

Bylaws
of the
National Association
of Professional Employer Organizationsⁱ
as of September 13, 2011



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

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 Authorized 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 AUTHORIZED REPRESENTATIVE – An authorized representative of a Regular Member or Associate Member must be an officer or a full-time employee or a controlling person thereof. A "controlling 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:

(d-1) 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;

(d-2) 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.

(d-3) An individual having or exercising the authority to affect the operation or direction of the Member.

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 Chief

Executive Officer 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 Chair or the Board of Directors, and shall be called by the Chair 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 Chief Executive Officer 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 Chair, or in the event of the Chair's inability or refusal to act, by the Vice Chair.

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 Chief Executive Officer 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 Chief Executive Officer 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 Chief Executive Officer 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. Payment of dues may not be made conditional by an applicant or renewing member upon the receipt of special services, considerations, or actions by NAPEO of a nature or in a manner not available to all NAPEO members. In the event the Association, in its sole discretion, has allowed for payment of dues by installment, the first installment shall be due on the first day of January and dues payments shall be considered delinquent if delinquent fifteen (15) business days after the due date of any installment.

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.

Section 4. DUES REFUNDABILITY – Dues payments to the Association are non-refundable. Exceptions to this rule may be made by the Board in its sole discretion.

ARTICLE VI

Officers

Section 1. CORPORATE OFFICERS. The Officers of this Association shall be Chair, Vice Chair, Secretary/Treasurer, and Immediate Past Chair. No person may be an Officer of this Association who is not an Authorized Representative of a Regular Member.

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 Chief Executive Officer 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 Chair, or the Chief Executive Officer 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 Chair 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 Chair 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 Chair shall be filled by the automatic succession of the Vice Chair to the office of Chair.

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 Chief Executive Officer

Section 1. CHAIR. The Chair 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 Board Operations Committee;
- (c) Represent and speak for the Association to the public and to other organizations;

(d) Appoint all committees except as otherwise herein provided; and, except for the Audit Committee, be an ex-officio member of all Governing or other committees and task forces;

(e) Have the general powers and duties of management usually vested in the office of Chair or elected leader 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 CHAIR . In the absence of the Chair or in the event of the Chair's inability or refusal to act, the Vice Chair shall perform all the duties of the Chair, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Office of the Chair. The Vice Chair automatically accedes to the office of Chair when the Chair vacates the office or completes his/her term of office. He or she shall be an ex-officio member of all the Governing Committees of the Board of Directors, as defined herein, and shall have such other powers and perform such other duties as from time to time may be assigned by the Chair or prescribed by the Bylaws.

Section 3. SECRETARY/TREASURER. The Secretary/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. As requested, the Secretary/Treasurer shall see that reports of the financial condition of the Association are prepared and presented to the

Performance Oversight and Monitoring Committee. and, as requested, to the Audit Committee.

The Secretary/Treasurer shall also 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 4. CHIEF EXECUTIVE OFFICER. The Chief Executive Officer shall be the chief executive officer and President of this Association, and shall be subject to the control of the Chair 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 Governing Committees (except the private meetings of the Audit Committee with the auditors) as an ex officio

member 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 Chair and the Secretary/Treasurer, shall be binding on the Association. The Board of Directors may appoint such other officers, agents, or ad hoc committees as it deems necessary and shall fill all temporary or permanent vacancies that may occur in any Association office except as otherwise provided herein.

Section 2. COMPOSITION. The Board of Directors shall be comprised of at least eleven (11) and not more than twenty-four (24) directors elected by the members. The exact number of Directors within that range shall be established by the Board from time to time. The directors shall also include the Chair, Vice Chair, Secretary/Treasurer, and Immediate

Past Chair as voting directors. No person may be elected or serve as an Officer of this Association who is not an Authorized Representative of a Regular Member. With the exception of the elected Associate Member Director who must be an Authorized Representative of an Associate Member to be elected or serve on the Board. No person may be elected or serve as an elected Director of the Association who is not an Authorized Representative of a Regular Member. The Chief Executive Officer shall serve as an ex-officio member of the Board of Directors without voting rights.

Except as provided in this section, not more than one Authorized Representative of a voting member may be elected to serve as a Director of the Association at any one time.

In the event an acquisition, joint venture, merger, or any other type of business transaction occurs that would result in two or more Directors of the Association (including Officer Directors) serving as a director, officer, employee, or control person of the same or related member entities, during their terms as Directors or Director/Officers of the Association,, the following shall occur:. (i) If an Association Director does not continue after the transaction as a director, officer full-time employee, or control person of the combined entity, that Director is no longer eligible to serve as a Director or Director/Officer of the Association. (ii) if Association Directors do continue as a director, officer, full-time employee, or control person of the same or related member entities, they shall be deemed Related Directors and the Related 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, but 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 Chair, 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, which shall count as one term for that director. Any member of the Board of Directors unable to attend a meeting shall, in a letter addressed to the Chair, 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 face-to-face 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 Chair, Chief Executive Officer, 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 Chair 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.

Section 13. GOVERNING COMMITTEE SERVICE. A Director shall be appointed by the Chair to (and is expected to serve on) at least one Governing Committee at all times during his or her tenure as a Director. It is preferred but not required that a Director serve on a Governing Committee for one year as a member before being eligible to be appointed Chair.

ARTICLE IX

Board Operations Committee

Section 1. POWERS.

a) GENERAL: A Board Operations Committee shall be responsible for the management and coordination of the Board of Directors. This responsibility shall include the continuous

development of the Board's governing capacity, developing Board member governing skills, the coordination of Board and Governing Committee operations, recommending revisions to the Association's Bylaws when needed, and maintenance of the working relationship between the Board of Directors and the Chief Executive Officer.

- b) CEO: The Board Operations Committee shall be responsible for an annual evaluation of the Association Chief Executive Officer against negotiated performance objectives.
- c) NOMINATIONS: The Board Operations Committee shall present nominees for Board of Director positions to the Board of Directors 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 shall be submitted to the general membership by written notice at least thirty (30) days prior to the annual meeting.
- d) EMERGENCY ACTIONS: The Board Operations Committee may take action on behalf of the full Board of Directors in emergency situations when it is not feasible to assemble a quorum of the full Board of Directors.

Section 2. COMPOSITION. The Board Operations Committee shall be comprised of:

- (a) The four Officers of this Association; The Chair (who shall preside at meetings of the Board Operations Committee), Vice Chair, Secretary/Treasurer, and Immediate Past Chair;
- (b) The chairs of the Planning and Development Committee, Performance Oversight and Monitoring Committee and the Stakeholder Relations Committee; and

- (c) The Chief Executive Officer who shall serve as an ex-officio member of the Board Operations Committee without voting rights and record the minutes of meetings.
- (d) The chair of the Audit Committee shall not be a member of the Operations Committee and members of the Audit Committee shall not at the same time serve on the Board Operations Committee.

Section 4. NOTICES. Written or verbal notice of the time and place of meetings of the Board Operations 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 Board Operations 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 Board Operations 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. Four (4) members of the Board Operations Committee (excluding the Chief Executive Officer) shall be necessary to constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the total voting members of the Board Operations Committee who are present at a meeting duly held, at which a quorum is present, shall be regarded as the act of the Board Operations Committee.

ARTICLE X

Committees

Section 1. GOVERNING COMMITTEES. The following committees shall collectively be referred to as “Governing Committees”: the Board Operations Committee, the Audit Committee, the Planning and Development Committee, the Performance Oversight and Monitoring Committee and the Stakeholder Relations Committee. Each Governing Committee shall develop and adopt a Charter, which shall be submitted to the Board of Directors for approval prior to adoption. Each Board Director shall be appointed by the Chair to serve on at least one Governing Committee.

(a) BOARD OPERATIONS COMMITTEE. As outlined in Article IX.

(b) The AUDIT COMMITTEE. The Audit Committee shall consist of three members, who are not members of the Board Operations Committee. The three members of the Audit Committee and the one of the three who serves as Chair of the Audit Committee shall be nominated by the Board Operations Committee and elected by the Board of Directors. Nominees must have the training and experience required to effectively carry out the oversight responsibilities of the Audit Committee described in this Section. Two of the three members of the Audit Committee shall be current members of the Board of Directors. One member of the Audit Committee may be a person who is not a member of the Board of Directors. The Audit Committee is responsible for reviewing and approving the external independent audit firm recommended by the Chief Executive Officer and for overseeing the external audit process. In this capacity, the Audit Committee reviews the annual audit report,

recommends Board action as necessary in response to the audit report, and monitors implementation of recommended actions. The Audit Committee shall meet with the external auditors at least once annually, conducting a portion of that meeting in private session with neither the CEO nor any other staff present. The Audit Committee has responsibility for reviewing and evaluating the Association's financial management policies and procedures and recommending updates as appropriate to the Performance Oversight and Monitoring Committee. The Audit Committee shall implement a process to receive information from internal whistleblowers, assessing the information, and taking appropriate action in response to the information.

(c). THE PLANNING AND DEVELOPMENT COMMITTEE The Planning and Development Committee shall consist of Board Members who are appointed by the Board Chair and who are not members of the other Governing Committees. The Board Chair shall appoint the Chair of the Planning and Development Committee who shall not be an officer of the Association and shall be subject to ratification by the Board. The Planning and Development Committee is responsible for working closely with the CEO in designing and overseeing strategic planning for NAPEO. The Planning and Development Committee is also responsible for coordinating the Board's participation in NAPEO's operational planning/budget preparation process and for recommending adoption of the annual budget to the Board of Directors.

(d). THE PERFORMANCE OVERSIGHT AND MONITORING COMMITTEE. The Performance Oversight and Monitoring Committee shall consist of Board Members who are

appointed by the Board Chair and who are not members of the other Governing Committees. The Board Chair shall appoint the Chair of the Performance Oversight and Monitoring Committee who shall not be an officer of the Association and whose appointment shall be subject to ratification by the Board. The Performance Oversight and Monitoring Committee is responsible for working closely with the CEO in designing programmatic and financial performance reports that are appropriate for Board review and for monitoring the performance of all of NAPEO's programs and administrative units. The Performance Oversight and Monitoring Committee is also responsible for reviewing and recommending revised and new operational policies meriting the Board's attention (such as contracting and procurement policies), conducting member satisfaction surveys and providing counsel to the Chief Executive Officer on major financial and operating system purchases and upgrades. The Performance Oversight and Monitoring Committee shall also serve as the Board of Director's investment committee and in such role, shall have the responsibility for developing and implementing an investment policy to govern investment decisions for the Association's current and future endowment and investment accounts.

(e). THE STAKEHOLDER RELATIONS COMMITTEE. The Stakeholder Relations Committee shall consist of Board Members who are appointed by the Board Chair and who are not members of the other Governing Committees. The Board Chair shall appoint the Chair of the Stakeholder Relations Committee who shall not be an officer of the Association and whose appointment shall be subject to ratification by the Board. The Stakeholder Relations Committee is concerned both with public and stakeholder relations generally and, more specifically, for governmental relations. It is responsible for clarifying NAPEO's desired

public image in the eyes of the public-at-large and key stakeholders, for overseeing the formulation of strategies to promote the image, for maintaining effective communication and working relationships with important stakeholders, for recommending legislative and policy positions in the governmental relations/legislative arena, and for overseeing the formulation of strategies to promote active volunteer involvement in NAPEO affairs.

Section 2. OTHER COMMITTEES, APPROVALS AND TASK FORCES. The Chair shall establish and appoint chairs for such other committees and task forces deemed necessary by the Chair or the Board to conduct the business of this Association. These committees and task forces shall not be considered Governing Committees. The Chair will appoint the chair of each such committee or task force subject to ratification by the Board of Directors. All committee and task force committee members must be approved by the Chair prior to appointment. An Association staff member may be appointed to serve as a non-voting ex-officio member of an ad hoc committee or task force of the Association. .

Section 3. COMMITTEE TENURE REQUIREMENTS. Beginning in 2013, the chair of a Governing Committee shall be appointed for a one year term with the possibility of reappointment for one consecutive term. To the extent practical, Directors should be rotated among Governing Committees annually. Notwithstanding the foregoing, upon the expiration of a Director's term as chair of a Governing Committee, the Director shall be eligible to serve one additional year as a member of such committee. The Chair's

recommendations for chairs of the Governing Committees shall be submitted to the Board of Directors for ratification.

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 Board Operations Committee shall nominate from the Regular Members: one candidate each for the office of Chair, Vice Chair, and Secretary/Treasurer . The Chair shall serve for one term as Immediate Past Chair automatically upon the conclusion of his term, such service contingent upon he or she continuing as the Authorized Representative of a Regular Member. The Board Operations 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 have the responsibility for making sure the audit of the Association's books and accounts, required under Article X, Section 1(b) of these Bylaws, is completed no later than 120 days after the close of the fiscal year . 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 member records or applications containing client or financial information. 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 Chief Executive Officer, 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 Stakeholders Relations Committee, which Committee shall endeavor to resolve the dispute. If the Committee is unable to resolve the dispute to the mutual satisfaction of the parties, the Member may appeal the decision of the

Stakeholders Relations Committee to the full Board. A Member who disagrees with the final decision of the Board may have the matter finally resolved by arbitration, which arbitration shall be at the expense of the Member. 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.

ⁱ *As adopted by the Membership in Orlando, Florida on September 26, 1998, duly amended by the Membership in Chicago, Illinois on October 10, 2002; in Phoenix Arizona on September 22, 2004; in Miami, Florida on September 11, 2009 in Miami; and in Orlando, Florida on September 13, 2011.*