

**Bylaws**  
of the  
**National Association  
of Professional Employer Organizations<sup>1</sup>**



*NAPEO – The Voice of the PEO Industry®  
Associating PEO Companies in the Common Goal of Promoting and Facilitating the Success of Member  
Companies*

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<sup>1</sup> *As adopted by the Membership in Orlando, Florida on September 26, 1998, amended by the Membership in Chicago, Illinois on October 10, 2002, amended on September 22, 2004 in Phoenix, Arizona, and further amended by the Membership on September 11, 2009 in Miami, Florida*

## **ARTICLE I**

### **General**

Section 1. NAME. The name of this corporation is National Association of Professional Employer Organizations (hereinafter called "Association" or "NAPEO").

Section 2. THE NATIONAL HEADQUARTERS. The National Headquarters of the Association shall be located within the continental United States as the Board of Directors shall direct.

Section 3. OTHER OFFICES. The Association may maintain such offices within or without the United States as may be determined from time to time by the Board of Directors.

## **ARTICLE II**

### **Objectives**

Section 1. To promote the professional employer organization ("PEO") industry which is defined as an industry composed of organizations which provide integrated, cost-effective solutions for the management and administration of human resources for its clients, by contractually assuming substantial employer rights, responsibilities, and risk and by establishing and maintaining an employer relationship with the workers assigned to client companies;

Section 2. To provide opportunities for the exchange of ideas and information concerning the professional employer industry for study, discussion, and publication;

Section 3. To develop efficient methods, procedures, and techniques for managing common interests of PEOs;

Section 4. To develop and encourage the practice of high standards of personal and professional conduct within the professional employer industry;

Section 5. To hold meetings and conferences for the mutual improvement and education of individuals associated with the professional employer industry;

Section 6. To exchange, compile information, and otherwise take action on pending and adopted legislation affecting the professional employer industry;

Section 7. To collect and disseminate statistics and other related information helpful to Association members; and

Section 8. To engage in any other such pursuits which further these objectives and are consistent with the Association's Corporate Charter, anti-trust laws, and the Association's non-profit status.

### **ARTICLE III**

#### **Membership**

Section 1. CLASSES OF MEMBERSHIP. The members of this Association shall be of three classes:

(a) **REGULAR MEMBERS.** Business entities actively engaged in the professional employer organization industry whose dues payments to the Association are current and who endorse and support the Code of Ethics and are in compliance with these Bylaws shall be eligible to become Regular Members in the Association.

(a-1) Member defined: A member shall be defined as the business entity, including all affiliated entities, which provides PEO services. A franchisor applying for membership who intends to confer any NAPEO membership benefit on franchisees must include those franchisees in calculating membership requirements unless the franchisee is independently a member of NAPEO.

(a-2) Member representation: One authorized representative of each Regular Member may vote on all issues requiring membership approval and shall be eligible to serve as an officer or Director of the Association.

(a-3) Member logo: Regular Members may utilize the standard NAPEO member logo in the promotion of their company.

(b) **ASSOCIATE MEMBERS.** Any individual, firm, or other business organization not engaged in the business of providing PEO services, but who provides a product or service to the professional employer organization industry shall be eligible for Associate membership. An individual, firm, or other business organization that is in common control or ownership with a person or entity engaged in the business of providing PEO services shall not be eligible for

associate membership unless the commonly owned or controlled entity is a Regular Member.

(b-1) Associate Member representation: One authorized representative of each Associate Member may vote on all issues requiring membership approval except that an Associate Member in common control or ownership with a regular member shall not have voting rights. One representative of voting Associate Members shall be eligible to serve on the NAPEO Board of Directors; but Associate Members shall not be eligible to serve as Officers of the Association.

(b-2) Associate Member privileges: Associate Members shall be eligible for such privileges as determined by resolution by the Board of Directors from time to time, in its sole discretion.

(c) HONORARY MEMBERS. Any person having gained eminence in the industry, or any person who merits the Association's esteem may be elected an Honorary Member by unanimous vote of the Directors present at any regular or duly called meeting of the Board of Directors. Honorary Members shall not be eligible to vote or hold office in this Association.

Section 2. APPLICATION. Application for membership in this Association shall be on the proper form as prescribed by the Board of Directors. Membership applications shall be deemed accepted and shall become effective when the proper application form with the accompanying dues payment have been approved by the Board of Directors or its authorized

agent. At all times, the Board shall be the sole and final judge of the qualification and acceptance of applications. Application for membership shall be made in the name of a specific business entity, and does not vest membership in any other affiliated business entities of the member. Notwithstanding that membership is held by the business entity, firms, and persons may, by action of a majority of the Board of Directors, be disqualified or terminated from membership because of the actions of individuals affiliated with the firm or member.

Section 3. RESIGNATION. Any member may resign by mailing a letter of resignation to the National Headquarters of the Association. The resignation shall be effective upon receipt at the National Headquarters, provided any indebtedness to the Association is paid in full.

Section 4. MEMBERSHIP GOVERNANCE & LOSS OF MEMBERSHIP RIGHTS & PRIVILEGES. Whenever a member fails to comply with these Bylaws, such failure to be determined pursuant to Article XVI of these Bylaws, and any other applicable provisions of these Bylaws, the member will be deemed to have ceased to be a member as of the first date of the determination of violation. Such member shall immediately lose all the rights and privileges of membership, and shall not be permitted to represent itself in any fashion to be a member of the Association.

Section 5. MEMBERSHIP RIGHT NON-TRANSFERABLE. Membership in the Association shall not be transferable. Upon application for membership by a corporation or other business entity, which is a successor entity to a member of the Association, the President is

empowered to assess the suitability of said application, pursuant to Section 2 above, and to require the successor to meet any and all obligations of membership left unfulfilled by the predecessor in addition to complying with all prerequisites to membership.

Section 6. VOTING RIGHTS AND POWERS. All Regular and Associate Members shall be entitled to one (1) vote each. All other members will be non-voting members.

## **ARTICLE IV**

### **Meetings and Members**

Section 1. ANNUAL MEETING. The Annual Meeting of the members of this Association shall be held at a time and place to be designated by the Board of Directors.

Section 2. SPECIAL MEETINGS. Special meetings of the members may be called at any time by the Chairman or the Board of Directors, and shall be called by the Chairman upon written application of not less than twenty-five (25) Regular Members or ten percent (10%) of the Regular Members, whichever is a greater number of members, within thirty (30) days after the filing of a valid and proper application with the President or the Secretary. The application shall state the purpose of the meeting. A copy of the written application by the qualified number or percentage of Regular Members, including a statement of purpose of said meeting, shall be mailed by applicant(s) to all Regular Members contemporaneously with the filing of the application and provision of notice shall be at the applicant(s)' expense; the cost of provision of notice of any special meeting so called shall be at the expense of the applicant(s) for such meeting and shall be prepaid to National Headquarters. Special meetings of the members shall be held at a time and place to be designated by the

Chairman, or in the event of the Chairman's inability or refusal to act, by the Vice Chairman/Chairman-Elect.

Section 3. NOTICE. A written or printed notice stating the purpose, place, date, and hour of every Annual Meeting of the members shall be provided by the President or Secretary to each member of this Association at least thirty (30) days before said meeting. A written or printed notice stating the purpose, place, date, and hour of every special meeting of the members shall be provided by the President or Secretary to each member of this Association at least ten (10) days before said meeting. If a member gives no new address, notice shall be deemed to have been given if sent by mail or other means of communication addressed to the members' address on his or her application for membership.

Section 4. QUORUM. Twenty percent (20%) of the voting members, represented in person or proxy, shall constitute a quorum at annual or special meetings.

Section 5. MAIL REFERENDUM. When, in the judgment of the Board of Directors, any question shall arise that should be put to a vote of the voting members, and when the Board of Directors deems it inexpedient to call a special meeting for that purpose, unless otherwise required by the Bylaws, the Board of Directors may submit the matter to the voting members in writing by mail for vote and decision. A question thus presented shall be determined according to a majority of the votes received by mail within three weeks after each submission to the membership provided that, in each case, votes of at least fifty percent (50%) of the voting members shall be received. Action taken in this manner shall be as

effective as action taken at a duly called meeting. The President shall tally all votes received, place the ballots with the records of the Association, and report the results of the tally within fifteen (15) days to all members who were eligible to vote.

## **ARTICLE V**

### **Dues**

Section 1. DUES. Membership dues and the method of payment shall be set from time to time by the Board of Directors.

Section 2. WHEN DUE; WHEN DELINQUENT. Dues shall be payable on the first day of January and are considered delinquent thirty (30) days thereafter.

Section 3. LOSS OF RIGHTS AND PRIVILEGES. Whenever a member allows membership dues to become delinquent, the member automatically ceases to be a member and loses all the rights and privileges of membership.

## **ARTICLE VI**

### **Officers**

Section 1. CORPORATE OFFICERS. The Officers of this Association shall be Chairman, Vice Chairman/ Chairman -Elect, Second Vice Chairman, Treasurer, Secretary, and Immediate Past Chairman. No person may be an Officer of this Association who is not an authorized representative of a Regular Member. An authorized representative of a Regular Member must be an officer, owner, employee, or partner thereof.

Section 2. ELECTION AND TERM. The elected Officers of this Association shall be elected in accordance with Article XII by the voting members represented in person or proxy at the Annual Meeting. Elected Officers shall hold office for one year and until their successor shall have been duly elected and shall have qualified. Each term shall run from Annual Meeting to Annual Meeting.

Section 3. LIMIT ON TERMS. Elected Officers and elected Directors shall be eligible for election for not more than two terms in succession for each office. This provision shall not bar re-election after an absence of at least one term from office.

Section 4. APPOINTED MANAGEMENT. The Board of Directors shall appoint a President or such other management, on a contract basis, as the business of the Association may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws or as the Board of Directors from time to time determine.

Section 5. REMOVAL. Any Officer may be removed by the Board of Directors whenever in its judgment, the best interest of the Association would be served thereby. No Officer shall be removed except by two-thirds (2/3) vote of the entire Board of Directors.

Section 6. RESIGNATION. Any Officer may resign at any time by giving written notice to the Board of Directors, the Chairman, or the President of the Association. Any such resignation shall take effect upon receipt of such notice or at any later time specified therein, and unless

otherwise specified therein the acceptance of such resignation shall not be necessary to make it effective.

Section 7. OFFICER VACANCIES. A vacancy in any office except Chairman because of death, resignation, removal, disqualification, or otherwise, may be filled by the Board of Directors for the unexpired portion of the term. A vacancy in any office except Chairman shall be filled by the Board of Directors by the election of a member of the Board to fill the vacancy. A vacancy in the office of Chairman shall be filled by the automatic succession of the Vice Chairman/Chairman-Elect to the Chairmanship.

Section 8. BOARD VACANCIES. A vacancy on the Board of Directors shall be filled by the Board of Directors from the Regular Members, except in the case of a vacancy occurring in the Associate Member seat, in which event the vacant Associate Member seat shall be filled by the Board of Directors from the Associate Members.

Section 9. FEES AND COMPENSATION. Elected Officers shall not receive any compensation, fee, or salary for their services as Officers, but by resolution of the Board of Directors, reimbursement and/or expense allowances may be allowed to any elected Officer for any expenses incurred or paid by him or her for the benefit of the Association. The compensation, fees, or salaries of the appointed management shall be determined from time to time by the Board of Directors.

## **ARTICLE VII**

### **Duties of Officers and President**

Section 1. CHAIRMAN. The Chairman shall be the principal Officer and legal head of the Association and, subject to the control of the Board of Directors, he or she shall:

- (a) Provide leadership and general supervision over the Association and all activities;
- (b) Preside at all meetings of the members, Board of Directors, and Executive Committee;
- (c) Represent and speak for the Association to the public and to other organizations;
- (d) Appoint all committees and be an ex-officio member of all committees;
- (e) Have the general powers and duties of management usually vested in the office of Chairman of a nonprofit trade association; and
- (f) Have such other powers and duties as may be prescribed by the Board of Directors or the Bylaws.

Section 2. VICE CHAIRMAN/-CHAIRMAN-ELECT. In the absence of the Chairman or in the event of the Chairman's inability or refusal to act, the Vice Chairman /Chairman-Elect

shall perform all the duties of the Chairman, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chairman. The Vice Chairman /Chairman - Elect automatically accedes to the Chairmanship when the Chairman vacates the office or completes his/her term of office. He or she shall be an ex-officio member of all the committees, and shall have such other powers and perform such other duties as from time to time may be assigned by the Chairman or prescribed by the Bylaws.

Section 3. SECOND VICE CHAIRMAN. In the absence of the Chairman and Vice Chairman /Chairman-Elect or in the event of the Chairman's and Vice Chairman /Chairman-Elect's inability or refusal to act, the Second Vice Chairman shall perform all the duties of the Chairman, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chairman. The Second Vice Chairman will automatically accede to the office of Vice Chairman /Chairman-Elect when the Vice Chairman /Chairman Elect vacates the office or completes his/her term of office. In the event that the Vice Chairman / Chairman-Elect cannot accede to Chairman, the Second Vice Chairman will automatically accede to the Chairmanship. He or she shall be an ex-officio member of all the committees, and shall have such other powers and perform such other duties as from time to time may be assigned by the Chairman or prescribed by the Bylaws.

Section 4. TREASURER. The Treasurer shall be responsible to oversee the collection of all membership dues, establish proper accounting procedures for the handling of Association funds, and shall report on the financial conditions of the Association at all meetings of the Board. At the end of each fiscal year, the Treasurer shall see that an annual report of the

financial standing of the Association is prepared by an audit committee or by a certified public accountant.

Section 5. SECRETARY. The Secretary shall be responsible to oversee the keeping of minutes of all Board, Executive, and Membership meetings, the serving of notice of all meetings of the Board and the Association, and the keeping of the membership records, the Bylaws, and such other papers as the Board may direct.

Section 6. PRESIDENT. The President shall be the chief executive officer of this Association, and subject to the control of the Chairman and the Board of Directors, he or she shall:

- (a) Supervise, direct, and control the business and affairs of the Association;
- (b) Hire, supervise, and direct all employees of the Association, and have the power to delegate responsibilities and commensurate authority to his or her subordinates;
- (c) Supervise, direct, and control the collection, deposit, and disbursement of all funds of the Association in accordance with the specific or general instructions and policies of the Board of Directors;
- (d) Attend all meetings of the Board of Directors and all committees and, whenever practical, serve as the staff advisor and recording secretary thereof; and

(e) Have such other powers and duties as may be prescribed by the Board of Directors or the Bylaws.

## **ARTICLE VIII**

### **Board of Directors**

Section 1. **POWERS.** The governing powers of this Association shall be vested in the Board of Directors. The Board of Directors shall have power to call meetings of the Association, manage and control the affairs, relations, and business of the Association, and to make rules not inconsistent with these Bylaws and the laws of the state in which this corporation is incorporated, for the guidance and management of the affairs of the Association. The Board of Directors shall have power to incur indebtedness, the terms and amount of which shall be entered in the minutes of the Board, and the note or obligation, if any, given for the same signed officially by the Chairman and the Secretary, shall be binding on the Association. The Board of Directors may appoint such other officers, agents, or committees as it deems necessary and shall fill all temporary or permanent vacancies that may occur in any Association office.

Section 2. **COMPOSITION.** The Board of Directors shall be comprised of at least eleven (11) and not more than seventeen (17) directors elected by the members<sup>2</sup>. The exact number of Directors shall be established by the Board from time to time. The directors shall include the Chairman, Vice Chairman /Chairman -Elect, Second Vice Chairman, Treasurer, Secretary, and Immediate Past Chairman. No person may be an Officer of this Association

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<sup>2</sup> By vote of the membership on September 11, 2009, this changes automatically to "at least eleven (11) and not more than nineteen (19) directors" on the day of and immediately preceding the 2010 membership meeting.

who is not an authorized representative of a Regular Member. The President shall serve as an ex-officio member of the Board of Directors without voting rights.

No more than one person who is a director, officer, employee, or control person of a voting member may be elected to serve as a Director of the association at any one time. Such directors shall be considered as "related directors." For the purpose of this provision, a "control person" shall mean any natural person possessing directly or indirectly the authority or capacity to cause decisions to be made affecting the operation or direction of the Member, including but not limited to the following:

(a) An individual owning or controlling, directly or indirectly, more than 10% of the voting stock or partnership interest of a Member. For the purposes of determining ownership, the provisions of section 318 of the Internal Revenue Code of 1986, as amended, shall be applied;

(b) A director, officer, or employee of (i) the Member, (ii) any entity owning, directly or indirectly, more than 10% of the voting stock or partnership interest of a Member, (iii) any other entity that is a member of a "controlled group of corporations," as defined in section 1563 (a) (determined without regard to subsection (a) (4) thereof) of the Internal Revenue Code of 1986, as amended, that includes the Member as a member of such controlled group of corporations, or (iv) any entity that is combined with the Member pursuant to section 414 (c) of the Internal Revenue Code of 1986, as amended.

(c) An individual having or exercising the authority to affect the operation or direction of the Member.

In the event an acquisition, joint venture, merger, or any other type of business transaction occurs between two or more Directors or between two or more companies in which the Directors serve as a director, officer, employee, or control person, during the term of the Directors, the Directors will be allowed to complete their existing term under the following conditions:

(a) Each Director shall be allowed to express their opinion on all issues, such related directors shall have a total of one vote; and

(b) Only one of the related Directors shall be eligible for nomination for another term as an Officer or Director so long as the Directors remain related as defined herein, except the position of Immediate Past Chairman, which occurs automatically by circumstance rather than by election, shall not be considered in evaluating the eligibility for any other Officer or Director for renomination.

Section 3. ELECTION, TERM, AND VACANCY. Directors shall be elected by the voting Members of the Association at the Annual Meeting and shall hold office for two (2) years, or until their successors shall have been duly elected and shall have qualified. A vacancy in any directorship because of death, resignation, removal, disqualification, or otherwise, may be filled by the remaining members of the Board of Directors for the unexpired portion of the

term. Any member of the Board of Directors unable to attend a meeting shall, in a letter addressed to the Chairman, state the reasons for his absence. Any Director may be removed by the Board of Directors by a two-thirds vote of the entire Board of Directors, whenever, in the Board's sole discretion, the best interests of the Association would be served thereby.

Section 4. REGULAR MEETINGS. The Board of Directors shall hold a minimum of two regular meetings during each calendar year.

Section 5. SPECIAL MEETINGS. Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the Chairman, President, or by any three (3) Directors, on notice to each Director of such meeting. Special meetings may occur telephonically provided that each attending Director is afforded the ability to participate fully in any discussion and vote.

Section 6. PLACE OF MEETINGS. Meetings of the Board of Directors shall be held at any place designated by the Chairman where the general location has been approved by the Board of Directors.

Section 7. NOTICES. Written notice of the time and place of regular and special meetings of the Board of Directors shall be sent to each Director by mail or other form of written communication, addressed to his or her address as it is shown upon the record of the

Association. Notices must be given, telegraphed, e-mailed, faxed, or mailed at least five (5) days before any meeting.

Section 8. EXCEPTIONS TO NOTICE. The transactions of any meeting of the Board of Directors however called and noticed, or wherever held, shall be as valid as though at a meeting duly held after regular call and notice, if either before or after the meeting two-thirds (2/3) of the total membership of the Board of Directors either in writing or by facsimile, consent to holding such meeting and approve the minutes thereof. All such consents and approvals shall be filed with the Association records or made a part of the minutes of the meeting.

Section 9. QUORUM. A majority of the voting members of the Board of Directors shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. 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 shall be regarded as the act of the Board of Directors, unless a greater number be required by law or these Bylaws. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors, if any action taken is approved by at least a majority of the required quorum for such meeting, or such greater number as is required by law or these Bylaws.

Section 10. WRITTEN CONSENT. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all of the members of the Board shall

individually or collectively consent in writing (including by facsimile or e-mail) to taking such action without a meeting within twelve (12) business days after receipt of a "Notice of Proposed Action to be Taken Without Meeting." Such written consent(s) shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as though a regular meeting had been scheduled; once unanimous written consent for action without meeting has been taken by the Board individually or collectively in writing (including by facsimile or e-mail) on any business proposed in the original Notice of Proposed Action to be Taken Without Meeting. No action may be taken on any business not proposed in the Notice of Proposed Action to be Taken Without Meeting, unless a new such notice is promulgated and approved as described above. Action by written consent shall have the same force and effect as a vote of the Board of Directors at an otherwise duly called meeting.

Section 11. ADJOURNMENT. A quorum of the directors may adjourn any Board meeting to meet again at a stated time, place, and hour provided. However, in absence of a quorum, the Directors present at any Board meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Board of Directors.

Section 12. FEES AND COMPENSATION. Directors shall not receive any compensation, fee, or salary for their services as Directors; by resolution of the Board of Directors, reimbursement and/or expense allowance may be allowed to any director for any expenses incurred or paid by him or her for the benefit of the Association.

## **ARTICLE IX**

### **Executive Committee**

Section 1. **POWERS.** An Executive Committee shall be vested with powers to act on behalf of the Board of Directors, as specified by the Board of Directors, when the Board is not in session.

Section 2. **COMPOSITION.** The Executive Committee shall be comprised of:

(a) The six Officers of this Association; Chairman, Vice Chairman /Chairman-Elect, Second Vice Chairman, Treasurer, Secretary, and Immediate Past Chairman; and

(b) The President who shall serve as an ex-officio member of the Executive Committee without voting rights with the above-named officers and record the minutes thereof.

Section 3. **MEETINGS.** Meetings of the Executive Committee for any purpose or purposes may be called at any time by the Chairman or President.

Section 4. **NOTICES.** Written or verbal notice of the time and place of meetings of the Executive Committee shall be given to each member at least twenty-four (24) hours prior to any meeting.

Section 5. EXCEPTIONS TO NOTICES. The transactions of any meetings of the Executive Committee however called and noticed, or wherever held, shall be as valid as though at a meeting duly held after regular call and notice, if either before or after this meeting all of the members of the Executive Committee consent to holding such meeting or an approval of the minutes thereof. All such consents or approvals shall be filed with the Association records or made part of the minutes of the meeting.

Section 6. QUORUM. The majority of the members of the Executive Committee (four (4) members excluding the President) shall be necessary to constitute a quorum for the transaction of business. Every act or decision done or made by a majority (four (4) members) of the total members of the Executive Committee at a meeting duly held at which a quorum is present shall be regarded as the act of the Executive Committee.

## **ARTICLE X**

### **Committees**

Section 1. NOMINATING COMMITTEE. The Nominating Committee shall consist of the Chairman-Elect who shall serve as a chair, and who shall appoint one member from the Associate Members, two members of the Board of Directors, and three representatives of Regular Members at large, all of whom shall be approved by the Board of Directors. The Nominating Committee shall present nominees to the Board for ratification no later than forty-five (45) days prior to the annual meeting. After ratification by the Board of Directors, all nominations approved by the Board of Directors must be submitted to the general membership by written notice at least thirty (30) days prior to the annual meeting.

Section 2. EXECUTIVE COMMITTEE. As outlined in Article IX.

Section 3. OTHER COMMITTEES AND TASK FORCES. The Chairman shall appoint chairpersons for the necessary committees and task forces to conduct the business of this Association. Staff shall serve as non-voting ex-officio members of each committee of the Association. All committee members must be approved by the Chairman prior to appointment. The Chairman will appoint the chair of each committee; nominations for such must be ratified by the Board of Directors.

## **ARTICLE XI**

### **Non-Liability and Indemnification**

Section 1. LIMITATION OF LIABILITY. To the fullest extent permitted under the laws of the state in which this Association is incorporated, the personal liability of the Association's Board of Directors, Officers, and employees (for the purposes of this Article XI, such term shall include all Association employees co-employed by a professional employer organization) to the Association for monetary damages for any good faith actions or good faith omissions, whether or not said actions or omissions are due to negligence, shall be eliminated. Additionally, the liability of the Association and its Board of Directors, Officers and employees to members for monetary damages for any good faith actions or good faith omissions, whether or not said actions or omissions are due to negligence, shall be eliminated. Each and every member shall be deemed to have expressly released the Association, its Board of Directors, Officers, and employees from any and all liability for such good faith actions or good faith omissions of the Association, its Board of Directors, Officers, and/or employees.

Section 2. INDEMNIFICATION. Each present, past, and future Director, Officer, and employee whether or not then in office or then employed by the Association, shall be indemnified and held harmless by the Association against expenses actually and necessarily incurred upon him or her (including, but not limited to, costs and counsel fees), as said expenses accrue, in connection with the defense of any investigation, action, suit, or proceeding in which he or she is made a party by reason of being or having been a Director, Officer, or employee of the Association; except to the extent prohibited by the laws of the state in which this Association is incorporated, and except where the Director, Officer, or employee engaged in willful misconduct or a knowing violation of the criminal law or of any federal or state securities law, including without limitation, any claim of unlawful insider trading or manipulation of the market for any security. Such indemnity shall be effective only in the event that the interested Officer, Director, or Employee provides the Board of Directors, within a reasonable time after the commencement of such investigation, action, suit, or proceeding, written notice thereof. Such indemnity shall not be exclusive of any additional rights to which any Director, Officer, or employee may be entitled. Such indemnity shall inure to the benefit of the heirs, executors, or administrators of each Director, Officer, or employee. The Association shall be entitled to purchase insurance for such indemnity.

Section 3. ASSETS OF ASSOCIATION. No member of the Association shall have any right, title, or interest in or to the whole or any part of the property or assets of the Association; and in the event of dissolution, liquidation, abandonment, or winding up of the affairs of the corporation, the assets remaining after paying all debts and obligations (or adequately

providing for the latter) shall be distributed to one or more non-profit organizations designated by a majority of the full Board of Directors, which organization or organizations shall have established it or their tax exempt status under Section 501(c) of the Internal Revenue Code of 1986. In no event shall any assets inure to the benefit of or be distributed to any member, Director, Officer, or employee of the Association. If the majority of the full Board of Directors is not in full accord as to the disposition of assets within one (1) year from the date of the event causing its dissolution, liquidation, abandonment, or winding up, then such assets shall be disposed of in such manner as may be directed by decree of a Court having proper jurisdiction and venue over the Association.

## **ARTICLE XII**

### **Elections and Parliamentary Authority**

Section 1. NOMINATION OF OFFICERS AND DIRECTORS. The Nominating Committee shall nominate from the Regular Members: one candidate each for the office of Chairman, Vice Chairman /Chairman -Elect, Second Vice Chairman, Treasurer, and Secretary. The Nominating Committee shall also nominate Regular Members and one Associate Member to serve on the Board of Directors. All nominations must be submitted to the Board of Directors for ratification at least 45 days prior to the Annual Meeting. Any Regular Member wishing to nominate additional candidates may do so provided that a petition making such a nomination and signed by at least twenty-five (25) Regular Members currently qualified to vote is submitted to the Secretary of the Association at least fifteen (15) days before the Annual Meeting at which the election vote is to be taken.

Section 2. RULES FOR ELECTION AND VOTING. The Board of Directors may make, alter, or amend the rules and regulations for the conduct of elections and voting.

Section 3. PARLIAMENTARY AUTHORITY. The current edition of Robert's Rules of Order & Parliamentary Procedure shall govern this Association in all parliamentary situations that are not provided for in the law, in its charter, Bylaws, or adopted rules.

### **ARTICLE XIII**

#### **Finances, Records, and Corporate Seal**

Section 1. FISCAL YEAR. The fiscal year of the Association shall be the calendar year.

Section 2. CONTRACTS. The Board of Directors, except as these Bylaws otherwise provide, may authorize any Officer or Officers, agent, or employee, to enter into any contract or execute any instrument in the name of, or on behalf of, this Association, and such authority may be general or special. Unless so authorized by the Board of Directors, no Officer, agent, or employee shall have any power or authority to bind this Association by any contract or agreement or to pledge its credit or to render it liable for any purpose or for any amount.

Section 3. BOOKS AND RECORDS. The Association shall keep correct and complete books and records of accounts and shall keep minutes of proceedings of its members, Board of Directors, and shall keep at its National Headquarters a record giving the names and addresses of the members entitled to vote.

Section 4. AUDIT. The Treasurer shall, no later than 120 days after the close of the fiscal year, see that a detailed examination and audit of the books and accounts of the Association is made by an audit committee or by a certified public accountant and render a report in writing to the Board of Directors. Unless otherwise directed by the Board, this audit will be conducted for the period of the preceding fiscal year. All books and records of the Association shall be available for the inspection of any Member, upon reasonable notice and conditioned on payment of copying expenses in advance, except such records or minutes of meetings considered sensitive and/or confidential by the Board of Directors including, but not limited to, minutes of Executive Sessions of the Board of Directors, and meetings of the Membership Committees. Those records, minutes, or reports so sealed by the Board of Directors shall be held in the National Headquarters of the Association and not released to any party except by specific written authority of the Board of Directors or by order of a court having proper jurisdiction of the records. Any request for release of these records shall be presented to the Board of Directors for their consideration.

Section 5. SIGNATURES ON CHECKS. Association funds may be disbursed by check bearing such signature(s) as may be specified by the Board of Directors.

Section 6. CORPORATE SEAL. The corporate seal shall be circular in form and shall have inscribed thereon the name of the Association, the year of its organization, the word "Incorporated," and the name of the state in which the Association is incorporated. The corporate seal shall be in the custody of the President, or such other Officer as the Board of Directors shall designate.

## **ARTICLE XIV**

### **State and Regional Chapters or Affiliated Entities**

Section 1. AUTHORIZATION. From time to time, the Association may charter, or approve petitions for affiliation with NAPEO from, state and regional chapters or affiliated entities.

Section 2. QUALIFICATIONS. The Board of the Association may at its discretion establish the qualifications required for chapter charters or for affiliations.

Section 3. PROCEDURES. No organization may represent itself as affiliated with NAPEO without receiving written notification from the Association that the Board of Directors approved its petition for charter as a state or regional chapter or affiliated entity of NAPEO. Such approval shall be governed by procedures and standards developed by a majority of the Board of Directors. The Board's approval may be withheld or revoked for any reason.

## **ARTICLE XV**

### **Bylaws and Amendments**

Section 1. BINDING. These Bylaws and any amendments shall be binding on all Members, including those who may have voted against them.

Section 2. INSPECTION. The Association shall keep in its National Headquarters the original or a copy of the Bylaws as amended or otherwise altered, to date, certified by the Secretary, which shall be open to inspection by the Members at all reasonable times.

Section 3. AMENDMENTS BY MEMBERS. These Bylaws may be amended or repealed by a majority vote of the voting Members present at any Annual or special Meeting of the Association duly called and regularly held, notice of such proposed changes having been mailed in writing to the voting members at least thirty (30) days before such meeting, and such changes having been previously presented to the Board of Directors, not later than forty-five (45) days prior to such annual or special meeting of the Association, and approved by the Board of Directors. In the event that the Board of Directors fails to approve a proposed amendment so presented, then such proposal shall not be presented to voting members unless, either contemporaneously with presentation to the Board of Directors of such proposed changes or at any time thereafter, not less than twenty-five voting members or ten percent (10%) of the voting Members, whichever is a greater number of Members, present an application to the Board of Directors not later than forty-five (45) days prior to any Annual or special Meeting of the Association membership that such proposal be presented to the voting Member at least thirty (30) days before such meeting, and a vote on such proposed amendments shall be taken at said meeting. The cost of giving notice of the proposed changes to Members shall be at the expense of the applicant(s) and shall be prepaid to National Headquarters. Any such approved changes will automatically take effect no later than sixty (60) days after favorable membership vote, unless otherwise specified in the parliamentary action which brings the matter to a vote.

Section 4. RESTRICTIONS. Not less that six (6) months must elapse between a meeting defeating a proposed amendment or repeal and a new presentation of the same, or substantially the same, amendment or repeal.

## **ARTICLE XVI**

### **Dispute Resolution Procedures**

DISPUTE RESOLUTION. In the event of a dispute between a Member and NAPEO, the member hereby agrees to appear before the full Board of Directors, which Board shall endeavor to resolve the dispute. If the Board is unable to resolve the dispute to the mutual satisfaction of the parties, the Member hereby agrees that the dispute shall be finally resolved by arbitration. The arbitration shall be in accordance with the rules of the American Arbitration Association, which shall administer the arbitration and act as appointing authority for the arbitrators. The award of the arbitrators, which shall be in writing and furnished as soon as practicable after the last day of the arbitration, shall be final and binding upon the parties, and neither party shall appeal the award to any court; however, the judgment of the arbitrators may be entered in any court having jurisdiction thereof.