

ASSOCIATION OF PUBLIC PENSION FUND AUDITORS, INC.
(APPFA)
CONSTITUTION AND BYLAWS
As Amended November 11,
2017

ARTICLE I -- NAME AND PURPOSE

Section 1. The name of this organization shall be the Association of Public Pension Fund Auditors, Inc., hereafter referred to in the Constitution and Bylaws as either APPFA or the Association.

Section 2. The purpose of the Association is: to unify and encourage cooperative relationships among internal auditors who are representatives of public pension funds, retirement systems, and public investment boards; to provide comprehensive professional development opportunities and activities for the practice of internal auditing in pension related topics; to promote and maintain high professional standards for internal auditors in public retirement systems; to promote the need and value of a well-founded internal audit program as an invaluable aid to management; to offer support to a curriculum of internal auditing in institutions of higher education to encourage students to enter this field of professional endeavor; to encourage and facilitate research, publication, and dissemination of information among the membership concerning internal auditing, where possible specifically emphasizing audit requirements unique to Public Employees Retirement Systems (PERS), and; to sponsor/co-sponsor such other activities as may be useful in developing the knowledge, skills, and abilities of internal auditors.

Section 3. No part of the assets of this Association, nor any income or gain therefrom, shall inure to the benefit of its members in the event of dissolution of this Association. If for any reason the purposes of this Association shall become impossible to fulfill, the assets remaining after all liabilities and obligations have been paid, satisfied and discharged, shall be distributed as designated by the Board of Directors of the Association, to one or more of the following public purposes:

- (a) An organization operated for charitable or educational purposes having exemption from federal income tax under section 509(a)(2) of the 1986 Internal Revenue Code as amended.
- (b) The federal or a state or local government.

ARTICLE II -- MEMBERSHIP

Section 1. The membership of the Association shall consist of the following classes: Charter members as described in Section 2 of Article II; Regular members as described in Section 3 of Article II which will include Charter members insofar as membership rights and responsibilities; Associate members as described in Section 4 of Article II; Retired Honorary members as described in Section 5 of Article II. Regular and Associate memberships shall be in the name of the public pension funds, retirement systems, and investment boards rather than in the name of an individual.

Section 2. The Charter members of the Association shall consist of the following public pension funds and retirement systems: New York State and Local Employees Retirement System, California Public Employees' Retirement System, State of Wisconsin Department of Employee Trust Funds, Public Employees' Retirement Association of Colorado, Teachers Retirement System of Texas, California State Teachers Retirement System, State Universities Retirement System of Illinois, Virginia Retirement System, and New York State Teachers Retirement System.

Section 3. Regular (voting) members of the Association shall consist of public pension funds, retirement systems, and public investment boards having an active program of internal auditing performed by their employees. This category will include Charter members not otherwise defined as Regular members. All Regular members will be accepted for membership in accordance with provisions and procedures prescribed in Sections 6 through 8 of Article II and will hereafter be referred to in the Constitution and Bylaws as Regular members.

Section 4. Associate (non-voting) members of the Association shall consist of internal auditors or enterprise risk management professionals from private educational endowment funds and those public pension funds, retirement systems or investment boards who do not have a full time internal audit function or enterprise risk management function but who demonstrate a commitment to the internal audit function to the satisfaction of the APPFA Membership Committee, may be accepted for membership in accordance with procedures prescribed in Sections 6 through 8 of Article II. This category will include State Auditors who have a separate and distinct organizational component that completes internal audit services for a public pension fund, retirement system or public investment board on a full time continuing basis. Associate members shall enjoy all the privileges of the Association, except the right to vote or to hold office, and will hereafter be referred to in the Constitution and Bylaws as Associate members.

Section 5. Retired Honorary (non-voting) members of the Association shall consist of any person who has made a specific contribution to the profession of internal auditing or to this Association and who has been elected to Retired Honorary membership by the Board of Directors. A Retired Honorary member is someone who is no longer in the public pension industry, a retirement system, public investment board, pension consulting business, certified public accounting or other related industry as may be designated by the Board. Such persons shall enjoy all privileges of Regular members of the Association except the right to vote or to hold office. Retired Honorary members shall not be subject to dues. Recipients of this recognition will be sent an appropriately inscribed membership certificate and will hereafter be referred to in the Constitution and Bylaws as Retired Honorary members.

Section 6. Applications for Regular and Associate membership must be submitted in writing by execution of the form prescribed by the Association. Admission to membership shall occur, subject to approval by a majority of Board Members, after the application has been processed and the payment of related dues has been effected.

Section 7. Upon admission and the payment of related dues, a Certificate of Membership shall be issued under the signature of the President and Secretary of the Association. Presentation may be made at a conference or, if not formally presented, forwarded by mail to the addressee of record.

Section 8. Each Regular member shall designate a Primary representative and may designate a Secondary representative. The Primary representative must be an internal auditor or other employee that has duties similar to those of internal auditors as determined by the Board. Each Associate member shall designate an Official representative and may designate a Secondary representative. The Official representative must be an internal auditor if one exists in the organization. However, if an internal auditor does not exist then a compliance officer, enterprise risk management professional, or other employee that has duties similar to those of internal auditors as determined by the Board may be the Official representative. Communications from the Association shall be addressed to the membership with reference to the Primary representative of each Regular member and the Official representative of each Associate member. The Primary representative of each Regular member and the Official representative of each Associate member, shall give written notice on the following matters to the Secretary of the Association: any change of official representation; any corrections to the mailing address; and any change in the audit program or interest in the support and furtherance of the field of internal auditing in public pension funds and retirement systems which would affect the classification or eligibility for Regular, or Associate membership in the Association. Upon receipt of such notification, the Secretary shall make an appropriate review thereof, effect the required changes and render a report thereon to the Board of Directors.

Section 9. Membership in the Association may be discontinued as follows:

- (a) A resignation in good standing can be effected by written notice to the Secretary of the Association.
- (b) A termination of membership can be effected by the Board of Directors for due cause, which shall include the nonpayment of dues and recommendation of the Membership Committee. In such cases, the President of the Association shall give written notice of the board's action to the member stating the basis for termination of membership and the right to appeal this action to the full membership by the method prescribed in Section 4 of Article IX. If a membership is terminated for non-payment of dues, the membership may be reinstated upon payment of all delinquent dues.

ARTICLE III -- VOTING

Section 1. The designated Primary representative, or their designee, of each Regular member shall be entitled to cast one vote in person upon all matters brought before a duly called business meeting of the Association. The method of voting (written ballot or hand count) shall be subject to the discretion of the President of the Association.

Section 2. The designated Primary representative of each Regular member shall be entitled to cast one vote by mail, fax, or other electronic transmission (when such method is authorized by the Board of Directors) upon any matter which requires the approval or disapproval of the voting members in advance of the Association's business meeting.

Section 3. At the discretion of the Board of Directors, all matters requiring a vote of the Regular members (except the election of officers) may be handled by mail or email rather than at the business meeting of the Association.

Section 4. Associate and Retired Honorary members shall not be eligible to vote.

Section 5. A majority vote shall be recognized under the following conditions:

- (a) When a quorum is present, a majority of Regular members in attendance and voting at the duly called business meeting of the Association.
- (b) A majority of Regular members voting by mail, fax, or other electronic transmission provided the number voting constitutes more than one-half of the entire Regular members. Mail, fax, or other electronic transmission ballots shall be valid and counted only if received within the time specified by the Secretary of the Association.

ARTICLE IV -- FINANCES

Section 1. The financial operation of the Association shall be on the basis of a balanced and approved budget and no financial obligation shall be incurred, except variable conference expenses, by any officer or committee except as authorized in the approved budget. The proposed budget for the next fiscal year, as approved by the Board of Directors, shall be presented to the membership for its approval at the fall meeting of the Association.

Section 2. Regular and Associate members shall be assessed dues. The amount of dues shall be recommended by the Board of Directors and approved by the membership. Dues are to be assessed on a calendar year basis. Dues shall be prorated on a monthly basis within a calendar year for new memberships or reinstatements of lapsed memberships as determined by the Board. There shall be no dues for retired honorary memberships. The fiscal year of the Association shall be January 1 through December 31.

Section 3. Dues are payable upon issuance of the Association's official dues invoice. Payment of initial dues entitles the Regular or Associate member to receive one complimentary copy of all publications of the Association (including the proceedings of business meetings) as well as one complimentary rate reduction in the amount of the registration fee charged at the Association's conferences.

Section 4. The registration fee for the conferences of the Association shall be established by the Vice President and approved by the Board of Directors and shall consider the total need for funds. A registration fee for any member may be waived at the discretion of the Board of Directors if recommended by the Vice President. Conference fee waivers, complimentary hotel rooms and travel costs may be awarded to officers, board members, conferences hosts and to certain committee members at the discretion of the Board of Directors if the individual's public pension fund, retirement system or public investment board will not pay the costs to attend an APPFA conference.

Section 5. The Board of Directors shall have the right to establish the price to be charged (if any) for each of the Association's publications.

Section 6. The Treasurer of the Association shall keep an accurate and complete set of books and

records of account, which may be inspected by any member for any proper purpose at any reasonable time. The Treasurer must be one of the signatories of all Association bank or investment accounts. The signature card for the Association's bank account will be updated upon change of officers and must contain the signatures of both the current President and current Treasurer.

Section 7. The Association's Treasurer shall be bonded for the proper performance of assigned duties, in such amount, and with such surety as the Board of Directors may require, the premium of such bond to be paid by the Association.

Section 8. The Association's officers, directors, and committee members shall receive no compensation for their services. However, they shall be entitled to reimbursement for authorized expenditures incurred in connection with the performance of their duties for the Association.

ARTICLE V -- OFFICERS AND BOARD OF DIRECTORS / SUCCESSION:

Section 1. The elective officers of the Association shall be a President, Vice President, Secretary, and Treasurer. Only Regular members' representatives shall be eligible for election to these offices. No person shall hold more than one elective office at a time. The order of succession of elected Officers shall be President, Vice President (President-elect), Secretary, and Treasurer. As President-elect, the Vice-President shall succeed to the Office of President following completion of a two year term or if a vacancy occurs in the Office of President under provisions of Article V, Section 3.

Section 2. The election of officers shall occur at the fall business meeting of the Association. Effective with the fall 1997 election, the term of office of all officers shall be two years and shall commence on January 1, following the close of the meeting at which they were elected. Officers shall be eligible for reelection; however, the President shall not serve more than one successive term.

Section 3. If a vacancy occurs in the Office of the President for whatever reason, the Vice-President shall succeed to the Office of the President and assume the duties of the President for the remainder of the term of office. If this provision of succession is required, the limitation on more than one successive term as President shall be waived.

Section 4. Mid-term vacancies in the offices of Secretary or Treasurer shall be filled by President's appointment of a qualified APPFA member(s) to serve out the remaining term of office. Such appointment shall be confirmed by the full Board in a vote and will serve out the remaining term of the Officer who has been replaced. A mid-term vacancy in the Office of Vice President for any reason will be filled by the President's appointment of an at-large board member to serve out the remaining term of Vice-President, and confirmed by a vote of the full Board. If for any reason, an at-large member is unable to fill the vacancy of Vice-President, the remaining term of the Vice President shall be filled by the President's appointment of a qualified APPFA member and confirmed by a vote of the full Board.

Section 5. If multiple vacancies occur for APPFA elected offices, the presiding APPFA Officer may call a special election for the remaining term(s) of office. Nominations for office must meet all conditions of Article V, Sections 1 and 6.

Section 6. A seven member Board of Directors shall be the governing body of the Association with full power of management, control of all its affairs, and custody of all its property. The Board of Directors shall consist of the four elective officers of the Association as noted in Article V, Section 1, the immediate Past President (ex-officio member of the Board), and two at-large regular members who will be elected to serve three-year terms. Only persons who are employees of a regular APPFA member are eligible to serve on the Board of Directors, provided the individual and Regular member have been in good standing for a minimum of two years. A Regular member may have either the Primary or Secondary representative serve on the Board. Each member shall have only one representative on the Board at one time, however, if necessary and due to extenuating circumstances, the Regular membership may waive this limitation. Election as an at-large member of the Board of Directors shall occur at the fall business meeting beginning November 1998 and take place every three years, unless required to fill out remaining terms of office under Article V, Section 7. The term as Board member shall commence January 1, the year following the close of the meeting at which they were elected.

Section 7. When required, nominations and a slate of candidates for officers and the Board of Directors shall be developed in advance of the fall business meeting in accordance with provisions of Article VII - Section 2c and shall be presented at the fall business meeting by the Chairperson of the Nominating Committee. If necessary, the slate of candidates shall include nominations for Officers and at-large Board members to serve out the remaining term of an at-large Board member who is running unopposed for an Officer position.

Section 8. Interim term vacancies on the Board, not addressed in Article V or for any other reason, shall be filled by appointment of a qualified Regular member by the APPFA President. Such appointment shall be confirmed by vote of the full Board and serve out the remaining term of the replaced board member.

Section 9. Upon request of the President of the Association, the Board shall meet at least once a year (in addition to convening at the fall conference) at a site that will be the most convenient for a majority of the Board members. The Board may, upon the President's request and with the written consent of the majority of the Board members, take any action within its powers by mail, fax, or other electronic transmission that it could effect at a meeting duly held in person. Formal minutes of all Board of Directors meetings shall be officially recorded by the Secretary of the Association.

ARTICLE VI -- DUTIES OF THE OFFICERS

Section 1. The President shall be the executive officer of the Association and shall preside at all meetings of the membership and the Board of Directors. He/she shall be responsible for the enforcement of the Association's Bylaws, the execution of all resolutions and proceedings of the Association and Board, the appointment of members to committees unless the committee members are appointed by an action of the Board of Directors, the general supervision of all affairs of the Association and the performance of all other duties incident to this office, all of which shall be subject to the concurrence of the Board of Directors. In the absence or inability of the President to act, the Vice President and Treasurer (in that order) shall have the powers and shall perform the duties of the

President.

Section 2. The Vice President shall serve as Chairman of the Program Committee (see Section 2c of Article VII) and shall assist the President, serve as the President in the event of the President's absence or inability to act, and perform such other duties as may be assigned by the Board of Directors upon the recommendation of the President. As noted in Article V, Section 1, the Vice President is also the President-elect.

Section 3. The Secretary's duties shall include, but shall not be restricted solely to, the following functions: responsibility for the maintenance and accuracy of the membership records of the Association (which shall be supported by an updated file of related application of Membership forms); joint responsibility with the Treasurer for ascertaining that the total membership is reconciled with the related assessment and payment of annual dues; joint responsibility with the Treasurer for ascertaining that conference registration fees are reconciled to the conference attendance records; joint responsibility with the Treasurer for reviewing and reconciling the monthly bank account statements; responsibility for the accurate recordings of the minutes of business meetings and all Board of Directors meetings and the distribution thereof to the members; responsibility for the issuance of Certificates of Membership in the Association; responsibility for the custody of the Association's bylaws; responsibility for the custody of conference attendance records, speaker bios and session handouts; responsibility for the issuance of conference CPE certificates; responsibility for the official correspondence with the membership (except for the President's welcome for new members and a termination of membership for due cause) and/or other duties as may be assigned to him/her by the President or the Board of Directors. At the conclusion of his/her term of office, he/she shall promptly transfer to his/her successor all of the Association's records and other property of any type which is or has been entrusted to his/her control custody.

Section 4. The Treasurer shall be concerned with the development and administration of the fiscal policy of the Association and he/she shall be bonded for the faithful discharge of his/her duties in such sum and with such surety as the Board of Directors shall direct. He/she shall be responsible for the supervision of all funds received by the Association, or any of its committees or agents, and such funds shall be disbursed only by his/her direction and authority. He/she shall be responsible for the preparation of the Association's annual budget, which shall be submitted to the membership for approval at the fall business meeting. He/she shall be responsible for the billing and collection of membership dues and notifying the Board of Directors of any delinquencies. He/she shall be responsible for submitting any required tax returns on behalf of the Association. He/she shall prepare an interim financial statement covering the period of January to September to be presented to the Board of Directors prior to the fall business meeting. He/ she shall prepare formal annual financial statements in accordance with generally accepted accounting principles, submitted not later than forty-five (45) days after the fiscal year end to the Board of Directors for their approval and after approval by the Board of Directors submitted not later than sixty (60) days after the fiscal year end to the membership via email and/or posting to the Association's website. Annual financial statements shall be verified (as defined in Article VII, Section 2(a)) no less frequently than every two years or when there is a change in the office of Treasurer. The frequency of any interim verification of the financial statements shall be approved by the Board. If annual financial statements are not subject to a verification, they shall be combined with the financial report of the succeeding year and a two-year verification report shall be completed.

At its discretion, the Board may require a formal audit or review conducted in accordance with generally accepted auditing standards or an informal audit or review not conducted under these standards. In general, the incumbent shall perform all the duties incident to the Treasurer's office and such other duties as may be assigned to him/her by the President or the Board of Directors. At the conclusion of his/her term of office, all records of the Association shall be transferred to the newly elected Treasurer.

ARTICLE VII -- COMMITTEES

Section 1. Except where noted, committees shall be appointed by the President. The President shall normally designate all committee chairpersons and shall be an ex-officio member of every committee, except for the Nominating Committee. A majority of each committee shall constitute a quorum thereof.

Section 2. Standing Committees of the Association shall consist of the following: Planning, Audit, Nominating, and Program. Their duties shall be as follows:

- (a) The Audit Committee shall consist of a chairperson (who shall not be an Officer of the Association as defined in Article V, Section 1) who will be responsible for obtaining a verification report of the Association's financial statements, as directed by the Board, in accordance with Article VI, Section 4. The financial statements shall be prepared in accordance with generally accepted accounting principles. The verification report and related financial statements shall be published as directed by the Board of Directors, but at a minimum must be made available to the entire membership. The verifier of the financial statements is required to conduct the verification process in accordance with the procedures approved by the Board. Such procedures shall be included in the verification report as an attachment to the report. The verification procedures must include, but are not limited to, the following standards: i) the verifier must ensure the financial statements appear in proper form as defined by the Board, ii) the fund balances agree to reconciled bank balances, iii) the method used to ensure the balances in the bank accounts were confirmed, iv) ensure that the expenditures were for purposes authorized by the Board and were made in compliance with these bylaws, v) and the amounts in the financial statements agree to the amounts in the IRS Form 990 report filed by the Treasurer.
- (b) The Nominating Committee shall consist of the Board of Directors and normally chaired by the immediate Past President of the Association. Nominations for officers and the Board of Directors or vacancies thereof as described in Article V can be made by any official representative of an APPFA Regular member. After giving due consideration to all relevant factors (e. g., eligibility of holding office or election to the Board, the degree of interest expressed in the Association by past attendance and other participation, etc.), the chairperson shall submit the list of candidates to the Secretary, who shall propose the candidates for voting by the Regular APPFA voting members.
- (c) The Program Committee shall consist of a chairperson who will be the Vice President of the Association, and such other assistants as he/she may deem necessary. The chairperson

shall be responsible for the planning and development of the entire program in connection with the Association's conferences and other educational offerings. He/she will coordinate the program with those services and facilities to be provided by the host institution. The Committee shall provide quality control for the Continuing Education aspects of the conferences. In addition, the Committee continuously evaluates the membership's educational needs, including Continuing Professional Education credits (CPEs) for CPAs, CIAs, and other professional certification requirements in order to plan the conference to best meet those needs.

- (d) The Membership Committee shall be a three person committee appointed by the President who will review applications for membership. The Committee shall make recommendations to the Board of Directors for membership and/or continuation of membership.

Section 3. As the need arises, other special or technical committees may be authorized upon the initiative and direction of the President or by the Board's approval of a specific request from the membership. The composition of such committees and the method of appointment shall be governed by the committees appointing authority. The following committees shall be appointed as deemed necessary by either the President or the Board of Directors:

- (a) The Bylaws and Policies Committee shall consist of a chairperson who shall originate or accept proposed amendments to the Constitution and Bylaws and shall process them in accordance with the procedures outlined in Section 3 of Article VIII. The Board of Directors may appoint members to serve on that committee as needed. The committee may also draft new or update the Association's policies as necessary.
- (b) The Best Practices Committee shall consist of a chairperson who shall have full authority to manage the committee. The committee members will be made up of volunteers from the membership. The committee may provide specialized training at any of the Association's conferences upon approval by the Vice President for Programs. The committee may develop guidelines (eg: operational risk and investment risk) and sample documents (eg: audit charters and audit committee charters) that can be used by the membership.

Section 4. Any member of any committee (except for Audit) may be removed at the discretion of the appointing authority. In the case of the Audit Committee, any removal must be approved by a majority of Regular members voting thereon by mail, fax, or other electronic transmission.

ARTICLE VIII -- BYLAWS

Section 1. Bylaws consistent with the aims and purposes of the Association and considered necessary to provide for its government or general welfare may be adopted by the membership.

Section 2. All questions of interpretation of the Association's Bylaws shall be decided by a majority of the Board of Directors.

Section 3. The Chairperson of the Bylaws and Policies Committee, if convened, shall submit all proposed revisions of the Association's Bylaws, together with related comments and/or recommendations, to the Board of Directors for their review. Following review and approval by a majority of the Board, proposed amendments shall be submitted in writing to the membership for review and comments, by the Secretary, at least twenty days prior to the date upon which they are to be voted on for adoption. After the comment period has ended, additional modifications made if necessary at the discretion of the Board, and the amended bylaws voted on for adoption. Amendments to the Association's Bylaws shall become effective upon approval by vote of the Regular members, in accordance with the voting procedures outlined in Article III.

ARTICLE IX -- PROCEDURE

Section 1. At all meetings of the Association or the Board of Directors, a majority of the Regular members present and voting shall constitute a quorum.

Section 2. Any questions on procedures shall be governed by Robert's Rules of Order Revised, when they are not in conflict with the Association's Bylaws. In addition, when Robert's Rules of Order Revised appear to have a restricting effect, the President of the Association shall have the power to declare an open meeting. In all cases, meetings will be presided over by the President of the Association or his/her designated representative.

Section 3. The rules of procedure may be suspended by a majority of those representatives of Regular members present and voting at any meeting.

Section 4. A member which has had its membership terminated by action of the Board of Directors (see Section 9b of Article II) may petition the Association's President for submission of an appeal of this action to the full membership. The petition shall be reviewed by the Membership Committee who shall make a recommendation to the President. By appropriate means, the President shall then inform the Board and the full membership as to the subject petition and Membership Committee recommendation. At the next meeting of the Association, the appealing institution and the Board shall present arguments relative to the termination action and the representatives of Regular members shall then either sustain or revoke the Board's action, with a simple majority of those present and voting deciding the matter.

ARTICLE X -- MEETINGS, CONFERENCES AND WEBSITE ACCESS

Section 1. Business meetings shall be held each year for all members in conjunction with the conferences of the Association. The Association was organized under New York state law and as a result, at least one meeting must be held to comply with that state law that governs corporations which organize in the state. The exact dates and the site of said meetings, based upon recommendations of the Vice President, shall be determined by the Board of Directors. By means of written notification or by a newsletter, and/or other adequate means, the President shall give the membership notice of each meeting and conference at least sixty days prior thereto.

Section 2. The opening business session of the meeting shall proceed as follows:

- (a) Approval of the business session minutes for the previous meeting.
- (b) Report of Committees and Officers.
- (c) Any other business items or announcements related to the Association.
- (d) Election of officers and Board members, if applicable.

Section 3. Except for Sections 2a and 2b of Article X, the President shall have the power to revise other portions of the Business sessions.

Section 4. Conference attendance shall be limited to APPFA members who represent the internal audit function of Regular and Associate members and Retired Honorary members. Representatives of non-members who would otherwise qualify to be a member shall be allowed to attend one conference. Staff of the Investment Compliance, Enterprise Risk Management Offices and non-audit staff of APPFA members' public pension funds, retirement systems or public investment boards, may attend a conference when approved by their APPFA "Official Representative" and the Conference Chair (Vice President). Non-audit staff attendance at any one conference will be limited at two (2) unless increased by Board action. Conference speakers may be permitted to attend designated conference sessions after receiving the prior approval of the Conference Chair (Vice President).

Section 5. Access to Website directories that contain audit programs, communications on audit techniques and procedure, and other directories identified by the APPFA membership shall be restricted to "Members Only."

ARTICLE XI -- MISCELLANEOUS

Section 1. The Board of Directors shall have the power to adopt, revise or eliminate the official seal and/or other representative symbols of the Association.

Section 2. The Board of Directors, on behalf of the Association, may accept any gifts, contributions, bequests or devices for any specific or general purpose of the Association.

Section 3. The Board of Directors, upon the recommendation of the Bylaws and Policies Committee shall have the power to adopt or revise the Association's policies (excluding changes to the bylaws which must be approved by the full membership).

ARTICLE XII -- LIMITATIONS ON LIABILITIES AND INDEMNIFICATION

Section 1. No Officer, Member of the Board, or Committee Member shall be liable to the Association for the acts or failure to act on the part of any other Officer, Member of the Board, or Committee Member of the Association; nor shall any Officer, Member of the Board, or Committee Member be liable for his acts or failure to act under these Bylaws, except in such cases wherein the

Officer, Member of the Board, or Committee Member is negligent in the performance of the duties of the office.

Section 2. Every Officer, Member of the Board, or Committee Member shall be indemnified by the Association against all reasonable expenses and liabilities incurred by such Officer, Member of the Board, or Committee Member in connection with the defense of any action, suit, or proceeding brought by any party other than the Association in which he or she may become involved by reason of being or having been an Officer, Member of the Board, or Committee Member of the Association, except in such cases where such Officer, Member of the Board, or Committee Member, or former Officer, Member of the Board, or Committee Member shall be adjudged in such action, suits, or proceeding to be liable for gross negligence or willful misconduct in the performance of the duties of the office.

Section 3. In the event of a settlement, the indemnification provided for in Section 2 shall apply only when the Board of Directors approves such settlement and reimbursement as being in the best interest of the Association.