

AMENDED AND RESTATED BYLAWS  
of  
NORTH CAROLINA ASSOCIATION OF MUTUAL INSURANCE COMPANIES, INCORPORATED  
A North Carolina Non-Profit Association  
Revised 6-3-09

ARTICLE I  
Offices

1.1 Principal office. The principal office of the North Carolina Association of Mutual Insurance Companies, Incorporated (the "Association") shall be located in Alamance County, North Carolina at 219 W. Elm Street, Graham, NC 27253, or at such other location as may be designated by the Board of Directors.

1.2 Registered office. The registered office of the Association required by law to be maintained in the State of North Carolina may be, but need not be, identical with the principal office.

1.3 Other offices. The Association may have offices at such other places, either within or without the State of North Carolina, as the Board of Directors may designate or as the affairs of the Association may require from time to time.

ARTICLE II  
Organization

2.1 Nonprofit, Member Organization. The Association shall be governed by Chapter 55A of the North Carolina General Statutes as a nonprofit organization having members. The Association shall not authorize or issue any class of capital stock.

2.2 Members. The Association shall have two classes of members: Company Members; and Associate Members.

2.2.1 Company Members. Only a mutual insurance company may be a Company Member. Any mutual insurance company admitted to the Association as a Company Member shall have the right to retain such membership for so long as (a) such entity remains a mutual insurance company, and (b) such entity's membership is not terminated as provided in these bylaws.

2.2.3 Associate Members. Only an entity that is not a mutual insurance company and that is in a business or profession that is directly related to the insurance industry may be an Associate Member. The Board of Directors, in its discretion, may admit a person, as opposed to an entity, as an Associate Member.

2.2.4 Application Review. The Board of Directors shall designate an Admissions Committee which shall be responsible for any investigation it considers necessary or appropriate with respect to any applicant for membership in the Association, after which it will conduct a vote on admission of any such applicant. An applicant shall be deemed admitted as a member upon the affirmative vote of a majority of the Admissions Committee. The Executive Committee shall constitute the Admissions Committee.

2.2.5 Dues. The amount of dues and method of dues payment shall be determined by the Board of Directors from time to time in its sole discretion.

2.2.6 Termination of Membership. A membership may be terminated on the basis of any one or more of the following: (a) non-payment of dues after thirty (30) days' prior written notice from the Association notifying the member of such non-payment; (b) a Company Member no longer existing as a mutual insurance company; (c) an Associate Member no longer being engaged in a business or profession directly related to the insurance industry; (d) such member's violation of these bylaws; (e) such member's breach, default, or violation of any rule, procedure, or policy imposed by the Association upon such class of membership and/or upon all members in general; and/or (f) as provided in Section 2.2.7 hereof.

2.2.7 Termination in Discretion of Board. The Association may also terminate the membership of any member if the Board of Directors determines that such termination is in the best interests of the Association. Under such circumstances, not less than thirty (30) days prior to the meeting at which the Board of Directors is to consider such membership termination the Association shall deliver written notice to such member of the date and time of such meeting and a reasonably detailed explanation of the basis for the proposed membership termination. Such member shall be invited to and allowed to be heard for a reasonable period of time at such meeting on the issue of the proposed termination. If the Board of Directors terminates such membership in accordance with this section, such termination shall be deemed effective five (5) days after the date of such action.

### ARTICLE III Board of Directors

3.1 General Powers. The business and affairs of the Association shall be managed by its Board of Directors. Except as otherwise expressly provided by law, the Articles of Incorporation or these bylaws, all of the power of the Association shall be vested in the Board of Directors.

3.2 Number, term, and qualifications. The Board of Directors shall consist of two (2) Directors at Large, the President of the Association throughout his/her term in such office, the Vice President of the Association throughout his/her term in such office, the Executive Director of the Association throughout his/her term in such office, the Secretary of the Association throughout his/her term in such office, the Treasurer throughout his/her term in such office, and the immediate past President of the Association

3.3 Directors at Large. Each Director at Large shall be elected by vote of the members entitled to vote on the election of Directors at Large. The Directors at Large shall be elected for two (2) year terms. No Director at Large may serve consecutive terms as a Director at Large. Except as may be provided otherwise herein, Directors at Large shall be elected at the annual meeting of the members.

3.4 Qualifications of Directors. Each director, regardless of classification, and each officer must be an active executive officer, Director or employee of member or associate member companies as used in reference to a company member of their respective companies of a member in good standing of the Association. Any person who lacks such qualification shall not be eligible to hold any directorship or officer position. If any such person is already an officer and/or director of the Association, such person shall be deemed removed from such position effective as of the date that such qualification no longer exists. The Board of Directors shall have sole discretion to determine whether any person possesses such qualification.

3.5 Removal and Resignation. In addition to removal of a director pursuant to Section 3.4 hereof, any director may be removed at any time with or without cause by a vote of the members if the number of votes cast to remove him exceeds the number of votes cast not to remove him. A director may not be removed at a meeting (other than an annual member meeting at which election of directors normally occurs) unless the notice of the meeting states that one of the purposes of the meeting is removal of said director. A director may resign at any time by communicating his resignation to the Board of Directors. Such resignation is effective when communicated unless it specifies in writing a later date or subsequent event upon which it will become effective.

3.6 Conflict of Interest. The Conflict of Interest Policy attached hereto as Exhibit A is hereby incorporated herein by reference.

3.7 Vacancies. Any vacancy occurring on the Board of Directors with respect to the seat of a Director at Large may be filled by the affirmative vote of a majority of the remaining directors, even though less than a quorum, or by the sole remaining director. The term of a director elected to fill a vacancy shall expire at the end of the term of the vacating director at large.

3.8 Compensation. The Board of Directors may not compensate directors for their services but may provide for the payment of any or all expenses incurred by directors in attending regular and special meetings of the Board of Directors. In addition, the member company represented by the Treasurer and Secretary may receive a discount applied against membership dues. This provision shall not preclude directors from serving the Association in other capacities and receiving compensation for such other services.

#### ARTICLE IV Meetings of Directors

4.1 Regular meetings. A regular meeting of the Board of Directors shall be held not less often than annually. In addition, the Board of Directors may provide, by resolution, the time and place, either within or without the State of North Carolina, for the holding of additional regular meetings.

4.2 Special meetings. Special meetings of the Board of Directors may be called by or at the request of the President or any one director. Such a meeting may be held either within or without the State of North Carolina, as fixed by the person or persons calling the meeting.

4.3 Notice of meetings. Regular meetings of the Board of Directors may be held without notice. The person or persons calling a special meeting of the Board of Directors shall, at least 24 hours before the meeting, give notice thereof by any usual means of communication. Notice of a regular or special meeting need not specify the purpose for which the meeting is called. Notice of an adjourned meeting need not be given if the time and place are fixed at the meeting at which adjournment is taken and if the period of adjournment does not exceed 10 days in any one adjournment.

4.4 Waiver of notice. Any director may waive notice of any meeting, either before or after the meeting. Except as set forth in the next sentence, a waiver of notice shall be in writing and shall be filed by the Secretary with the corporate records or as part of the minutes of the meeting. The attendance by a director at a meeting shall constitute a waiver of notice of such meeting, except where a director at the beginning of the meeting (or promptly upon his arrival) objects to the holding of the meeting or transacting business at the meeting and does not vote for or assent to any action taken at the meeting.

4.5 Quorum. A majority of the number of directors fixed by these Bylaws or, if the size of the board varies, a majority of the number of directors in office immediately before the meeting begins shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

4.6 Manner of acting. Except as otherwise provided in these bylaws or as required by law, the act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. In the event of a deadlock among the Directors which makes it impossible to obtain a majority vote, the Directors shall either (1) agree on an independent third party or arbitrator whose decision shall be final and binding upon the Board, or (2) seek judicial dissolution of the Association in accordance with the provisions of the North Carolina Business Association Act, as in effect from time to time.

4.7 Presumption of assent. A director of the Association who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action

taken unless (a) he objects to holding the meeting or transacting business at the meeting at the outset, (b) his dissent or abstention from the action is entered in the minutes of the meeting, or (c) he files his written dissent to or abstention from such action with the person acting as the secretary of the meeting before the adjournment thereof or forwards his written dissent by registered mail to the Secretary of the Association immediately after the adjournment of the meeting. The right to dissent shall not apply to a director who voted in favor of such action.

4.8 Informal Action by Directors. Action taken by a majority of the directors without a meeting is nevertheless action of the Board of Directors if written consent to the action in question is signed by all of the directors and filed with the minutes of the proceedings of the Board of Directors, whether done before or after the action so taken.

4.9 Participation by telephone. Any one or more directors or members of a committee may participate in a meeting of the Board of Directors or committee by means of a conference telephone or similar communications device that allows all persons participating in the meeting to hear each other. Participation by this means shall be deemed presence in person at the meeting.

## ARTICLE V Meetings of Members

5.1 Annual Meetings. Annual meetings of the members shall be held at such date, time, and place, within or without the State of North Carolina, as shall be designated by the Board of Directors.

5.2 Special Meetings. Special meetings of the members may be called at any time by the President or by the Executive Director. A special meeting of the members shall be called by the Board of Directors if the Secretary receives written, dated, and signed demands for a special meeting of the members, describing the purpose for which such meeting is to be held, from not less than ten percent (10%) of the members. The Board of Directors shall set the time, date, and place of such special meeting, which may be held within or without the State of North Carolina.

5.3 Notices. A notice by any usual means of communication, stating the time, date, and place of any meeting of the members shall be delivered or mailed by the Secretary to each member. Such notice shall be delivered or mailed (a) in the case of a special meeting, not less than fifteen (15) nor more than forty five (45) days before the date of such meeting, and (b) in the case of an annual meeting, not less than thirty (30) nor more than ninety (90) days before such meeting. In the case of a special meeting, such notice shall include a description of the purposes of, and the matters to be considered at, such meeting.

5.4 Quorum. Thirty (30) percent of the members in good standing of the Association immediately before the meeting begins shall constitute a quorum for the transaction of business at any meeting of the members.

5.5 Vote Required to Take Action. If a quorum exists at a meeting, action at such meeting shall be deemed approved if it receives the affirmative vote of more than fifty percent (50%) of the quorum.

## ARTICLE VI Committees

6.1 General. In addition to the Executive Committee and the Nominating Committee, the Board of Directors or the President may create one or more committees to assist the Board of Directors in carrying out

its duties. In order to exercise the authority of the Board of Directors, a committee must have include at least two (2) directors and its creation and the appointment of its members must have been approved by the Board of Directors. The President shall appoint the chairman of each committee and shall service as an *ex officio* member of each committee.

6.2 Executive Committee. The Executive Committee shall be composed of the following: (a) the President and the Vice President, each of whom shall serve for so long as they hold such offices; (b) the immediate past President, who shall serve until there is a successor immediate past President; (c) the Treasurer; (d) the Secretary and (e) the Executive Director. No person shall be qualified to serve on the Executive Committee at any time that such person is not an active executive officer, Director or employee of member or associate member companies as used in reference to a company member of their respective companies of a member in good standing of the Association. The Executive Committee shall have the duty and responsibility to act for the Board of Directors between meetings of the Board of Directors on all matters appropriate for action by the Board of Directors and shall have, to the fullest extent permitted by law, the authority of the Board of Directors to exercise all corporate powers and to manage the business and affairs of the Association. Notwithstanding the foregoing or any provision in these bylaws to the contrary, the Executive Committee shall not: approve or propose to members action that is not required to be approved by the members, including, but not limited to, dissolution, merger, or sale, pledge, or transfer of all or substantially all of the Association's assets; elect, appoint, or remove any director and/or fill vacancies on the Board of Directors or on any committee created or appointed by the Board of Directors; or adopt, amend, repeal, or waive any provision of thee bylaws. Meetings of the Executive Committee may be called by the President or a majority of the members of the Executive Committee. Notwithstanding any provision to the contrary in these bylaws, three (3) members of the Executive Committee shall constitute a quorum of the Executive Committee.

6.3 Nominating Committee. The Nominating Committee shall be appointed annually by the President, who shall also be a member of the Nominating Committee, along with the immediate past President. The President shall serve as the chairman of the Nominating Committee. It shall be the duty of the Nominating Committee to submit a slate of nominees for the various offices to the members at its annual members. Notwithstanding any provision to the contrary in these bylaws to the contrary, three (3) members of the Nominating Committee shall constitute a quorum of the Nominating Committee.

## ARTICLE VII Officers

7.1 Officers of the Association. The officers of the Association shall consist of a President, a Treasurer, and a Secretary. Other officers, including a Chief Executive Officer, a Chief Operating Officer, a Chairman and Vice Chairman of the Board of Directors (as provided in Article III), one or more Vice Presidents (whose seniority and titles, including Executive Vice Presidents and Senior Vice Presidents, may be specified by the Board of Directors), Assistant Secretaries, and Assistant Treasurers, may from time to time be elected by the Board of Directors. Any two or more offices, except President and Secretary, Chief Executive Officer and Secretary, and Chief Operating Officer and Secretary, may be held by the same person. No officer may act in more than one capacity where the action of two or more officers is required. The Executive Director shall also be an officer of the Association.

7.2 Election and Term. The officers of the Association shall be elected by the members and each officer shall hold office for two (2) years. No office shall be held for consecutive terms, except Treasurer, Secretary, and Executive Director.

7.3 Compensation. The compensation of all officers of the Association shall be fixed by the Board of Directors and no officer shall serve the Association in any other capacity and receive compensation therefor unless such additional compensation is authorized by the Board of Directors prior to the rendition of such services.

7.4 Removal and resignation. Any officer or agent elected by the members may be removed by the Board of Directors with cause, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. An officer may resign at any time, by communicating his resignation to the Association, but such resignation shall be without prejudice to the contract rights, if any, of the Association with such officer.

7.5 Bonds. The Board of Directors may by resolution require any officer, agent, or employee of the Association to give bond to the Association, with sufficient sureties, conditioned on the faithful performance of the duties of his respective office or position, and to comply with such other conditions as may from time to time be required by the Board of Directors.

7.6 Chief Executive Officer. If the Board of Directors elects a Chief Executive Officer, that person shall be the principal executive officer of the Association and shall be primarily responsible for the implementation of policies of the Board of Directors. He/she shall have authority over the general management and direction of the business and operations of the Association and its divisions, if any, subject only to the ultimate authority of the Board of Directors. The Chief Executive Officer shall have all rights, powers, authority and duties of the President under these Bylaws or applicable law.

7.7 Chief Operating Officer. If the Board of Directors elects a Chief Operating Officer, that person, subject to any Chief Executive Officer, shall be the principal executive officer of the Association and shall be primarily responsible for the implementation of policies of the Board of Directors. He/she shall have authority over the general management and direction of the business and operations of the Association and its divisions, if any, subject only to the ultimate authority of the Board of Directors and any Chief Executive Officer. The Chief Operating Officer shall have all of the rights, powers, authority and duties of the President under these Bylaws or applicable law.

7.8 President. The President, subject to any Chief Executive Officer or Chief Operating Officer, shall be the principal executive officer of the Association and shall be primarily responsible for the implementation of policies of the Board of Directors and any Chief Executive Officer or Chief Operating Officer. In the absence of the Chairman and the Vice-Chairman of the Board and Chief Executive Officer and Chief Operating Officer, or if there are no such officers, the President shall preside at all corporate meetings. He/she may sign and execute in the name of the Association stock certificates, deeds, mortgages, bonds, contracts or other instruments except in cases where the signing and the execution thereof shall be expressly delegated by the Board of Directors or by these bylaws to some other officer or agent of the Association or shall be required by law otherwise to be signed or executed. In addition, he/she shall perform all duties incident to the office of the President and such other duties as from time to time may be assigned to him/her by the Board of Directors, the Chief Executive Officer or Chief Operating Officer.

7.9 Vice Presidents. Each Vice President, if any, shall have such powers and duties as may from time to time be assigned to him/her by the Chief Executive Officer, the Chief Operating Officer, the President, or the Board of Directors, or delegated to him/her by the Chief Executive Officer, the Chief Operating Officer, or the President. Any Vice President may sign and execute in the name of the Association deeds, mortgages, bonds, contracts, or other instruments authorized by the Board of Directors, except where the signing and execution of such documents shall be expressly delegated by the Board of Directors, the Chief Executive Officer, the Chief Operating Officer or the President to some other officer or agent of the Association or shall

be required by law or otherwise to be signed and executed. In the absence of the Chief Executive Officer, Chief Operating Officer, or President, or in the event of their death, or their inability or refusal to act, first the Executive Vice President, if any, and then the Vice Presidents in the order of their length of service as Vice Presidents, unless otherwise determined by the Board of Directors, shall perform the duties of the President, and when so acting shall have all powers of and be subject to all the restrictions upon the President.

7.10 Secretary. The Secretary shall keep the minutes of the meetings of the Board of Directors. When requested, he/she shall also act as secretary of the meetings of any committee of the Board of Directors. He/she shall keep all minutes of all such meetings in books designated for those purposes. The Secretary shall see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law. He/she shall have custody of the deeds, leases, contracts and other important corporate documents and shall have charge of the books, records and papers of the Association relating to its organization and management as an Association. He/she shall have custody of the seal of the Association and see that the seal of the Association is affixed to all documents the execution of which on behalf of the Association under its seal is duly authorized. He/she shall in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Chief Executive Officer, the Chief Operating Officer, or the President, or by the Board of Directors or these Bylaws.

7.11 Assistant Secretaries. In the absence of the Secretary or in the event of his/her death, or his/her inability or refusal to act, any Assistant Secretary designated by the Chief Executive Officer, the Chief Operating Officer, or the President, unless otherwise determined by the Board of Directors, shall perform the duties of the Secretary and when so acting shall have all the powers of and be subject to all the restrictions upon the Secretary. The Assistant Secretaries shall perform such other duties as may be assigned to them by the Secretary, by the Chief Executive Officer, the Chief Operating Officer, or the President, or by the Board of Directors. Any Assistant Secretary may sign, with the President or a Vice President, documents authorized to be signed by the Secretary.

7.12 Treasurer. The Treasurer shall have charge of and be responsible for all funds and securities, receipts and disbursements of the Association, and shall deposit all money and securities of the Association in such banks and depositories as shall be designated by the Board of Directors pursuant to Article VI. He/she shall be responsible for (a) maintaining adequate financial accounts and records in accordance with generally accepted accounting principles; (b) preparing appropriate operating budgets and financial statements; (c) preparing and filing all tax returns required by law; (d) preparing a true statement of the Association's assets and liabilities as of the close of each fiscal year, all in reasonable detail, which statement shall be filed at the Association's registered office or principal place of business in the State of North Carolina within four months after the end of such fiscal year and kept available there for a period of at least ten years; and (e) performing all of the duties incident to the officer of Treasurer and such other duties as from time to time may be assigned to him/her by the Chief Executive Officer, the Chief Operating Officer, or the President, by the Board of Directors, by the Finance Committee or by these Bylaws. If the Treasurer is also serving as the Secretary, such person shall be deemed the Secretary-Treasurer.

7.13 Assistant Treasurers. In the absence of the Treasurer or in the event of his/her death, or his/her inability or refusal to act, the Assistant Treasurers in the order of their length of service as Assistant Treasurer, unless otherwise determined by the Board of Directors, shall perform the duties of the Treasurer, and when so acting shall have all the powers of and be subject to all the restrictions upon the Treasurer. They shall perform such other duties as may be assigned to them by the Treasurer, by the Chief Executive Officer, the Chief Operating Officer, or the President, by the Board of Directors or by the Finance Committee.



7.14 Executive Director. The Executive Director shall be the chief staff executive and shall function as the Chief Operating Officer and the chief administrative officer. The Executive Director shall have general charge of, and authority over, the business and affairs of the Association and shall report directly to the President. The Executive Director shall be elected by the Board of Directors at any time that the Board of Directors declares such office to be vacant. The Executive Director shall serve and be removed and replaced at the pleasure of the Board of Directors.

ARTICLE VIII  
Contracts, Loans, Checks and Deposits

8.1 Contracts. The Board of 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 Association, and such authority may be general or confined to specific instances.

8.2 Loans. No loans shall be contracted on behalf of the Association 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.

8.3 Checks and drafts. All checks, drafts or other for the payment of money issued in the name of the Association shall be signed by such officer or officers, agent or employees of the Association and in such manner, including facsimile signatures, as shall from time to time be determined by resolution of the Board of Directors.

8.4 Deposits. All funds of the Association not otherwise employed shall be deposited from time to time to the credit of the Association in such depositories as the Board of Directors may select.

ARTICLE IX  
General Provisions

9.1 Waiver of Notice. In addition to provisions elsewhere in these Bylaws regarding waiver of notice, whenever any notice is required to be given to any director by law, by the Articles of Incorporation or by these Bylaws, 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 equivalent to the giving of such notice.

9.2 Fiscal year. The fiscal year of the Association shall be as fixed by the Board of Directors.

9.3 Amendment of Bylaws. Except as otherwise provided by law, by the Articles of Incorporation or herein, these Bylaws may be amended or repealed and new bylaws may be adopted by the affirmative vote of a majority of the directors then holding office at any regular or special meeting of the Board of Directors.

ARTICLE X  
Business League

10.1 Section 501(c)(6). The Association is organized exclusively for operation as a business league qualifying as such under section 501(c)(6) of the Internal Revenue Code of 1986, as amended (the "Code"), or the corresponding section of any future federal tax code.

10.2 Dissolution. Upon the dissolution of the Association, assets shall be distributed for one or more charitable purposes within the meaning of section 501(c)(3) of the Code, or the corresponding section of any future federal tax code, or shall be distributed to the federal government, or to a state or local government,

for a public purpose. Any such assets not so disposed of shall be disposed of by a Court of Competent Jurisdiction of the county in which the principal office of the Association is then located, exclusively for such purposes or to such organization or organizations, as said Court shall determine, which are organized and operated exclusively for such purposes.

10.3 No Private Inurement. No part of the net earnings of the Association shall inure to the benefit of, or be distributable to, its members (if any), trustees, officers, or other private persons, except that the Association shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in these bylaws and the Articles of Incorporation. No substantial part of the activities of the Association shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Association shall not participate in, or intervene in (including the publishing or distribution of statements), any political campaign on behalf of or in opposition to any candidate for public office. Notwithstanding any other provision of these bylaws or the Articles of Incorporation, the Association shall not carry on any other activities not permitted to be carried on by a corporation exempt from federal income tax under section 501(c)(6) of the Code, or the corresponding section of any future federal tax code.

ARTICLE XI  
Amendment and Restatement

These bylaws amend, restated, and supersede any and all previous bylaws of the Association, including any and all prior amendments thereto.

Made effective this the 3rd day of June, 2009.

NORTH CAROLINA ASSOCIATION OF MUTUAL INSURANCE COMPANIES, INC.

By:

  
Secretary

Exhibit A

**NORTH CAROLINA ASSOCIATION OF MUTUAL INSURANCE COMPANIES,  
INCORPORATED**

**Article I  
Purpose**

This conflict of interest policy of North Carolina Association of Mutual Insurance Companies (the “Organization”) is to protect the Organization’s interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Organization or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

**Article II  
Definitions**

1. Interested Person

Any director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

2. Financial Interest

A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

- a. An ownership or investment interest in any entity with which the Organization has a transaction or arrangement,
- b. A compensation arrangement with the Organization or with any entity or individual with which the Organization has a transaction or arrangement, or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization is negotiating a transaction or arrangement. Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial. A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

**Article III  
Procedures**

1. Duty to Disclose

In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement.

2. Determining Whether a Conflict of Interest Exists

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

3. Procedures for Addressing the Conflict of Interest

a. An interested person may make a presentation at the governing board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.

b. The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

c. After exercising due diligence, the governing board or committee shall determine whether the Organization can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.

d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Organization's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.

4. Violations of the Conflicts of Interest Policy

a. If the governing board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

b. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

**Article IV**  
**Records of Proceedings**

The minutes of the governing board and all committees with board delegated powers shall contain:

a. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the governing board's or committee's decision as to whether a conflict of interest in fact existed.

b. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

## **Article V Compensation**

- a. A voting member of the governing board who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
- b. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
- c. No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

## **Article VI Annual Statements**

Each director, principal officer and member of a committee with governing board delegated powers shall annually sign a statement which affirms such person:

- a. Has received a copy of the conflicts of interest policy,
- b. Has read and understands the policy,
- c. Has agreed to comply with the policy, and
- d. Understands the Organization is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

## **Article VII Periodic Reviews**

To ensure the Organization operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining.
- b. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Organization's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

## **Article VIII Use of Outside Experts**

When conducting the periodic reviews as provided for in Article VII, the Organization may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.