Special Meeting of the Board of Directors
Surplus Lines Stamping Office of Texas

October 21, 2019

Lorrie Cheshier, Chair of The Board, called the special meeting of the Board of Directors of the Surplus Lines Stamping Office of Texas to order on October 21, 2019 at 9:00 a.m. She noted the following Board members in attendance by telephone conference pursuant to the Plan of Operations Section C. (6) and Texas Government Code 551.125.

Board Members in Attendance: 

<table>
<thead>
<tr>
<th>Name</th>
<th>Term Expiration:</th>
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<tbody>
<tr>
<td>Lorrie Cheshier, Chair</td>
<td>12/31/2019</td>
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<tr>
<td>Charles Gillenwater, Vice Chair</td>
<td>12/31/2019 – phone at 9:20 a.m.</td>
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<td>Kyle Streetman</td>
<td>12/31/2019 - phone</td>
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<td>Peter Harrison</td>
<td>12/31/2020 - absent</td>
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<tr>
<td>Rosemarie Marshall, Secretary</td>
<td>12/31/2020 - phone</td>
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<td>Penni Nelson</td>
<td>12/31/2020</td>
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<td>Teri Brinson</td>
<td>12/31/2021 - phone</td>
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<tr>
<td>Leslie Milvo</td>
<td>12/31/2021</td>
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<tr>
<td>Randall Myers</td>
<td>12/31/2021</td>
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Counsel in attendance:
Alex Gonzales, General Counsel, Duane Morris
Meredith Gregston, General Counsel, Duane Morris
Tracy McCreight, General Counsel, Duane Morris – Phone

Staff Members in attendance:
Denisse Orellana – VP of Human Resources
Tara Mitchell – VP if ITS
Toby Pick – Operations Manager
Marcelina Gutierrez – SLTX
Christian Robinson – SLTX
Catherine Hull – SLTX
Tyler Prideaux – SLTX
Rachel Buche – SLTX
Dalton Moore – SLTX
Nathan Onks – SLTX
James Tang – SLTX
Seror Jasim – SLTX
Ming Zhou – SLTX

Others in attendance:
Shirley Bowler – Texas Surplus Line Reporter & Insurance News

The Board of Directors and the Commissioner of Insurance, or his delegate, received written notice of this special meeting by email pursuant to Section c.(9) of the SLTX Plan of Operations on Wednesday, October 16, 2019.
Cheshier confirmed by roll call a quorum of five or more members is present pursuant to Texas Government Code Sec. 551.125(b)(2) and Plan of Operations Sec. C.6.

A conference speakerphone is available for the public at this meeting site, and a conference call-in number was provided to members of the public on request.

Board Secretary Marshall shall take the minutes with the assistance of the staff.

Cheshier announced administrative housekeeping announcements before starting the agenda.

1. Antitrust activity or discussion are prohibited at all Stamping Office functions. This prohibition includes the exchange of information concerning individual company rates, coverages, market practices, claims settlement practices, expenses, or any other competitive aspect of an individual company’s operation.

2. We not have a public comments session.

3. Representatives of state agencies and members of the public are welcome to observe or record this Board meeting, but please refrain from asking questions or interjecting comments during the Board’s deliberations.

4. The state agency personnel present may be asked questions about their agency’s policies if those questions relate to an agenda item.

5. We have a closed executive session on the Agenda. Only the Board, legal counsel and necessary executive staff will be in this room or participating by telephone conference during the executive session. We will reconvene in open session after the executive session to vote on Agenda Item 1 as appropriate.

Agenda Item 1: Discussion/consideration of SLTX Executive Director Search Committee procedures; review of proposed executive director job description and compensation package parameters.

Agenda Item 2: Discussion/consideration of position and responsibility assignments for SLTX VP/Directors; reorganization of Operations and IT Departments; update on temporary executive director status; and update on matters related to the prior executive.

Agenda Item 3: Compensation for interim executive director for services from September 3, 2019 to October 7, 2019.

Agenda Item 4: Executive Session to deliberate concerning Agenda items 1, 2, and 3; personnel matters, contemplated and pending litigation [Texas Government Code Sections 551.071 and 551.074]; and attorney-client matters in which the duty of SLTX’s counsel clearly conflict with provisions of the Texas Open Meetings Act [Texas Government Code Section 551.071].
Ceshier called on Marshall to report on agenda item 1. Marshall confirmed that the documents prepared by the executive search advisory committee had been sent in advance of the meeting and distributed by Denisse Orellana. The first document reviewed was the Request for Proposal (RFP) to engage an executive search firm. Marshall asked if there were any questions, comments or edits from the Board.

Hearing none, Ceshier asked for a motion to accept the RFP as presented by the executive search advisory committee.

Nelson made the first motion.

Brinson seconded the motion.

Ceshier asked for additional discussion. Ceshier asked for any questions or comments. Asked all in favor to say “aye”, all opposed “no”. Motion passed.

Marshall then presented the job description document, explaining the original document was taken from existing SLTX files. Marshall turned the discussion over to Brinson who completed most of the editing and updating on the document. She noted that several changes were incorporated at the suggestion of counsel Meredith Gregston. She also indicated the committee had one item which required Board input regarding the verbiage on requirements related to interaction with industry associations and regulatory bodies. She asked Nelson to comment as she had raised the initial question during committee emails.

Nelson remarked that interacting and interfacing with all stakeholders was part of the job and therefore felt that specific mention of TSLA and WSIA was appropriate. Gonzales commented that there were other public member stakeholders and suggested the wording on item #7 be broadened. Nelson suggested the wording be broadened without mentioning specific trade associations. Marshall asked Nelson to restate how she would want item #7 worded. Nelson stated she did not have specific wording in mind. Brinson commented there was no intent to exclude any trade associations, but also stated that TSLA and WSIA are specific industry associations that SLTX must interact with as primary surplus lines stakeholders. Gonzales suggested amending the statement to read “including but not limited to TSLA and WSIA”. Ceshier asked Nelson if there were other industry groups that should be included. Nelson noted several risk management organizations and further stated revenue was coming from insureds, and the Board should be mindful where SLTX focuses their priorities. Ceshier asked if it was appropriate to include “stamping office”. Nelson agreed. Marshall suggested amending the verbiage on item #7 and adding item #8 with respect to stamping and service offices, then appropriately renumbering current items 8, 9, 10 and 11. Ceshier asked if there was any additional discussion. Brinson comment that the wording for item #7 was the only statement that the committee needed input. Milvo commented on a couple of spelling errors and the Board reviewed other minor edits in the job description.

Ceshier asked for a motion to accept the job description as presented by the executive search advisory committee and as amended during Board discussion.

Nelson made the first motion.

Myers seconded the motion.
Cheshier asked for additional discussion. Cheshier asked for any questions or comments. Asked all in favor to say “aye”, all opposed “no”. Motion passed.

The next document reviewed was the Statement of Opportunity and Success Markers. Marshall explained the two search executives she spoke with suggested the documents would be helpful in the search process. The document was largely influenced from document used for the 2015 Executive Director search with minor edits. Gillenwater suggested the success markers include operational markers. He also recommended moving bullet point #2 under First Twelve Months to First Six Months to address. There was also discussion concerning the wording of items #2 under First Ninety Days. The board agreed to amend wording and add a third item that specifically addressed trade and public associations as well as stamping and service offices. Marshall noted the changes requested and asked if there were any further discussion with respect to the Statement of Opportunity. Nelson suggested the final sentence be removed as this was already addressed by the Success Markers. Marshall noted all the suggestions and edits.

Cheshier asked for a motion to accept the Statement of Opportunity and Success Markers as presented by the executive search advisory committee and as amended during Board discussion.

Nelson made the first motion.

Myers seconded the motion.

Cheshier asked for additional discussion. Cheshier asked for any questions or comments. Asked all in favor to say “aye”, all opposed “no”. Motion passed.

Cheshier asked Gonzales if the suggested compensation package for the executive director could be discussed in open session. Gonzales advised that compensation could be discussed.

Marshall stated the compensation plan proposed by the executive director search committee contained original content from the 2015 document with minor changes, such as making an annual bonus discretionary by the Board of Directors. With respect to the base salary, Marshall advised the number was originally based on compensation figures provided by Orellana for similar positions. Milvo asked how the data was compiled and Orellana explained. Brinson stated that deferred compensation should be negotiated. Gonzales noted the Commissioner’s base salary is $202,383 so the suggested $225,000 was in line. Milvo suggested the Board start with a slightly lower base in order to negotiate compensation terms and provide the Board more leverage. The Board agreed to amend the base salary to $200,000, remove car allowance and revise small changes in verbiage.

Cheshier asked for a motion to accept the compensation plan as presented by the executive search advisory committee and as amended during Board discussion.

Nelson made the first motion.

Myers seconded the motion.
Cheshier asked for additional discussion. Cheshier asked for any questions or comments. Asked all in favor to say "aye", all opposed "no". Motion passed.

Cheshier asked if there were any additional questions or discussion regarding agenda item #1. Hearing none, she asked if there were any further motions with respect to agenda item #1. There were none.

Cheshier announced the Board will go into closed session, pursuant to the Texas Open Meetings Act, on agenda items 2 and 3 to deliberate personnel matters, contemplated and pending litigation [Texas Government Code Section 551.074] and attorney-client matters in which the duty of SLTX’s counsel clearly conflict with provisions of the Texas Open Meetings Act [Texas Government Code Section 551.071.]

All members of the public, state agency representatives and SLTX staff, unless otherwise directed, are requested to leave the meeting room at this time. The public conference call line shall be muted.

The time is now 10:02 a.m.

The closed session was called to order by Cheshier at 10:15 a.m. on October 21, 2019. Gonzales confirmed a roll call of board members in attendance in person and by phone and confirmed a quorum existed.

The Secretary will take notes for certified agenda.

Board members are reminded that all matters discussed in a closed session are confidential and privileged. Also, Board members are encouraged to freely express their opinions and can indicate how they expect to vote, but the Board may only vote in an open session. Straw votes are not allowed.

The executive session was ended by Cheshier at on October 21, 2019 at 12:10 p.m.

**Open Session**

Cheshier reconvened the Board into open session on October 21, 2019 at 12:20 p.m. Gonzales confirmed a roll call of board members in attendance in person and by phone and confirmed a quorum existed.

Cheshier asked if any Board members had comments to make or questions to present in public session concerning Agenda Item 2. Hearing none, she asked if there were any motions to be made.

A motion was made for the for the Board approve to continue the check signatory authority for Kyle Bolls and Denisise Orellana and add Brian Wilds and Don Meyer and additionally to removed Tara Mitchell from signatory authority on bank accounts.

Nelson made the first motion.

Brinson seconded the motion.
Cheshier asked for additional discussion. Cheshier asked for any questions or comments. Asked all in favor to say "aye", all opposed "no". Motion passed

Cheshier asked if there were additional motions related to agenda item 2.

A motion was made to create the positions of Director of Operations and Director of Special Projects, both positions to report directly to the Executive Director.

Nelson made the first motion.

Marshall seconded the motion.

Cheshier asked for additional discussion. Cheshier asked for any questions or comments. Asked all in favor to say "aye", all opposed "no". Motion passed

Cheshier asked if there were any additional motions related to agenda item 2. Hearing none, Cheshier asked if there were any questions or discussion related to agenda item 3. Hearing none, she asked if there were any motions related to agenda item #3.

A motion was made to compensate Kyle Bolles for the difference between the past executive director salary and Bolles current salary, to be pro-rated for 34 days, as a one-time payment for services as interim acting executive director.

Gillenwater made the first motion.

Brinson seconded the motion.

Cheshier asked for additional discussion. Cheshier asked for any questions or comments. Asked all in favor to say "aye", all opposed "no". Motion passed

Cheshier asked if there were any additional motions to be made. Hearing none, she asked for a motion to adjourn.

Nelson made the first motion.

Myers seconded the motion.

The motion passed unanimously.

The meeting adjourned by Cheshier at 12:26 p.m. on October 21, 2019.

Rosemarie Marshall, Secretary