

Pennsylvania Automotive Recycling Trade Society



Bylaws
of the
Pennsylvania Automotive Recycling
Trade Society

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Amended:

April 5, 1973

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September 10, 1988

September 19, 1992

September 11, 1993

September 10, 1994

September 9, 1995

September 7, 1996

September 11, 1997

October 4, 2002

November 19, 2005



Bylaws of the Pennsylvania Automotive Recycling Trade Society

ARTICLE I Name and Principal Office

The name of the Association shall be the PENNSYLVANIA AUTOMOTIVE RECYCLING TRADE SOCIETY. The principal office of the Association shall be at such place as the Board of Directors shall designate from time to time.

ARTICLE II Purpose

The purpose of the Association shall be to stimulate, promote and advance the general welfare and growth of the automobile and truck salvage industry and allied industries within the Commonwealth of Pennsylvania and elsewhere and to perform all desirable and lawful functions necessary for the efficient, constructive and beneficial operation of the Association.

ARTICLE III Membership

Section 1.

Membership in this Association shall consist of three four classes:

1. Active Members
2. Affiliate Members
3. Business Partner
4. Honorary Members

Section 2.

Active Members: Shall be any person, firm, partnership, corporation or other legal entity in the Commonwealth of Pennsylvania regularly engaged in the business of acquiring and dismantling worn out, wrecked, collision damaged, abandoned or salvage vehicles for the purpose of selling the usable parts and selling the remaining vehicle hulk materials for recycling or processing. Any person, firm, partnership, corporation or other legal entity outside the Commonwealth of Pennsylvania engaged in the business, as outlined in this section, who is affiliated with one of the Pennsylvania local auto and truck salvage associations, shall be entitled to Active Membership. Each business entity, regardless of the

form or size of said entity, participating in active membership, shall be entitled to one vote and designate one representative to cast its vote. Said designation shall be made in writing and presented at the casting of said vote to the Secretary of the Association.

Section 3.

Affiliate Member: Shall be any person, firm, partnership, corporation or other legal entity outside the Commonwealth of Pennsylvania regularly engaged in the business of acquiring and dismantling worn out, wrecked, collision damaged, abandoned or salvage vehicles for the purpose of selling the usable parts and selling the remaining vehicle hulk materials for recycling or processing. Affiliate members will receive a limited set of benefits as determined from time to time by the Board of Directors. Each business entity, regardless of the form or size of said entity, participating in Affiliate Membership shall be entitled to one (1) vote and designate one (1) representative to cast its vote. Said designation shall be made in writing, and presented at the casting of said vote to the Secretary of the Association. (Added 11/19/05.)

Section 4.

Business Partner Member: Shall be any person, firm, partnership, corporation or other legal entity interested in the promotion of the welfare and growth of the Association and the salvage industry and shall include but not be limited to scrap processors, insurance firms and brokers, suppliers, and manufacturers of materials and equipment used in and as part of said industry. A Business Partner member shall have the right to vote. Each business entity, regardless of the form or size of said entity, participating in Business Partner Membership, shall be entitled to one (1) vote and designate one (1) representative to cast its vote. Said designation shall be made in writing, and presented at the casting of said vote to the Secretary of the Association. (Amended 11/19/05.)

Section 5.

Honorary Member: Shall be any person elected by two-thirds of the vote of the Board of Directors and ratified by a two-thirds vote of the membership

constituting a quorum. An Honorary Member shall not have the right to vote.

Section 6.

Suspension and Removal: Any member of the Association may be suspended and/or removed for any of the following reasons in accordance with the procedure herein:

A. The member is of bad business repute, known lack of integrity, has habitually defaulted on financial obligations, or has engaged in conduct detrimental to the interests of the Association;

B. The member has a record of conviction for murder, arson, rape, robbery, burglary or other felony, or of any other offense in the nature of crimen falsi; provided however, this reason shall no longer apply after the Member has fulfilled all sentence obligations for such conviction, including, but not necessarily limited to, the service of incarceration, probationary and parole periods, the providing of community service, and the payment of fines and costs, plus a period of two years has elapsed after all sentence obligations have been fulfilled.

C. The member has made a false statement of material fact on a membership application;

D. The member has been found in violation of any civil or criminal laws of any state government or of the federal government in an administrative proceeding arising from any fraudulent act in connection with dealing in motor vehicles or motor vehicle parts; provided however, this reason shall no longer apply after the member has fulfilled all obligations under any administrative agency or court order in such administrative proceeding, including, but not necessarily limited to, the service of any suspension or revocation period, and the payment of fines and costs, plus a period of two (2) years has elapsed after all sentence and/or judgment obligations have been fulfilled.

The term "member" herein shall refer to the following:

A. The owner in the event of a sole proprietorship;

B. Any partner in the event of a partnership;

C. Any officer, director or shareholder in the event of a corporation.

A member may be suspended by a two-thirds (2/3) vote of the Board of Directors at a regular or special meeting at which a quorum of directors is present for any of the aforesaid reasons. Any member proposed to be suspended shall be entitled to at least five (5) days notice in writing by mail of the meeting at which such suspension is to be considered and voted

upon, and said member shall be entitled to appear before the Board of Directors and to be heard at such meeting. If the Board votes to suspend the member, then said member subsequently may be removed from membership in the Association by a two-thirds (2/3) vote of the Board and by the affirmative vote of two-thirds (2/3) of the active members present at any regular meeting or special meeting of the membership duly called for the purpose of considering removal and at which a quorum of members is present. Any member proposed to be removed shall be entitled to at least five (5) days notice in writing by mail of the meeting at which such removal is to be considered and voted upon, and said member shall be entitled to appear before the membership and to be heard at such meeting.

Suspension results in loss of voting privileges and all other rights and privileges of membership. The dues of any member suspended or removed are forfeited and become the property of the Association.

Any member suspended pursuant to Section 5B, relating to convictions for certain offenses, will not be considered for removal until all appeals have been exhausted. Members suspended for any other reason hereunder may only be suspended for two (2) years at which time such suspended member must be considered for reinstatement or removal. A member may be reinstated by a two-thirds (2/3) vote of the Board of Directors. A removed member may not reapply for membership in the Association until five (5) years have elapsed from the date of removal. Any removed member must first complete any term of imprisonment, even if such term is longer than five years from the date of removal, before such removed member may reapply for membership.

Section 7. Approval:

A. An application, in the form determined from time to time by the Board of Directors, shall be completed by all prospective members and shall request the following information: name of firm; address of firm; business telephone number; name of proprietor; partners, or officers, directors and shareholders; two credit references; length of time in business; and any other information deemed pertinent by the Board of Directors.

All applications for membership shall be accompanied by one (1) year's dues in advance in an amount as set from time to time by the Board of Directors. Provided, however, that such dues shall be refunded promptly to an applicant if the applicant's application is rejected. An application may be rejected for any of the following reasons:

(a) The applicant is of bad business repute, known

lack of integrity, or has habitually defaulted on financial obligations;

(b) The applicant has a record of conviction for murder, arson, rape, robbery, burglary or other felony, or of any other offenses in the nature of *crimen falsi*; provided however, this reason shall no longer apply after the applicant has fulfilled all sentence obligations for such conviction, including, but not necessarily limited to, the service of incarceration, probationary and parole periods, the providing of community service, and the payment of fines and costs, plus a period of two years has elapsed after all sentence obligations have been fulfilled.

(c) The applicant has made a false statement of a material fact on a membership application;

(d) The **member** has been found in violation of any civil or criminal laws of any state government or of the federal government in an administrative proceeding arising from any fraudulent act in connection with dealing in motor vehicles or motor vehicle parts; provided however, this reason shall no longer apply after the Member has fulfilled obligations under any administrative agency or court order in such administrative proceeding, including, but not necessarily limited to, the service of suspension or revocation period, and the payment of fines and costs, plus a period of two (2) years has elapsed after all sentence and/or judgment obligations have been fulfilled.

The term "applicant" herein shall refer to the following:

- (a) The owner in the event of a sole proprietorship;
- (b) Any partner in the event of a partnership;
- (c) Any officer, director or shareholder in the event of a corporation.

In the event an application is rejected, the applicant will not be considered again for approval until the lapse of one (1) year from the date of the vote to reject such application.

Any person, firm, partnership, corporation or other legal entity which satisfies the membership qualifications set forth in Section 2 above and the criteria herein, may be approved for membership by the Executive Director/COO, one of the Pennsylvania local auto and truck salvage associations recognized by PARTS, or by the Board of Directors. Any applicant whose application for admission is proposed to be rejected shall be entitled to notice of the proposed rejection in writing by mail at least five (5) days prior to a regularly scheduled meeting of the Board of Directors or a special meeting duly called

for the purpose of considering the application, and the applicant shall have the opportunity to appear before the Board and to be heard at such meeting. An application may only be rejected by a two-thirds (2/3) vote of the Board of Directors at a meeting at which a quorum of the Board of Directors is present. (Amended 9/10/88, 9/9/95.)

ARTICLE IV Dues

Section 1.

Active, Affiliate, and Business Partner Members shall pay such dues as shall be assessed and determined by the Board of Directors annually. Honorary Members shall pay no dues.

Section 2.

All dues for Active Members, Affiliate Members, and Business Partner Members shall date from the approval of the application for membership and shall be prorated according to the remainder of the fiscal year outstanding. All dues shall be due and payable on or before October first of each and every year.

ARTICLE V Board of Directors

Section 1.

The governing body of the Association shall be the Board of Directors, consisting of fourteen (14) members-at-large, and the ex-officio members specified in Article V, Section 3. (Amended 11/19/05.)

Section 2.

Qualifications for Director:

A. In order to qualify for nomination and election to the Board of Directors, an individual shall:

(1) Be a representative of an Active, Affiliate, or Business Partner Member of the Association, as applicable.

(2) Have access, at his/her business premises, to a functioning computer system which is connected with the Internet

(3) Has not, in the past, participated in conduct which could result in his/her removal as a Director of the Association pursuant to Article V, Section 14 of these Bylaws or as a Member of the Association pursuant to Article III, Section 5 of these Bylaws.

B. Any issue with respect to an individual's qualifications to serve as a Director shall be subject to review by the Board of Directors. Any individual that contests his/her failure to be nominated or to qualify as a Director shall be entitled to at least five

(5) days notice in writing by mail of the meeting at which the Board of Directors shall consider his/her qualifications to serve, and shall have the opportunity to be heard at such meeting.”

Section 3.

A. Twelve (12) members of the Board of Directors elected at large shall be elected by the Active members of the Association **from the Active Membership** at the annual meeting of the Association and shall hold office for a term of four (4) years, or until their successors are duly elected and qualified. One-fourth (1/4) of the total number of such Directors-at-Large shall be elected each year. Those Directors in office as of October 1, 1995, shall continue in office for the balance of their terms. Commencing with the fiscal year starting October 1, 1995, three (3) Directors-at-Large shall be elected each year for a four- (4) year term. (Amended 10/20/73, 9/9/95, 9/11/97)

B. One Member of the Board of Directors elected at-large shall be elected by the Business Partner Members of the Association from the Business Partner Membership of the Association at the Annual Meeting of the Association, and shall hold office for a term of four (4) years, or until their successors are duly elected and qualified. (Amended 9/11/97, 11/19/05)

C. One Member of the Board of Directors elected at-large shall be elected by the Affiliate Members of the Association from Affiliate Membership of the Association at the Annual Meeting of the Association, and shall hold office for a term of four (4) years, or until their successors are duly elected and qualified. (Added 11/19/05)

Section 4.

The following individuals shall be members of the Board of Directors **ex officio** and entitled to a vote thereon: (a) the current Chairman, Vice-Chairman, Secretary, and Treasurer of the Association during their terms of office; (b) the Immediate Past Chairman of the Association; (c) the Executive Director/COO, Chairman, or duly appointed delegate of the various duly organized local auto and truck salvage associations that mandatorily require each member to be a member in good standing with PARTS. Each year, each duly organized local auto and truck salvage association shall certify to the Executive Director/COO no later than September 30 the name of their **ex officio** Director to serve for the forthcoming fiscal year of the Association; it is expected that such representative shall be the president or chairman of the local association except

in those instances where the president does not expect to be able to comply with the attendance requirements of the Board of Directors, in which case the local association shall name another delegate to the Board of Directors. (Amended 10/21/76, 9/9/95)

Section 5.

Only Active, Affiliate, and Business Partner Members in good standing who have paid their dues in full as of the date of the Annual Meeting shall qualify as Voting Members and shall have the right to cast a ballot for the election of the appropriate Directors, as outlined in Article V, Section 2(A) & (B). (Amended 9/11/97, 11/19/05)

Section 6.

The Board of Directors shall have the power to act for the Association between meetings of the Association, to direct the disbursement of funds as provided herein and to do all things necessary for the promotion, welfare and interest of the Association in accordance with the purposes as set forth in Article II of these By-Laws.

Section 7.

Meetings of the Board of Directors may be called and held at such time and place as may be determined by resolution of the Board or at the call of the Chairman or at the call of the Executive Committee.

Provided, however, only one (1) Meeting of the Board of Directors may be called during any five (5) day consecutive period; provided further, there may be more than one session of the same Board Meeting held during such five (5) consecutive day period. (Amended 9/9/95, 9/11/97)

Section 8.

Notice of all meetings of the Board of Directors held at any time other than at the time of the annual meeting shall be given by mailing notice thereof to each Director at least fifteen (15) days prior to the proposed meeting.

Section 9.

By direction of the Chairman, a mail vote of the Board or of the Executive Committee may be taken. Notice of such vote shall be given by mail but no vote shall be counted unless it is received within fifteen (15) days of the date of mailing said notice. Such vote shall not be recorded unless acted upon by a majority of those entitled to vote.

Section 10.

The Board of Directors shall pass upon each application for membership, and no membership, either active or associate, shall become effective except upon the affirmative vote of a majority of the Board of Directors. The Secretary is empowered to

secure a mail vote upon application for membership between meetings of the Board.

Section 11.

The Board shall have power to fill any vacancy in any office or in the Board occurring for any reason whatsoever, such elected officer to serve until the next annual meeting of the membership.

Section 12.

All meetings of the Board of Directors shall be called to order and presided over by the Chairman (Amended 9/9/95.)

Section 13.

The Board of Directors shall review and approve the annual budget as prepared by the executive committee. After approval of the annual budget by the Board of Directors, said budget shall be submitted to the membership at its annual meeting. The membership shall approve same on the basis of the total amount allocated for expenditure during the year and shall not approve or disapprove each specific category in the budget. The budget as approved by the membership shall constitute the annual budget of the Association which the Board of Directors shall disburse from time to time, as it deems fit. In addition to those expenditures authorized in the annual budget, the Board of Directors shall have the authority to expend the additional sum of \$1,000 in an emergency requiring an unusual, unpredicted expense of an immediate nature. (Amended 9/9/95.)

Section 14.

Removal: Any director shall be removed from the Board of Directors: (a) for missing three (3) consecutive meetings of the Board of Directors; or (b) by the affirmative vote of four-fifths (4/5) of the active directors present at any regular or special meeting duly called for that purpose and at which a quorum of directors is present, for conduct detrimental to the interests of the Association, for lack of sympathy with its objectives, for failure to continue to meet the Qualifications for Director as set forth in Article V, Section 2 of these Bylaws, or for refusal to render assistance in carrying out its purposes. Any such director proposed to be removed shall be entitled to at least five (5) days notice in writing by mail of the meeting at which such removal was to be voted upon and shall be entitled to appear before and be heard at such meeting. (Amended 10/30/76, 10/4/02)

Section 15.

Nomination of Directors: The procedure for the nomination of directors shall be as follows:

(A) The nominating committee shall be appointed by the Chairman each year at the spring quarterly

Board of Directors Meeting. The nominating committee shall consist of the current ex-officio director serving on behalf of each local association under Article V, Section 3, and the Immediate Past Chairman of the Association, who shall serve as chairman of the nominating committee. The Association Chairman shall make every effort to distribute representation on the nominating committee geographically throughout the state. (Amended 9/6/86, 9/9/95, 10/4/02.)

(B) The nominating committee shall present its report of nominations at a Board of Directors' meeting which is held in either June, July or August of each year; the Board of Directors shall either endorse the slate of nominations presented by the nominating committee or add to or amend same and shall adopt a resolution either ratifying the report of the nominating committee or ratifying the report of nominating committee as added to or amended by the Board of Directors;

(C) The slate of nominations adopted by the Board of Directors shall be published in an issue of the PARTS "Digest" or through some other form of publication or written notice, which publication or notice shall be disseminated to the membership at least thirty (30) days prior to the annual meeting of membership;

(D) Additional nominations may be submitted by the general membership in writing to the Chairman of the Association and must be received by the Chairman at least ten (10) days prior to the annual meeting of the membership. (Amended 9/9/95.)

**ARTICLE VI
Officers and their Duties**

Section 1.

The officers of the Association shall be a Chairman, Vice-Chairman, Secretary, Treasurer and such other officers, assistant officers and agents as the Board of Directors may deem proper. Only Active Members of the Association in good standing shall qualify for the position of an officer in the Association. (Amended 9/9/95, 9/11/97.)

Section 2.

All officers shall be elected by the members of the Association and shall hold office for a period of one year or until their successors are duly elected and qualified.

Section 3.

Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Association will be served thereby, but such

removal shall be without prejudice to the contract rights of the person so removed.

Section 4.

An Executive Director, who shall be the Chief Operating Officer (COO) of the Association, shall be selected by the Board of Directors. The Board of Directors shall set compensation, expenses and the terms of his employment. The duties of Executive Director/COO shall include, but not be limited to, the collection and receipt of the revenues of the Association, the depositing of the same in the name of the Association in such bank or banks as may be designated by the Board of Directors, the coordinating and conducting of legislative activities on behalf of the Association, the supervising, writing, editing and producing of the Association's trade journal and/or magazine and generally to do all things as directed from time to time by the Board of Directors to promote the general welfare, growth and interests of the Association. The Executive Director/COO shall make a full written report of the activities at the annual meeting of the Association. (Amended 9/9/95, 11/19/05.)

Section 5.

The Chairman, Vice-Chairman, Secretary, Treasurer and such other officers as appointed by the Board of Directors shall perform the duties specifically set forth below and such other duties as ordinarily appertain to their respective offices as well as such other duties as the Board of Directors may from time to time reasonably require of them. (Amended 9/9/95.)

Section 6.

The Chairman shall preside at all meetings of the Association, he shall act as Chairman of the Board, he shall appoint all standing or special committees and shall be a member ex-officio of all committees. (Amended 9/9/95.)

Section 7.

The Vice-Chairman shall in the absence or disability of the Chairman perform his duties, and shall act as chairman of the Legislative Committee, and the Secretary shall in the absence or disability of the Chairman and Vice-Chairman perform the duties of Chairman, and shall act as vice-chairman of the Legislative Committee. (Amended 9/6/86, 9/9/95.)

Section 8.

The Secretary shall attend the respective meetings of the members, directors and Executive Committee and keep minutes thereof. Unless some other person shall be delegated such duties by the Board of Directors, the Secretary shall send out notices of all meetings of the members, directors and Executive

Committee. The Secretary shall serve as vice-chairman of the Legislative Committee. (Amended 9/6/86, 9/9/95.)

Section 9.

The Treasurer, unless some other person shall be delegated such duties by the Board of Directors, shall have the care and custody of all the funds and securities of the Association, and deposit the same in the name of the Association, in such bank or banks and account or accounts as the Board of Directors may from time to time elect.

Section 10.

Nomination of Officers: The nomination of officers shall be according to the procedure set forth for the nomination of directors in Article V, Section 14 of the Association By-laws.

Section 11.

Qualifications for Officer: In order to qualify for nomination and election as an Officer of the Association, an individual shall meet the same qualifications as set forth for Director in Article V, Section 2 of these Bylaws. (Amended 10/4/02)

ARTICLE VII

Membership Meetings

Section 1.

The annual meeting of the Association shall be held each year at such time and place as shall be determined and designated by the Chairman of the Association, or as the Board of Directors directs in the event it deems the time or place set by the Chairman for the annual meeting to be inappropriate. (Amended 10/9/82, 9/9/95, 11/19/05.)

Section 2.

Special meetings of the Association shall be called by the Chairman upon written request to him by a majority of the Board of Directors or a majority of the Executive Committee. Special meetings shall be held at such time and place as the Chairman may designate, but not more than fifteen days after the receipt by him of such written request. (Amended 9/9/95.)

Section 3.

The Secretary of the Association or the Executive Director/COO, shall mail written notices of the time and place of the annual meeting of the Association to each member. Said notices shall be mailed at least ten days prior to the date of the meeting and shall be addressed to the address submitted by the member for that purpose. (Amended 9/9/95.)

ARTICLE VIII

Contracts, Checks, Deposits and Funds

Section 1.

The Board of Directors may authorize any officer or officers, agent or agents of the Association, in addition to the officer so authorized by these By-Laws, to enter into any contract to execute and deliver any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific incidents and matters.

Section 2.

All checks, drafts or other orders for the payment of money as well as notes or other evidences of indebtedness incurred in the name of the Association shall be signed by such officer or agent of the Association, and in such manner, as from time to time shall be determined by the Board of Directors. In the absence of such determination by the Board of Directors, such instruments shall be signed by the Chairman or Vice-Chairman and countersigned by the Executive Director or Treasurer. (Amended 9/9/95, 11/19/05.)

Section 3.

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

**ARTICLE IX
Executive Committee**

Section 1.

The Executive Committee shall consist of the Chair, Vice-Chair, Secretary, Treasurer, Immediate Past Chairman, and two members of the Board elected by the Board of Directors. (Amended 9/9/95, 9/7/96.)

Section 2.

The Executive Committee, between meetings of the Board of Directors, shall have the power to do and perform any and all things which the Board of Directors is empowered to do and perform except as to the amendment of these By-Laws.

**ARTICLE X
Committees**

Section 1.

The following shall constitute the standing committees of the Association:

Executive Committee which shall also serve as the Finance and Strategic Planning Committee

Legislative Committee

Nominating Committee

Insurance and Investment Committee

(Amended 9/6/86, 9/19/92, 9/9/95.)

Section 2.

The Vice-Chairman of the Association shall be chairman of the Legislative Committee; the Secretary of the Association shall be vice-chairman of the Legislative Committee; and the Immediate Past Chairman of the Association shall be chairman of the Nominating Committee. All other committee chairmen shall be appointed by the Chairman of the Association. (Added 9/6/86, Amended 9/10/94, 9/9/95.)

Section 3.

The Board of Directors and/or the Chairman of the Association may appoint such other committees from time to time as the Board or the Chairman shall deem necessary. (Added 9/6/86, Amended 9/9/95.)

**ARTICLE XI
Quorum**

Section 1.

A quorum at all membership meetings of the Association shall consist of at least twenty-five (25) voting members. (Amended 9/11/97.)

Section 2.

A quorum of the Board of Directors shall consist of at least five (5) of its elected members.

Section 3.

A quorum of the Executive Committee shall consist of a majority of its members.

Section 4.

At any meeting of the Association, the Board of Directors or the Executive Committee, where less than a quorum is present, a majority of those present may adjourn the meeting to a fixed date and place, but due notice of the adjournment shall be promptly furnished to each person concerned.

**ARTICLE XII
Proxies**

Section 1.

No vote shall be cast by proxy at the meetings of the Association, the Board of Directors, or the Executive Committee.

**ARTICLE XIII
Amendments**

Section 1.

These By-Laws may be amended or replaced at any regular or special meeting of the Association by a vote of two-thirds (2/3) of the Voting Active members present or at any meeting of the Board of Directors by a vote of two-thirds (2/3) of the Directors present, subject to the approval of the membership, provided that written notice therefore

and a copy of the proposed amendment or amendments shall be mailed to each Voting Active member of the Association or member of the Board of Directors at least fifteen (15) days prior to the date of such meeting. (Amended 9/11/97.)

ARTICLE XIV
Indemnification of Officers and Employees
(Added 9/12/97)

Section 1.

The Association shall indemnify any officer and/or employee, or any former officer and/or employee, who was or is a party to, or is threatened to be made a party to, or who is called to be a witness in connection with, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Association) by reason of the fact that such person is or was an officer and/or employee of the Association, or is or was serving at the request of the Association as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Association, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in, or not opposed to, the best interests of the Association, and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful.

Section 2.

The Association shall indemnify any officer and/or employee, who was or is a party to, or is threatened to be made a party to, or who is called as a witness in connection with, any threatened, pending or completed action or suit by or in the right of the Association to procure a judgment in its favor by reason of the fact that such person is or was a director, officer, and/or employee or agent of another corporation, partnership, joint venture, trust or other enterprise against amounts paid in settlement and expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the

defense or settlement of, or serving as a witness in, such action or suit if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Association and except that no indemnification shall be made in respect of any such claim, issue or matter as to which such person shall have been adjudged to be liable for misconduct in the performance of his duty to the Association.

Section 3.

Except as may be otherwise ordered by a court, there shall be a presumption that any officer and/or employee is entitled to indemnification as provided in Sections 1 and 2 of this Article unless either a majority of the directors who are not involved in such proceedings ("disinterested directors") or, if there are less than three disinterested directors, then one-third of the members of the Association determine that the person is not entitled to such presumption by certifying such determination in writing to the Secretary of the Association. In such event the disinterested director(s) or, in the event of certification by the members, the Secretary of the Association shall request of independent counsel, who may be the outside general counsel of the Association, a written opinion as to whether or not the parties involved are entitled to indemnification under Sections 1 and 2 of this Article.

Section 4.

Expenses incurred by an officer and/or employee in defending a civil or criminal action, suit or proceeding may be paid by the Association in advance of the final disposition of such action, suit or proceeding as authorized in the manner provided under Section 3 of this Article upon receipt of an undertaking by or on behalf of the officer and/or employee to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Association.

Section 5.

The indemnification provided by this Article shall not be deemed exclusive of any other rights to which a person seeking indemnification may be entitled under any agreement, vote of members or disinterested directors, or otherwise, both as to action in his official capacity while serving as an officer and/or employee and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be an officer and/or employee and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 6.

The Association may create a fund of any nature, which may, but need not be, under the control of a

trustee, or otherwise secure or insure in any manner its indemnification obligations arising under this Article.

Section 7.

The Association shall have the power to purchase and maintain insurance on behalf of any person who is or was an officer and/or employee of the Association, or is or was serving at the request of the Association as an officer and/or employee of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Association would have the power to indemnify him against such liability under the provisions of this Article.

Section 8.

Indemnification under this Article shall not be made in any case where the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted willful misconduct or recklessness.

ARTICLE XV

Indemnification of Directors

Section 1.

A director of this Association shall stand in a fiduciary relation to the Association and shall perform his duties as a director, including his duties as a member of any committee of the board upon which he may serve, in good faith, in a manner he reasonably believes to be in the best interests of the Association, and with such care, including reasonable inquiry, skill and diligence, as a person of ordinary prudence would use under similar circumstances. In performing his duties, a director shall be entitled to rely in good faith on information, opinions, reports or statements including financial statements and other financial data, in each case prepared or presented by any of the following:

(a) One or more officers or employees of the Association whom the director reasonably believes to be reliable and competent in the matters presented.

(b) Counsel, public accountants or other persons as to matters which the directors reasonably believe to be within the professional or expert competence of such persons.

(c) A committee of the board upon which he does not serve, duly designated in accordance with law, as to matters within its designated authority, which committee the director reasonably believes to merit confidence.

A director shall not be considered to be acting in good faith if he has knowledge concerning the matter in question that would cause his reliance to be unwarranted.

Section 2.

In discharging the duties of their respective positions, the board of directors, committees of the board, and individual directors may, in considering the best interest of the Association, consider the effects of any action upon employees, upon suppliers and customers of the Association and upon communities in which offices or other establishments of the Association are located, and all other pertinent factors. The consideration of those factors shall not constitute a violation of Section 1.

Section 3.

Absent a breach of fiduciary duty, lack of good faith or self-dealing, actions taken as a director or any failure to take any action shall be presumed to be in the best interests of the Association.

Section 4.

A director of this Association shall not be personally liable for monetary damages as such for any action taken or for any failure to take any action, unless:

(a) the director has breached or failed to perform the duties of his office under the provisions of Sections 1 and 2, and

(b) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

Section 5.

The provisions of Section 4 shall not apply to:

(a) the responsibility or liability of a director pursuant to a criminal statute, or

(b) the liability of a director for the payment of taxes pursuant to local, state or federal law.

Section 6.

The Association shall indemnify any director, or any former director who was or is a party to, or is threatened to be made a party to, or who is called to be a witness in connection with, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Association) by reason of the fact that such person is or was a director of the Association, or is or was serving at the request of the Association as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in

settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interest of the Association, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in, or not opposed to, the best interests of the Association, and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful.

Section 7.

The Association shall indemnify any director who was or is a party to, or is threatened to be made a party to, or who is called as a witness in connection with, any threatened, pending or completed action or suit by or in the right of the Association to procure a judgment in its favor by reason of the fact that such person is or was a director, officer and/or employee or agent of another corporation, partnership, joint venture, trust or other enterprise against amounts paid in settlement and expenses (including attorney's fees) actually and reasonably incurred by him in connection with the defense or settlement of, or serving as a witness in, such action or suit if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Association and except that no indemnification shall be made in respect of any such claim, issue or matter as to which such person shall have been adjudged to be liable for misconduct in the performance of his duty to the Association.

Section 8.

Except as may be otherwise ordered by a court, there shall be a presumption that any director is entitled to indemnification as provided in Sections 6 and 7 of this Article unless either a majority of the directors who are not involved in such proceedings ("disinterested directors") or, if there are less than three disinterested directors, then one-third of the members of the Association determine that the person is not entitled to such presumption by certifying such determination in writing to the Secretary of the Association. In such event the disinterested director(s) or, in the event of certification by the members, the Secretary of the Association shall request of independent counsel, who may be the outside general counsel of the Association, a written

opinion as to whether or not the parties involved are entitled to indemnification under Sections 6 and 7 of this Article.

Section 9.

Expenses incurred by a director in defending a civil or criminal action, suit or proceeding may be paid by the Association in advance of the final disposition of such action, suit or proceeding as authorized in the manner provided under Section 15.8 of this Article upon receipt of an undertaking by or on behalf of the director, officer and/or employee to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Association as authorized in this Article.

Section 10.

The indemnification provided by this Article shall not be deemed exclusive of any other rights to which a person seeking indemnification may be entitled under any agreement, vote of the members or disinterested directors, or otherwise, both as to action in his official capacity while serving as a director and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 11.

The Association may create a fund of any nature, which may, but need not be, under the control of a trustee, or otherwise secure or insure in any manner its indemnification obligations arising under this Article.

Section 12.

The Association shall have the power to purchase and maintain insurance on behalf of any person who is or was a director or is or was serving at the request of the Association as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Association would have the power to indemnify him against such liability under the provisions of this Article.

Section 13.

Indemnification under this Article shall not be made in any case where the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted willful misconduct or recklessness. (Article XV added 9/12/87.)

