

AMENDED BYLAWS OF THE `AIEA COMMUNITY ASSOCIATION

ARTICLE I NAME AND LOCATION

Section 1. Name

The name of this corporation shall be `AIEA COMMUNITY ASSOCIATION, hereinafter called "the corporation" or "the Association."

Section 2. Location

The primary geographic area of operation for the Association shall be the `Aiea Area, as designated by the City and County of Honolulu, Office of the Managing Director, Neighborhood Commission, Chapter 16, the `Aiea Neighborhood Board No. 20, found in Section 2-16-220, Neighborhood Geography, or as may be amended from time to time.

§2-16-220 `Aiea Neighborhood Board No. 20. Beginning at the junction of the crest of the Ko`olau Range and Hālawa Stream, south along Hālawa Stream to a point opposite the mouth of Hālawa Stream in East Loch, Pearl Harbor, thence south (south and east of Ford Island) to a point in Middle Loch, thence in a northwesterly direction up Middle Loch to a point south and west of the tip of Pearl City Peninsula, thence in a northeasterly direction through East Loch to the mouth of Waimalu Stream, thence north along Waimalu Stream to Kamehameha Highway, west on Kamehameha Highway to Ka`ahumanu Street, north on Ka`ahumanu Street to the southern edge of the Crown at Wailuna community, west and north and east along the edge of the Crown at Wailuna community to the ridge between Waiau Gulch and Punanani Gulch, north on the ridge between Waiau Gulch and Punanani Gulch to the crest of the Ko`olau Range, thence east along the crest of the Ko`olau Range to the junction with Hālawa Stream.

Section 3. Change of Address

The Association's primary principal office shall be in the `Aiea Area, described above, provided that the designation of the county or state of the Association's principal office may be changed by amendment of these bylaws. The board of directors may change the principal office from one location to another within the named county by noting the changed address and effective date below, and such changes of address shall not be deemed, nor require, an amendment of these bylaws:

Section 4. Other Offices

The Association may also have offices at such other places, within or without its state of incorporation, where it is qualified to do business, as its business and activities may require, and as the board of directors may, from time to time, designate.

ARTICLE II NONPROFIT PURPOSES

Section 1. IRC Section 501(c)(3) Purposes

The Association is organized exclusively for charitable and educational purposes within the meaning of section 501(c)(3) of the Internal Revenue Code of 1954, as amended.

Section 2. Specific Objectives and Purposes

The more specific objectives and purposes of this Association shall include, but not be limited to, within the proscriptions of section 501(c)(3) of the Internal Revenue Code of 1954, as amended:

- a. To promote the common interests and the general welfare of the residents, business, and visitors of Aiea;
- b. To engage in community development activities (which may include housing and economic development activities) which are intended to lead to an improvement of the physical, economic or social environment of its geographic area of operation by addressing one or more of the critical problems of the area with attention to the needs of persons with low income. These activities shall be undertaken primarily, but not exclusively, in the Corporation's geographic area of operation, as more particularly described above in Article I, Section 2.

ARTICLE III MEMBERSHIP

Section 1. Eligibility

Any person or organization residing in the state of Hawai'i, concerned about the general welfare of Aiea is eligible for membership.

Section 2. Regular Membership Dues

Membership dues shall be determined by the Executive Board and shall be payable in advance to the Treasurer on the first day of January of each year. New members joining the Association after June 30 shall pay one-half the annual dues for the remainder of the year. Non-profit organizations shall be exempt from payment of dues.

Section 3. Good Standing

Members who have paid the required dues, fees and assessments in accordance with these Bylaws and who are not otherwise suspended shall be Members in good standing. All members in good standing shall be entitled to one vote at all regular or special meetings, as set forth in these Bylaws on the election of directors, on the disposition of all or substantially all of the assets of the Association, on any merger and its principal terms and any amendment of those terms, on any election to dissolve the Association, and as otherwise appropriately submitted to a vote of the Members by the Board.

Section 4. Termination and Suspension of Membership

4.1 Resignation. A Member may voluntarily resign by providing 30 days written notice to the Association, provided that resignation of a Member shall not operate to relieve such Member of the obligation to pay dues or other charges due to the Association, unless the Board votes to relieve such Member by a two-thirds (2/3rds) vote.

4.2 Basis for Expulsion or Suspension. A Member may be subject to expulsion or suspension of their membership because of:

4.2.1 expiration of the period of membership, unless the membership is renewed on the renewal terms fixed by the Board;

4.2.2. failure of a Member to pay dues, fees or assessments as set by the Board within 6 months after they become due and payable; or

4.2.3 occurrence of any event that renders a Member ineligible for membership, or failure to satisfy membership qualifications.

4.3 Suspension. A Member may be suspended under Section 4.4 of the Bylaws, based on the good faith determination by the Board, or a committee authorized by the Board to make such a determination, that the Member has failed in a material and serious degree to observe the Association's rules of conduct, or has engaged in conduct which is materially prejudicial to the purposes and interest of the Association. The Board, or the authorized committee, shall determine conditions for the suspension, including but not limited to, the length of the suspension and conditions precedent, if any, to reinstatement of such suspended Member's membership. A person whose membership is suspended shall not be a Member in good standing during the period of suspension.

4.4 Procedure for Expulsion or Suspension. If grounds appear to exist for expulsion or suspension of a Member under Sections 4.2 or 4.3 of these Bylaws, the procedure set forth below shall be followed:

4.4.1 The Member shall be given 15 days' prior notice of the proposed expulsion or suspension and the reasons for the proposed expulsion or suspension. Notice shall be given by any method reasonably calculated to provide actual notice. Any notice given by mail shall be sent by first-class or registered mail to the Member's last known address as shown on the Association's records.

4.4.2. The Member shall be given an opportunity to be heard, either orally or in writing, at least five days before the effective date of the proposed expulsion or suspension. The

hearing shall be held, or the written statement considered, by the Board or by a committee authorized by the Board to determine whether the expulsion or suspension should take place.

4.4.3 The Board or committee shall recommend whether or not the Member should be expelled, suspended, or sanctioned. The Board shall approve or disapprove the recommended expulsion, suspension or sanction by a two-thirds (2/3rds) vote;

4.4.5 A former, suspended or sanctioned Member may submit a written request for reinstatement within one year of the expulsion, suspension or sanction to the Secretary of the Association. The Board may reinstate such a Member upon a two-thirds (2/3rds) vote upon such terms and conditions as the Board may determine.

4.4.6 Any action challenging an expulsion, suspension, sanction, or termination of membership, including a claim alleging defective notice, must be commenced within one year after the date of the expulsion, suspension, sanction, or termination.

ARTICLE IV GOVERNANCE OF THE ASSOCIATION

Section 1. The Executive Board. The government of the Association shall be vested in the Executive Board, which shall administer the provisions of these Bylaws, determine Association policies and changes thereto, and act on all financial matters.

A. The Executive Board. The Executive Board shall consist of the President, Vice President, Treasurer, Secretary and eight (8) Directors elected by the general membership. In the event, through resignation or otherwise, the total number of the Executive Board becomes less than the designated twelve, the remaining Board Members, even if not constituting a majority or quorum, immediately become an ad hoc nominating committee, and shall within thirty (30) days elect by majority vote of the remaining Directors/Officers to bring the total number back to at least eleven. During the time that the Board has less than eleven members the only business it may conduct is that related to functioning as the ad hoc nominating committee, voting on new Directors, or dissolving the Association as specified in Article IX.

B. Officers and Directors. All Officers and Directors must be members in good standing of the Association. All Officers shall be elected for a term of one (1) year and shall assume office January 1 and serve through December 31 of each year. All directors shall be elected for a staggered term of two (2) years and shall assume office January 1 and serve through December 31 bi-annually.

C. Elections. Members of the Executive Board of this Association are to be nominated and approved by either the general membership or by the Executive Board.

a. Nominating Committee. A Nominating Committee shall be appointed by the President with the approval of the Executive Board at least thirty (30) days before the Annual Meeting. This Committee shall prepare nominations for Officers and Directors of the Association prior to the Annual Meeting. Additional nominations may be made from the floor.

b. Election Date. Elections shall be held at the Annual Membership Meeting.

C. Quorum and Meetings. The Executive Board shall meet at least four (4) times a year. A majority of the Executive Board shall constitute a quorum for the transaction of business at any meeting of the Executive Board.

D. Regardless of any other provisions of these Bylaws, at all times, at least fifty-one percent (51%) of the Association's Executive Board must be composed of person in one or more of the following categories:

- 1) low- and moderate-income residents of its geographic area of operation;
- 2) owners or senior officers of private establishments and other institutions located in and serving its geographic area of operation; or
- 3) representatives of low- and moderate-income neighborhood organizations located in its geographic area of operation.

E. Is not an agency or instrumentality of the City and County of Honolulu and does not permit more than one-third of the membership of its governing body to be appointed by, or to consist of, elected or other public officials or employees or officials of an ineligible entity (even though such persons may be otherwise qualified under §570.204)(c)(1)(iv).

Section 2. Duties of the Officers.

A. President. The President shall be the principal Executive Officer of the Association. The President shall preside over all meetings of the Association and the Executive Board. The President shall, with the approval of the Executive Board, appoint all standing committee chairs. The President shall countersign all orders, warrants, and checks and perform such other duties as maybe necessary to carry out the functions of this office.

B. Vice President. The Vice President shall perform the duties of the President in the absence of the President and other duties assigned by the President or the Executive Board. In the event of the death, disability, or resignation of the President, the Vice President shall perform all the duties of the President.

C. Secretary. The Secretary shall:

- 1) Certify and keep at the principal office of the Association the original, or a copy, of these bylaws as amended or otherwise altered to date.
- 2) Keep at the principal office of the Association or at such other place as the board may determine, a book of minutes of all meetings of the directors, and, if applicable, meetings of committees of directors and of members, recording therein the time and place of holding, whether regular or special, how called, how notice thereof was given, the names of those present or represented at the meeting, and the proceedings thereof.

- 3) See that all notices are duly given in accordance with the provisions of these bylaws or as required by law.
- 4) Be custodian of the records and of the seal of the Association and affix the seal, as authorized by law or the provisions of these bylaws, to duly executed documents of the Association.
- 5) Keep at the principal office of the Association a membership book containing the name and address of each and any members, and, in the case where any membership has been terminated, he or she shall record such fact in the membership book together with the date on which such membership ceased.
- 6) Exhibit at all reasonable times to any director of the Association, or to his or her agent or attorney, on request therefore, the bylaws, the membership book, and the minutes of the proceedings of the directors of the Association.
- 7) In general, perform all duties incident to the office of secretary and such other duties as may be required by law, by the articles of incorporation, or by these bylaws, or which may be assigned to him or her from time to time by the board of directors.

D. Treasurer. The Treasurer shall:

- 1) Have charge and custody of, and be responsible for, all funds and securities of the Association, and deposit all such funds in the name of the Association in such banks, trust companies, or other depositories as shall be selected by the board of directors.
- 2) Receive, and give receipt for, monies due and payable to the Association from any source whatsoever.
- 3) Disburse, or cause to be disbursed, the funds of the Association as may be directed by the board of directors, taking proper vouchers for such disbursements.
- 4) Keep and maintain adequate and correct accounts of the Association's properties and business transactions, including accounts of its assets, liabilities, receipts, disbursements, gains, and losses.
- 5) Exhibit at all reasonable times the books of account and financial records to any director of the Association, or to his or her agent or attorney, on request therefore.
- 6) Render to the president and directors, whenever requested, an account of any or all of his or her transactions as treasurer and of the financial condition of the Association.
- 7) Prepare, or cause to be prepared, and certify, or cause to be certified, the financial statements to be included in any required reports.
- 8) In general, perform all duties incident to the office of treasurer and such other duties as may be required by law, by the articles of incorporation of the Association, or by these bylaws, or which may be assigned to him or her from time to time by the board of directors.

Section 3. Powers

Subject to the provisions of the laws of this state and any limitations in the articles of incorporation and these bylaws relating to action required or permitted to be taken or approved

by the members, if any, of this Association, the activities and affairs of this Association shall be conducted and all corporate powers shall be exercised by or under the direction of the executive board, including but not limited to, contracting for goods and services from vendors of its own choosing.

Section 4. Duties

In addition to the powers and duties conferred and imposed by law or elsewhere in these bylaws, the Executive Board:

- shall exercise full power and authority to govern the affairs of the Association, except as otherwise provided in these bylaws;
- shall approve a program for the ensuing year;
- shall ensure the financial viability of the Association and safeguard its assets; and
- may recommend and enact amendments to the bylaws.

Section 5. Compensation

Officers and Directors shall serve without compensation except that a reasonable fee may be paid for attending regular and special meetings of the board. In addition, they shall be allowed reasonable advancement or reimbursement of expenses incurred in the performance of their duties. Any payments to directors shall be approved in advance in accordance with this Association's conflict of interest policy, as set forth in Article 9 of these bylaws.

Section 6. Place of Meetings

Meetings shall be held at the principal office of the Association unless otherwise provided by the board or at such other place as may be designated from time to time by resolution of the board of directors.

Section 7. Regular Meetings

Regular meetings of Executive Board shall be held at such times and places as determined by the Board. These meetings shall be open to members and members of the public. The Board may hold closed executive sessions on matters relating to employee or personnel disciplinary action, termination of a general membership, investigation and resolution of possible ethical or conflict of interest matters or any other matter upon a majority vote.

Section 8. Special Meetings

Special meetings of the Executive Board may be called by the President, the vice president, the secretary, by any two directors, or, if different, by the persons specifically authorized under the laws of this state to call special meetings of the board. Such meetings shall be held at such time

and place as designated by the person or persons calling the special meeting, provided that reasonable notice of the time, place and purpose of said meeting shall be given to each director.

Section 9. Notice of Meetings

Unless otherwise provided by the articles of incorporation, these bylaws, or provisions of law, the following provisions shall govern the giving of notice for meetings of the board of directors:

a. Regular and Special Meetings. Reasonable notice of Regular Meetings shall be given to Executive Board members. The Secretary shall maintain a roster of Executive Board Members including their current postal mailing address, their telephone numbers, and their electronic mail address. Notification of the date and time of Special Board meetings, and changes in the date or time of regularly scheduled Board meetings shall be furnished to all Board members by the Secretary. In the event of notification by postal mail, the notification is considered reasonable if such mailing is deposited in a U.S. Postal Service mailbox five (5) days prior to the special meeting or the previously scheduled meeting. If notified by electronic mail or telephone, the notification is considered reasonable if performed more than twenty-four (24) hours prior to the special or previously scheduled meeting.

b. Waiver of Notice. Whenever any notice of a meeting is required to be given to any director of this Association under provisions of the articles of incorporation, these bylaws, or the law of this state, a waiver of notice in writing signed by the director, whether before or after the time of the meeting, shall be equivalent to the giving of such notice.

Section 10. Quorum and Attendance for Meetings

a. Quorum. For the purpose of meetings of the Executive Board, the majority, or one more than half, of board members shall constitute a quorum and have authority to transact all business, which may come before the meeting, except as otherwise provided under the articles of incorporation, these bylaws, or provisions of law. No business shall be considered by the Board at any meeting at which the required quorum is not present.

b. Attendance at Meeting: Executive Board members may participate in a meeting by actual physical presence or by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

c. Attendance Without a Meeting. In lieu of holding a meeting, the Executive Board shall be authorized to conduct any action required or permitted to be taken by the Board may be taken without a meeting if a supermajority (2/3rds) of the members of the Board consent in writing to the adoption of a resolution authorizing the action. Advance notice of such action in lieu of meeting shall be conducted in accordance with Section 10, *infra*. “Consent in Writing” to an action shall also include electronic communications (email) so long as: (1) all Board of Directors are included in the circulated emails to avoid private discussions;

and (2) such email discussions/chains are provided to any Donor Members or members of general public who wish to participate.

Section 11. Majority Action as Board Action

Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present is the act of the board of directors, unless the articles of incorporation, these bylaws, or provisions of law require a greater percentage or different voting rules for approval of a matter by the board.

Section 12. Conduct of Meetings

Meetings of the Executive Board shall be presided over by the President of the Board, or, in his or her absence, by the Vice President of the Association, or in the absence of each of these persons, by a *pro tem* chairperson chosen by a majority of the directors present at the meeting. The secretary of the Association shall act as secretary of all meetings of the board, provided that, in his or her absence, the presiding officer shall appoint another person to act as secretary of the meeting. Meetings shall be governed by such procedures as may be approved from time to time by the board of directors, insofar as such rules are not inconsistent with or in conflict with the articles of incorporation, these bylaws, or with provisions of law.

Section 13. Vacancies

Any director may resign effective upon giving written notice to the President, the secretary, or the board of directors, unless the notice specifies a later time for the effectiveness of such resignation.

A Director may be removed *with cause* by a majority vote of the Executive Board of the Association. A Director may be removed *without cause* by a two-thirds vote of the remaining Board of Directors provided there is a quorum of Directors at the meeting at which such actions is taken. Any officer or Director who has more than three (3) unexcused absences from meetings may be removed by the Board upon a majority vote of the Directors.

Unless otherwise prohibited by the articles of incorporation, these bylaws, or provisions of law, the President with approval of the board of directors may fill vacancies on the board. If the number of directors then in office is less than a quorum, a vacancy on the board may be filled by approval of a majority of the directors then in office or by a sole remaining director. A person elected to fill a vacancy on the board shall hold office until the next election of the board of directors or until his or her death, resignation, or removal from office.

Section 14. Nonliability of Directors

The directors shall not be personally liable for the debts, liabilities, or other obligations of the Association. No Director shall be personally liable to the Association or its members or

employees for monetary damages for a breach of the volunteer Director's fiduciary duties, with exceptions for: (a) acts of omission not in good faith which involve intentional misconduct or a willful, intentional or knowing violation of the law; (b) a transaction from which the Director received an improper benefit; and/or (c) acts of omission which are grossly negligent

Article 5 Committees

Section 1. Standing Committees.

There shall be the following Standing Committees of the Association: Education, Social, Economic Development, Urban Planning & Design, Membership, Elections, and Community Concerns.

Section 2. Chairs.

Chairs of the respective Committees shall be appointed by the President with the approval of the Executive Board

Section 3. Special Committees.

Special Committees and their respective Chairs may be appointed by President, with the approval of the Executive Board.

Section 4. Meetings and Action of Committees

Meetings and action of committees shall be governed by, noticed, held, and taken in accordance with the provisions of these bylaws concerning meetings of the Executive Board, with such changes in the context of such bylaw provisions as are necessary to substitute the committee and its members for the board of directors and its members, except that the time for regular and special meetings of committees may be fixed by resolution of the board of directors or by the committee. The Executive Board of directors may also adopt rules and regulations pertaining to the conduct of meetings of committees to the extent that such rules and regulations are not inconsistent with the provisions of these bylaws.

Article 6 Execution of Instruments, Deposits, and Funds

Section 1. Execution of Instruments

The Executive Board, except as otherwise provided in these bylaws, may by resolution authorize any officer or agent of the Association 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. In absence of any specific resolution or unless specified herein in these Bylaws, the President shall be the only officer, agent, or employee vested with any power

or authority to bind the Association by any contract or engagement or to pledge its credit or to render it liable monetarily for any purpose or in any amount.

Section 2. Checks and Notes

All checks or demands for money, drafts or other orders for payment of monies and all notes, bonds or other evidence of indebtedness issued in the name of the Association shall be executed and will be proper only in accordance with the following:

- a. For an aggregate transaction amount of \$150.00 or less, one signature;
- b. For any amount in the aggregate more than \$150.00, two signatures;

by the Chair and/or the Treasurer. In absence of the Treasurer, the Executive Director may sign. In absence of the President, the Vice-President may sign. By resolution, the Board of Directors may deviate from this policy, provided that it shall specifically identify the nature of the transaction so authorized.

The Executive Board may also authorize the use of credit and/or debit cards for transactions by Directors, Officers and/or employees, as provided for through an approved resolution and/or policy.

Section 3. Deposits

All funds of the Association shall be deposited from time to time to the credit of the Association in such banks, trust companies, or other depositories as the board of directors may select.

Section 4. Gifts

The Executive Board may accept on behalf of the Association any contribution, gift, bequest, or devise for the nonprofit purposes of this Association.

Article 7 Corporate Records, Reports, and Seal

Section 1. Maintenance of Corporate Records

The Association shall keep at its principal office:

- a. Minutes of all meetings of directors, committees of the board, and, if this Association has members, of all meetings of members, indicating the time and place of holding such meetings, whether regular or special, how called, the notice given, and the names of those present and the proceedings thereof;
- b. Adequate and correct books and records of account, including accounts of its properties and business transactions and accounts of its assets, liabilities, receipts, disbursements, gains, and losses;

- c. A record of its members, if any, indicating their names and addresses and, if applicable, the class of membership held by each member and the termination date of any membership;
- d. A copy of the Association's articles of incorporation and bylaws as amended to date, which shall be open to inspection by the members, if any, of the Association at all reasonable times during office hours.

Section 2. Corporate Seal

The board of directors may adopt, use, and at will alter, a corporate seal. Such seal shall be kept at the principal office of the Association. Failure to affix the seal to corporate instruments, however, shall not affect the validity of any such instrument.

Section 3. Directors' Inspection Rights

Every director shall have the absolute right at any reasonable time to inspect and copy all books, records, and documents of every kind and to inspect the physical properties of the Association, and shall have such other rights to inspect the books, records, and properties of this Association as may be required under the articles of incorporation, other provisions of these bylaws, and provisions of law.

Section 4. Right to Copy and Make Extracts

Any inspection under the provisions of this article may be made in person or by agent or attorney and the right to inspection shall include the right to copy and make extracts.

Section 5. Periodic Report

The board shall cause any annual or periodic report required under law to be prepared and delivered to an office of this state or to the members, if any, of this Association, to be so prepared and delivered within the time limits set by law.

Article 8 IRC 501(c)(3) Tax Exemption Provisions

Section 1. Limitations on Activities

No substantial part of the activities of this Association shall be the carrying on of propaganda, or otherwise attempting to influence legislation (except as otherwise provided by Section 501(h) of the Internal Revenue Code), and this 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 provisions of these bylaws, this Association shall not carry on any activities not permitted to be carried on (a) by an Association exempt from federal income tax

under Section 501(c)(3) of the Internal Revenue Code, or (b) by an Association, contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code.

Section 2. Prohibition Against Private Inurement

No part of the net earnings of this Association shall inure to the benefit of, or be distributable to, its members, directors or 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 of this Association.

Section 3. Distribution of Assets

Upon the dissolution of this Association, its assets remaining after payment, or provision for payment, of all debts and liabilities of this Association, shall be distributed for one or more exempt purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code or shall be distributed to the federal government, or to a state or local government, for a public purpose. Such distribution shall be made in accordance with all applicable provisions of the laws of this state.

Article 9 Conflict of Interest and Compensation Approval Policies

Section 1. Purpose of Conflict of Interest Policy

The purpose of this conflict of interest policy is to protect this tax-exempt Association'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 Association or any "disqualified person" as defined in Section 4958(f)(1) of the Internal Revenue Code and as amplified by Section 53.4958-3 of the IRS Regulations and which might result in a possible "excess benefit transaction" as defined in Section 4958(c)(1)(A) of the Internal Revenue Code and as amplified by Section 53.4958 of the IRS Regulations. 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.

Section 2. Definitions

- a. Interested Person.** Any director, principal officer, member of a committee with governing board delegated powers, or any other person who is a "disqualified person" as defined in Section 4958(f)(1) of the Internal Revenue Code and as amplified by Section 53.4958-3 of the IRS Regulations, who has a direct or indirect financial interest, as defined below, is an interested person.
- b. Financial Interest.** A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:
 1. An ownership or investment interest in any entity with which the Association has a transaction or arrangement;
 2. A compensation arrangement with the Association or with any entity or individual with which the Association has a transaction or arrangement; or

3. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Association 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 Section 3, paragraph B, 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.

Section 3. Conflict of Interest Avoidance Procedures

- a. **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.
- b. **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.
- c. **Procedures for Addressing the Conflict of Interest.** 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.
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.
After exercising due diligence, the governing board or committee shall determine whether the Association 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.
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 Association'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.
- d. **Violations of the Conflicts of Interest Policy.** 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.
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.

Section 4. Records of Board and Board Committee Proceedings

The minutes of meetings 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.

Section 5. Compensation Approval Policies

A voting member of the governing board who receives compensation, directly or indirectly, from the Association for services is precluded from voting on matters pertaining to that member's compensation.

A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Association for services is precluded from voting on matters pertaining to that member's compensation.

No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Association, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

When approving compensation for directors, officers and employees, contractors, and any other compensation contract or arrangement, in addition to complying with the conflict of interest requirements and policies contained in the preceding and following sections of this article as well as the preceding paragraphs of this section of this article, the board or a duly constituted compensation committee of the board shall also comply with the following additional requirements and procedures:

- a. the terms of compensation shall be approved by the board or compensation committee prior to the first payment of compensation;
- b. all members of the board or compensation committee who approve compensation arrangements must not have a conflict of interest with respect to the compensation arrangement as specified in IRS Regulation Section 53.4958-6(c)(iii), which generally requires that each board member or committee member approving a compensation arrangement between this organization and a "disqualified person" (as defined in Section 4958(f)(1) of the Internal Revenue Code and as amplified by Section 53.4958-3 of the IRS Regulations):
 1. is not the person who is the subject of the compensation arrangement, or a family member of such person;
 2. is not in an employment relationship subject to the direction or control of the person who is the subject of the compensation arrangement;

3. does not receive compensation or other payments subject to approval by the person who is the subject of the compensation arrangement;
 4. has no material financial interest affected by the compensation arrangement; and
 5. does not approve a transaction providing economic benefits to the person who is the subject of the compensation arrangement, who in turn has approved or will approve a transaction providing benefits to the board or committee member.
- c. the board or compensation committee shall obtain and rely upon appropriate data as to comparability prior to approving the terms of compensation. Appropriate data may include the following:
1. compensation levels paid by similarly situated organizations, both taxable and tax-exempt, for functionally comparable positions. "Similarly situated" organizations are those of a similar size, purpose, and with similar resources;
 2. the availability of similar services in the geographic area of this organization;
 3. current compensation surveys compiled by independent firms;
 4. actual written offers from similar institutions competing for the services of the person who is the subject of the compensation arrangement;

As allowed by IRS Regulation 4958-6, if this organization has average annual gross receipts (including contributions) for its three prior tax years of less than \$1 million, the board or compensation committee will have obtained and relied upon appropriate data as to comparability if it obtains and relies upon data on compensation paid by three comparable organizations in the same or similar communities for similar services.

- d. the terms of compensation and the basis for approving them shall be recorded in written minutes of the meeting of the board or compensation committee that approved the compensation. Such documentation shall include:
1. the terms of the compensation arrangement and the date it was approved;
 2. the members of the board or compensation committee who were present during debate on the transaction, those who voted on it, and the votes cast by each board or committee member;
 3. the comparability data obtained and relied upon and how the data was obtained;
 4. If the board or compensation committee determines that reasonable compensation for a specific position in this organization or for providing services under any other compensation arrangement with this organization is higher or lower than the range of comparability data obtained, the board or committee shall record in the minutes of the meeting the basis for its determination;
 5. If the board or committee makes adjustments to comparability data due to geographic area or other specific conditions, these adjustments and the reasons for them shall be recorded in the minutes of the board or committee meeting;
 6. any actions taken with respect to determining if a board or committee member had a conflict of interest with respect to the compensation arrangement, and if so, actions taken to make sure the member with the conflict of interest did not affect or participate in the approval of the transaction (for example, a notation in the records that after a finding of conflict of interest by a member, the member with the conflict of interest was asked to, and did, leave the meeting prior to a discussion of the compensation arrangement and a taking of the votes to approve the arrangement);

7. The minutes of board or committee meetings at which compensation arrangements are approved must be prepared before the later of the date of the next board or committee meeting or 60 days after the final actions of the board or committee are taken with respect to the approval of the compensation arrangements. The minutes must be reviewed and approved by the board and committee as reasonable, accurate, and complete within a reasonable period thereafter, normally prior to or at the next board or committee meeting following final action on the arrangement by the board or committee.

Section 6. 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 Association 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.

Section 7. Periodic Reviews

To ensure the Association operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews may 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 Association'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.

Section 8. Use of Outside Experts

When conducting the periodic reviews as provided for in Section 7, the Association 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.

Article 10 Amendment of Bylaws

Section 1. Amendment

Subject to the power of the members, if any, of this Association to adopt, amend, or repeal the bylaws of this Association and except as may otherwise be specified under provisions of law, these bylaws, or any of them, may be altered, amended, or repealed and new bylaws adopted by approval of the board of directors.

Article 11 Parliamentary Procedure

Robert's Rule of Orders, as revised, shall govern all proceedings of this Association.

Article 12 Construction and Terms

If there is any conflict between the provisions of these bylaws and the articles of incorporation of this Association, the provisions of the articles of incorporation shall govern.

Should any of the provisions or portions of these bylaws be held unenforceable or invalid for any reason, the remaining provisions and portions of these bylaws shall be unaffected by such holding.

All references in these bylaws to the articles of incorporation shall be to the articles of incorporation, articles of organization, certificate of incorporation, organizational charter, corporate charter, or other founding document of this Association filed with an office of this state and used to establish the legal existence of this Association.

All references in these bylaws to a section or sections of the Internal Revenue Code shall be to such sections of the Internal Revenue Code of 1986 as amended from time to time, or to corresponding provisions of any future federal tax code.