request of the president or any two directors. The person or persons authorized to call special meetings of the directors may fix the

place for holding any special meeting of the directors called by them.

5. NOTICE

Notice of any special meeting shall be given at least three (3) days previously thereto by written notice delivered personally or by telefax or first class mail to each director at his or her business address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid.

6. ATTENDANCE AT MEETINGS

The attendance of the director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objection to the transaction of any business because the meeting is not lawfully called or convened.

7. ACTIONS WITHOUT MEETINGS

Any action permitted or required by these Bylaws or the laws of the State of Vermont to be taken at a meeting of directors of the corporation, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all the directors. Such consent shall have the same force and effect as a unanimous vote of all directors. To the extent permitted by law, any action required to be taken at an open meeting of the directors of the corporation may be taken by means of telephonic communication devices, provided that a record thereof is maintained.

8. QUORUM

At any meeting of the directors, a majority thereof shall constitute a quorum for the transaction of business, but if less than said number is present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

9. MANNER OF ACTING

The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the directors. All meetings shall be conducted in accordance with Robert's Rules of Order.

10. NEWLY CREATED DIRECTORSHIPS AND VACANCIES

Newly created directorships resulting from an increase in the number of directors and vacancies occurring in the board for any reason shall be filled by vote of the remaining Directors of the Board. A director elected to fill a vacancy shall be elected to hold office for the unexpired term of his predecessor.

11. REMOVAL OF DIRECTORS

Any of the directors may be removed for cause by action of the board.

12. RESIGNATION

A director may resign at any time by giving written notice to the board, the president, or the secretary of the corporation. Unless otherwise specified in the notice, the resignation shall take effect upon receipt thereof by the board or such officer, and the acceptance of the resignation shall not be necessary to make it effective.

13. COMPENSATION

No compensation shall be paid to directors, as such, for their services, but by resolution of the board a fixed sum and expense for actual attendance at each regular or special meeting of the board may be authorized. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

14. PRESUMPTION OF ASSENT

A director of the corporation who is present at a meeting of the directors at which action on any corporate matter is taken shall be 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, or shall forward such dissent by registered mail to the secretary of the corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

15. EXECUTIVE AND OTHER COMMITTEES

The president may designate from among the directors an executive committee and other committees, each consisting of three or more directors. Each such committee shall serve at the pleasure of the board.

16. DISQUALIFICATION OF DIRECTORS

A director eligible to serve as such at the time of his appointment under Article III (2), shall continue to serve the term of his appointment unless terminated by death, resignation under Article III (12), or removal under Article III (11), notwithstanding the fact that eligibility under Article III (2) shall cease to exist.

ARTICLE IV. OFFICERS

1. NUMBER

The officers of the corporation shall be a president, a vice president, a secretary, and a treasurer, each whom shall be elected by the directors. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the directors.

2. ELECTION AND TERM OF OFFICE

The officers of the corporation to be elected by the directors, shall be elected annually at the first meeting of the fiscal year. Each officer shall hold office until his successor shall have been elected and shall have qualified or until his death or until he shall resign or shall have been removed.

3. REMOVAL

Any officer or agent elected or appointed by the directors may be removed by the directors whenever, in their judgment, the best interests of the corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

4. VACANCIES

A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the directors for the unexpired portion of the term.

5. PRESIDENT

The president shall be the principal executive officer of the corporation and subject to the control of the directors, shall in general supervise and control all of the business and affairs of the corporation. The president shall, when present, preside at all meetings of the members and of the directors. The president may sign, with the secretary or any other proper officer of the corporation thereunto authorized by the directors, any deeds, mortgages, bonds, contracts, or other instruments which the directors have authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the directors or by these Bylaws to some other officer or agent of the corporation, or shall be required by law to be otherwise signed or executed, and in general shall perform all duties incident to the office of president and such other duties as may be prescribed by the directors from time to time.

6. VICE PRESIDENT

In the absence of the president or in event of his death, inability or refusal to act, the vice president shall perform the duties of the president, and when so acting shall have all the powers of and be subject to all the restriction upon the president. The vice president shall perform such other duties as from time to time may be assigned by the president or by the directors.

7. SECRETARY

The secretary shall keep the minutes of the directors' meetings in one or more books provided for that purpose, see that all notices are duly given in accordance with provisions of these Bylaws or as required, be custodian of the corporate records and of the seal of the corporation, and in general perform all duties incident to the office of secretary and such other duties as from

time to time may be assigned by the president or by the directors. The Board may designate an assistant secretary to perform the foregoing duties.

8. TREASURER

The office of Treasurer shall be filled by all or a majority of the Board of Directors, acting in such capacity, and they collectively shall have the same powers, duties, and responsibilities as normally devolve upon such officers in business corporations, except that in the discretion of the Board it may delegate these duties and responsibilities.

9. SALARIES

The salaries of the officers shall be fixed from time to time by the directors, and no officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the corporation.

ARTICLE V. CONTRACT, LOANS, CHECKS, AND DEPOSITS

1. CONTRACTS

The directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

- a. CONTRACTS WITH MUNICIPALITIES, ETC.** The Articles of Association of the corporation, its Bylaws, and all rules and regulations adopted by the Board of Directors, now in existence and from time to time amended, abridged, modified or repealed, shall be binding upon each and every entity participating in a welfare benefit plan sponsored, endorsed, promoted or offered by the corporation. Each participating entity shall signify its acceptance of the foregoing in a manner determined by the Board of Directors, including, but not limited to, insurance coverage receipts, participation acknowledgments, and payment of billed premiums. Any document evidencing initial welfare benefit plan participation between the corporation and each such entity shall make reference to these Bylaws and shall set forth conspicuously this Article V, Section 1a. Unless specifically waived or released by the Board of Directors, each such participating municipality, by making its initial payment for inclusion in a welfare benefit program of this corporation, and upon the acceptance of such payment irrevocably agrees to: (a) participate in such program for a minimum period of one year; (b) pay for such program coverage as billed; and (c) abide by each and every bylaw, rule and regulation of the corporation. Participation in such program may be terminated by the participating municipality effective only on the close of the corporation's fiscal year, and only upon thirty days advance written notice thereof, unless otherwise allowed by the corporation. The corporation may also terminate such participation upon reasonable notice following a finding by the Board of Directors that a specific welfare benefit program is insolvent, incapable of delivery except at inordinate cost, or unavailable.

- b. POWER OF ATTORNEY.** By paying for and receiving benefits under a welfare benefit program sponsored by the corporation, each participating municipality shall be deemed to have appointed the corporation its attorney-in-fact for any and all purposes whatsoever relating to such program.

2. LOANS

No loans shall be contracted on behalf of the corporation and no evidence of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances. No loans shall be made by the corporation to its officers, directors or employees.

3. CHECKS. DRAFTS, ETC.

All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by resolution of the directors.

4. DEPOSITS

All funds and investments of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories as the directors may select.

ARTICLE VI. FISCAL YEAR

The fiscal year of the corporation shall begin on the first day of January in each year unless otherwise determined by the Board of Directors.

ARTICLE VII. SEAL

The directors shall provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of the corporation, the state of incorporation, year of incorporation, and the words "Corporate Seal."

ARTICLE VIII. WAIVER OF NOTICE

Unless otherwise provided by law, whenever any notice is required to be given to any director of the corporation under the provisions of these Bylaws, or under the provisions of the articles of incorporation, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE IX. INDEMNIFICATION

The corporation shall indemnify an individual made a party to a legal or administrative proceeding because the individual is or was a director or officer, against liability incurred in the proceeding, if the individual:

1. Conducted himself or herself in good faith; and
2. Reasonably believed:
 - A. In the case of conduct in his or her official capacity with the corporation, the conduct was in the corporation's best interests; and
 - B. In all other cases, that his or her conduct was not in opposition to the corporation's best interests; and
 - C. In case of any legal or administrative proceeding brought by a governmental entity, the director or officer had no reasonable cause to believe his or her conduct was unlawful, and the individual is not finally found to have engaged in a reckless or intentional criminal act.

The termination of a proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent is not, of itself, determinative that a person did not meet the standard of conduct described herein. The corporation shall not indemnify a person under this section:

1. In connection with a proceeding by or in the right of the corporation in which the person was adjudged liable to the corporation, or in connection with any other proceeding charging improper personal benefit to the person, whether or not involving action in his or her official capacity, in which the director was adjudged liable on the basis that personal benefit was improperly received.

The obligation of the corporation to indemnify under this Article extends to its agent, Vermont League of Cities and Towns (VLCT), and VLCT employees, when VLCT and/or its employees are acting within the scope of their authority on behalf of the corporation.

ARTICLE X. AMENDMENTS

These Bylaws may be altered, amended or repealed and new Bylaws may be adopted in any manner permitted under the Vermont Non-Profit Corporation Act. To the extent any bylaw hereunder is inconsistent with a mandatory provision of the Vermont Non-profit Corporation Act the bylaw shall be deemed amended to conform to the Act.

ARTICLE XI. WAIVER OF LIABILITY

Neither the corporation nor any of its directors, officers, employees or agents shall be liable or responsible for any loss or damage arising out of or caused by the error, act or omission of the corporation, its directors, officers, employees, and agents, in connection with the promotion,

sponsorship, endorsement or administration of any welfare benefit program, unless such error, act or omission is based upon fraud, willful misconduct, criminal activity or gross neglect or gross dereliction of offices.

ARTICLE XII. SURPLUS

The Board of Directors may establish a surplus reserve fund or funds to protect the Trust in the event claims, expenses and any costs of reinsurance in any particular year or years exceed contributions, and to allow the Trust when prudent to retain risk and minimize reliance on excess insurance and/or reinsurance. The Board of Directors have the responsibility to establish the level of the surplus reserve fund. The members have no right to claim a share of the surplus reserve fund, although from time to time the directors may use such funds to provide for rate credits should the Board deem existing reserves sufficient to do so. Only upon termination of the Trust, and identification and payment of all valid claims and costs of administration and all other obligations of the Trust may funds then remaining in surplus be distributed as set forth in the Corporation's Articles of Incorporation.

ARTICLE XIII. STATUS OF CORPORATION

Under no circumstances shall the corporation or its directors, officers, employees and agents be considered an insurer, insurance company, insurance carrier, insurance agent, insurance broker, or insurance service company.

The corporation is not organized for a pecuniary profit. It shall not have any power to issue certificates of stock or declare dividends. Since the corporation does not have private shareholders, no part of the net earnings of the corporation, if any, shall inure to the benefit of any private individual, person, group, association or other private entities of whatever nature or type, or to any director or officer of the corporation. No substantial activities of the corporation shall involve the carrying on of propaganda, or otherwise attempting to influence legislation, or participate and intervene in any political campaign. Any income shall accrue to the members of the corporation with the directors authorized to make such distribution to members as the directors deem appropriate after consideration of the need to maintain prudent reserves and account for current and future liabilities of the corporation.

In the event of dissolution of the corporation, or in the event it shall cease to carry out the object and purposes herein set forth, all the property and net assets of the corporation after payment of all incurred expenses and liabilities of the corporation, shall be distributed to and among the members thereof. Dissolution shall be effected only in accordance of the provisions of the Vermont Non-Profit Corporation Act.

In the event of dissolution of the corporation, or in the event it shall cease to carry out the objects and purposes herein set forth, all the property and net assets of the corporation after payment of all incurred expenses and liabilities of the corporation, shall be distributed to and among the members thereof. Dissolution shall be effected only in accordance of the provision of the Vermont Non-profit Corporation Act.

As amended: 06/15/82
Subsequently amended: 05/24/90
Subsequently amended: 01/19/93
Subsequently amended: 09/28/93
Subsequently amended: 12/03/99