



**National Association of
Surety Bond Producers**

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November 21, 1994

Mr. Lawrence M. Noble
Office of the General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

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FEDERAL ELECTION COMMISSION
OFFICE OF THE GENERAL COUNSEL

RE: REQUEST FOR AN ADVISORY OPINION

Dear Mr. Noble:

Today I am filing a statement of organization with the Federal Election Commission (FEC) for the establishment of the National Association of Surety Bond Producers Political Action Committee (SuretyPAC). The National Association of Surety Bond Producers (NASBP) is a national organization of 560 insurance agencies and brokerages specializing in providing surety bonds and insurance to construction contractors.

As a trade association PAC, SuretyPAC must make a written request to our 560 member corporations for permission to solicit them. However, in addition to our 560 members, NASBP also has 105 fee paying "affiliates" who are mostly the surety companies which underwrite the surety bonds which our members sell. The fee categories for affiliates is \$5,000 and \$2,250 while the dues categories for members is only \$2,250 and \$1,500. Because the NASBP affiliates pay significantly higher dues than our members and are thus making a serious financial investment in the association, it occurs to me that they may meet the FEC's "restricted class" requirements under an advisory opinion.

While NASBP affiliates do not have voting rights on the NASBP Board of Directors, there is no other distinction between them and our membership class. They are invited to attend all of our meetings, they serve on our committees, and participate in our educational and government affairs programs. Moreover, SuretyPAC provides the only means by which they would be able to participate in a PAC that is solely dedicated to the interests of the surety bond industry.

Mr. Noble, your advisory opinion on whether or not SuretyPAC can seek authorization to solicit from NASBP's affiliates would be greatly appreciated.

Sincerely,

J. Martin Huber
Executive Vice President

**NASBP AFFILIATES
FEES, BENEFITS & ELIGIBILITY**

Surety companies, reinsurance companies, reinsurance brokers, managing general agencies (MGAs) and underwriting managers are eligible to become NASBP Affiliates. The annual investment schedule for these groups is as follows:

a) Surety Companies, managing general agencies and underwriting managers with total direct written surety premiums of twenty million dollars (\$20,000,000) or more: \$5,000 per year.

b) All other surety companies, MGAs, underwriting managers and reinsurance companies and reinsurance intermediaries: \$2,250 per year.

There is no additional fee for branch offices of Affiliate companies.

Any increases in Affiliate fees will be no greater, as a percentage, than increases in Members' dues.

Personnel from Affiliate companies are not allowed to serve on NASBP's Board of Directors nor serve as chairs or vice chairs of standing committees. They may serve on all committees except the Executive, Planning, Membership and Nominating Committees and may chair ad hoc committees.

Personnel from Affiliate Companies (home and branch offices) receive the following benefits:

- * Included on mailing list for receipt of Pipeline, Suretyscope and other mailings.
- * Eligible to attend Annual and Regional meetings at the same registration fees charged NASBP Member firm personnel.
- * Purchase NASBP publications and A/V products at the same prices charged NASBP Members.
- * Attend educational programs at the same registration fees charged NASBP Member firm personnel.
- * Receive legislative and government affairs information, participate in government affairs activities, and attend the Legislative Conference.

Eligibility - Affiliates: All surety companies, reinsurance companies, reinsurance brokers, MGAs and underwriting managers on the "Approved List of Companies for Attendance at NASBP Meetings" as of December 31, 1992, are eligible to become NASBP Affiliates. Companies not on this list must obtain the written sponsorship of three NASBP members and one Affiliate and be approved by the NASBP Membership Committee in order to become NASBP Affiliates. (Reinsurance companies and intermediaries must obtain four sponsors, at least one of which must be a Member and three may be Affiliates.)

Companies applying for Affiliate status must pay a \$250 administrative fee with their application.

Surety companies, reinsurance companies, reinsurance brokers, MGAs and underwriting managers that choose not to become NASBP Affiliates may register their personnel for attendance at Annual and Regional meetings (provided the company is on the Approved List of Companies), but must pay a surcharged registration fee as follows:

Annual Meetings: Registration fee equal to two times the fee charged Member and Affiliate firm personnel for registrant and spouse.

Regional Meetings: Registration fee equal to two times the fee charged Member and Affiliate firm personnel subject to a maximum surcharge of \$250 above the Member/Affiliate fee each for registrant and spouse.

The surcharged amounts from regional meeting fees should be forwarded to NASBP headquarters and not included in regional meeting operating budgets or surpluses.

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**National Association of
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December 2, 1994

Mr. Bradley Litchfield
 Associate General Counsel
 Federal Election Commission
 999 E Street, N.W.
 Washington, DC 20463

RE: Request for Advisory Opinion

Dear Mr. Litchfield,

AOR 1994-39

This will follow up on my letter to Mr. Noble of November 21 and respond to questions that you raised in a telephone conversation with me.

The National Association of Surety Bond Producers is a 501(c)6 trade association and is incorporated in the District of Columbia.

Our bylaws, a copy of which is attached, do not make any reference to our "affiliates" category of participation. In fact, the "affiliates" category intentionally was not made a membership category, which would have required a bylaw change, because of concerns of several potential affiliates of ant-trust issues. Article II of the enclosed bylaws deal with membership.

Even though affiliates are not a class of membership, I would reiterate our view that 1) affiliates make a significant investment in NASBP by virtue of the annual fees they pay, which are actually a higher fee schedule than membership dues; and 2) affiliates receive virtually all the benefits of membership except the right to vote.

I appreciate your consideration of this matter.

Sincerely,

J. Martin Huber
 Executive Vice President

- PRESIDENT**
 *Dennis D. Flatness
 1000 Bonanza St.
 St. Louis, MO 63118-0751
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 San Diego, CA
- SECOND VICE PRESIDENT**
 *James C. Beech
 Lemons, PA
- THIRD VICE PRESIDENT**
 *Dwight C. Dodson, CPCU
 Dallas, TX
- REGIONAL VICE PRESIDENTS**
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 Russell M. Canterbury
 Hartford, CT
 Stephen L. Cox
 Metairie, LA
 Craig E. Hansen, CPCU, AFSB
 Des Moines, IA
 Harry D. Koch, AAI
 Omaha, NE
 Todd P. Loehner
 Nashville, TN
 Lawrence J. Newton
 Seattle, WA
 Thomas M. Padilla
 Albuquerque, NM
 John D. Schramm
 Cleveland, OH
 Nicholas A. Sparachane
 Annapolis, MD
 James E. Stark
 Jupiter, FL
 Francisco J. Tirado
 San Juan, PR
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 Memphis, TN
 William R. Thompson
 Jackson, MS
 Kip W. Vandeventer
 Billings, MT
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 *John D. Hoffman
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- DIRECTOR OF GOVERNMENT AFFAIRS**
 Ted Pierce
- DIRECTOR OF MEMBER SERVICES & CONFERENCES**
 Robert A. Johnson
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 Susan A. DeCoursey
- GENERAL COUNSEL**
 Andrew J. Ruck, Esq.
 Judee Morris & Fletcher
 Philadelphia, PA
- EXECUTIVE COMMITTEE**

BYLAWS
of the
NATIONAL ASSOCIATION OF
SURETY BOND PRODUCERS
(As last amended April 17, 1994)

ARTICLE I

NAME

Section 1. The name of this corporation is and shall be known as "National Association of Surety Bond Producers" (hereinafter referred to as Association). The Association may have offices at any place in the United States as the Board of Directors may determine or as the affairs of the Association may require from time to time. The Association shall have and continuously maintain in the District of Columbia a registered office and a registered agent whose office is identical with such registered office, as may be required by statute. The address of the registered office of the Association may be changed from time to time by the Board of Directors.

ARTICLE II

MEMBERS OF THE ASSOCIATION

Section 1. **CLASSES OF MEMBERS:** The Association shall have one class of member.

Section 2. QUALIFICATIONS FOR MEMBERSHIP

A. Each applicant for membership in this Association, in order to be eligible for membership in this Association:

(a) must be a firm (corporation, partnership or proprietorship including any qualifying division, branch office or other entity) which:

(i) is continuously and actively engaged on a commission basis as agent-producer or broker of surety bonds representing two or more surety companies;

(ii) has produced a minimum volume of surety premiums during the twelve months prior to submission of an application for membership of \$200,000 in two or more surety companies, with the predominant portion of the applicant firm's total surety premiums produced by serving as a retail agent or broker directly representing the principals named in the bonds produced.

(b) shall submit such proof of conditions (a) above as may reasonably be requested by the Chairman of the Membership Committee of this Association.

The Board of Directors of this Association may in its discretion waive any of the foregoing conditions (a) and (b) if such waiver is deemed to be in the best interests of this Association and its overall purposes.

B. The Board of Directors of this Association is hereby empowered to prescribe such further requirements and qualifications for membership, not inconsistent with the foregoing, as the Board of Directors may, from time to time, deem appropriate.

Section 3. NOMINATION AND ELECTION OF MEMBERS.

A. Membership in this Association shall be by invitation only, and such nomination for membership shall be made only by a member of the Association. Every such nomination for membership shall be submitted to the Secretary or to such other person as the Board of Directors may direct, in writing, in such form and shall contain such information as the Board of Directors, from time to time by resolution, shall require. Every application shall contain a statement signed by a principal or officer of the applicant firm that the applicant agrees, if elected to membership, to comply with and be bound by the Bylaws of this Association and any amendments thereto.

B. Nominations for membership which are made as provided in these Bylaws, shall be submitted by the Secretary or such other person as may be directed by the Board of Directors, to the Board of Directors, which is hereby vested with full power to elect or reject nominees for membership.

C. The election of members may take place at any meeting of the Board of Directors or by letter ballot by the members of the Board of Directors. It shall be necessary for election to membership that applications shall receive the affirmative vote of two-thirds (2/3) of the members of the Board of Directors present at the meeting at which such application is considered. The Board of Directors may also vote on applications for membership by mail and in such event it shall be necessary that two-thirds (2/3) of the members of the Board of Directors vote affirmatively in favor of the application for membership.

Section 4. **MEMBERSHIP VOTES:** Each member firm and each dues paying division, branch office or other entity of a member firm shall be entitled to one (1) vote on each matter submitted to a vote of the membership.

Section 5. TERMINATION OF MEMBERSHIP

A. The Board of Directors, by an affirmative vote of two-thirds (2/3) of all the members of the Board, may suspend or expel a member or any individual dues paying division, branch office or any other entity of a member for any reason whatsoever deemed by the Board of Directors to be in the best interests of the Association after an appropriate hearing, and may, by majority vote of those present at any regularly constituted meeting, terminate the membership of any member or any individual dues paying division, branch office or other entity of a member which becomes ineligible for membership, or suspend or expel any member or any individual dues paying division, branch office or other entity of a member which shall be in default in the payment of dues for a period of time as may be fixed in Article XI of these Bylaws.

B. RESIGNATION. Any member may resign by filing a written resignation with the Secretary, but such resignation shall not relieve the member so resigning of the obligation to pay any dues, assessments or other charges therefore accrued and unpaid.

C. REINSTATEMENT. Upon written request signed by a principal or officer of a former member or former dues paying division, branch office or other entity of a member and filed with the Secretary, the Board of Directors may, by the affirmative vote of two-thirds (2/3) of all the members of the Board, reinstate such former member or former dues paying division, branch office or other entity of a member to membership upon such terms as the Board of Directors may deem appropriate.

D. Membership in this Association is not assignable or transferable without the approval of the Board of Directors, and any attempt to transfer or assign membership without the approval of the Board of Directors shall be cause for termination of membership.

ARTICLE III

MEETING OF MEMBERS

Section 1. ANNUAL MEETINGS: There shall be an annual meeting of this Association which shall be held at a time and place to be designated by the Board of Directors for the purpose of electing Directors and for the transaction of such other business as may come before the meeting. Due notice of the time and place of such annual meeting shall be given to each member of this Association.

Section 2. SPECIAL MEETINGS: Special meetings of the members of the Association may be called by the President, the Secretary, by a majority of the Board of Directors, or not less than one-third of all members, and divisions, branch offices and other entities of members having voting rights.

Section 3. NOTICE OF MEETING: Written or printed notice stating the place, day and hour of any meeting of members shall be delivered either personally or by mail to each member entitled to vote at such meeting, not less than ten (10) nor more than ninety (90) days before the date of such meeting, by or at the direction of the President or the Secretary, or the officers or persons calling the meeting. In case of a Special Meeting, or when required by Statute or in these Bylaws, the purpose or purposes for which the meeting is called shall be stated in the notice. If mailed, the notice of meeting shall be deemed delivered when deposited in the United States Mail, addressed to the member at the address that appears on the records of the Association, with postage thereon prepaid.

Section 4. INFORMAL ACTION BY MEMBERS: Any action required by law to be taken at a meeting of the members, or any action which may be taken at a meeting of members, may be taken without a meeting if a consent in writing, setting forth the action to be taken, shall be signed by all members entitled to vote with respect to the subject matter thereof.

Section 5. QUORUM: The members holding thirty-three and one-third percent (33 1/3%) of the votes which may be cast

at any meeting shall constitute a quorum at such meeting. If a quorum is not present at any meeting of the members, a majority of the members present may adjourn the meeting from time to time without further notice.

Section 6. PROXIES: At any meeting of members, a member entitled to vote may vote by proxy executed in writing by the member or by his duly authorized attorney-in-fact, who has to be a Director. No proxy shall be valid after eleven (11) months from the date of its execution unless otherwise provided in the proxy.

Section 7. VOTING BY MAIL: Where Directors or Officers are to be elected by members, such election may be conducted by mail in such manner as the Board of Directors shall determine.

ARTICLE IV

BOARD OF DIRECTORS

Section 1. GENERAL POWERS: The affairs of the Association shall be managed by its Board of Directors. Directors need not be residents of the District of Columbia, but must be principals or officers of members of the Association.

Section 2. NUMBER, TENURE AND QUALIFICATIONS: The number of Directors shall be sixteen (16), in addition to the President, First, Second and Third Vice Presidents, all Regional Vice Presidents, and Secretary-Treasurer, and the three (3) Immediate Past Presidents of the Association, who will serve as Directors by reason of their office. Directors shall be principals or officers of members in good standing of this Association. As the term of each present member of the Board of Directors expires, the term of his successor so elected shall be for a period of three (3) years so as to provide overlapping terms of office for the Board of Directors.

Section 3. NOMINATION OF DIRECTORS: Each year the president shall appoint a nominating committee on or before the first day of November, consisting of not fewer than five (5) or more than seven (7) persons from among principals or officers of members for the purpose of nominating Directors for the ensuing term. In the appointment of such committee, the President shall give due consideration to geographical representation.

The nominating committee, so appointed, shall confer and nominate a number of candidates equal to the number of Directors whose three (3) year terms are expiring. On or before the first day of April, the nominating committee shall report its nominations to the President and Secretary of the Association.

Section 4. ELECTION OF DIRECTORS: The report of the nominating committee shall be read at the annual meeting of the Association. Additional nominations will be permitted only if such nominations are submitted in writing to the Secretary at least ten (10) days prior to the annual meeting and if such nominations are endorsed in writing by not less than twenty (20) members in good standing. Each member may cast vote(s) in accordance with Article II, Section 4 of these Bylaws. A member or a division, branch office, or other entity of a member having voting right may cast only one

(1) vote for any one (1) candidate and may not cast more votes than the number of vacancies to be filled on the Board. The persons receiving the greatest number of votes shall be declared by the President to be Directors and shall take office immediately on the close of the annual meeting.

Section 5. EXECUTIVE COMMITTEE: the Executive Committee of the Board of Directors of this Association, except as provided below, shall be vested with full power to conduct the business of the Association and to exercise all corporate powers in the interim between meetings of the membership of the Association and between meetings of the Board of Directors of this Association. The Executive Committee shall consist of seven (7) members: (i) the newly elected President of the Association, (ii) the three (3) Immediate Past Presidents of the Association, who continue as active members of the Association in good standing, (iii) the First, Second and Third Vice President of the Association. The President of this Association shall preside at all meetings of the said Executive Committee, and at least four (4) votes shall be required for action by said Committee.

The Executive Committee shall not have the authority of the Board of Directors in reference to electing, appointing or removing any member of any such committee or any Director or Officer of the Association; amending the Articles of Incorporation; adopting a plan of merger or adopting a plan of consolidation with another Association; authorizing the sale, lease, exchange or mortgage of all or substantially all of the property and assets of the Association; authorizing the voluntary dissolution of the Association or revoking proceedings therefor; adopting a plan for the distribution of assets of the Association; or amending, altering or repealing any resolution of the Board of Directors which by its terms provides that it shall not be amended, altered or repealed by such committee. The designation and appointment of the Executive Committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any individual Director, of any responsibility imposed upon it or him by law.

Section 6. REGULAR MEETINGS: A regular meeting of the Board of Directors shall be held without notice, other than this Bylaw, immediately before, and at the same place as, the annual meeting of the members of the Association. The Board of Directors may provide by resolution, the time and place, either within or without the District of Columbia, for the holding of additional regular meetings of the Board without other notice than by such resolution.

Section 7. SPECIAL MEETINGS: Special Meetings of the Board of Directors may be called by or at the request of the President or any two (2) Directors. The person or persons authorized to call special meetings of the Board may fix any place, either within or without the District of Columbia, as the place for holding any special meeting of the Board called by them.

Section 8. NOTICE: Notice of any special meeting of the Board of Directors shall be given at least ten (10) days previously thereto by written notice delivered personally or sent by mail or telegram to each Director at his address as shown by records of the Association. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail in a sealed envelope so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegram company. Any Director

may waive notice of any meeting. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at nor the purpose of any regular or special meeting of the Board need be specified in the notice or waiver of notice of such meeting, unless specifically required by law or these Bylaws.

Section 9. QUORUM: A majority of the Board of Directors shall constitute a quorum for the transaction of the business at any meeting of the Board; but if less than a majority of the Directors are present at said meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

Section 10. MANNER OF ACTING: The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law or by these Bylaws.

Section 11. VACANCIES: Any vacancy occurring in the Board of Directors and any directorship to be filled by reason of an increase in the number of Directors, shall be filled by the Board of Directors. A Director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

Section 12. COMPENSATION: Directors as such shall not receive any stated salaries for their services, but nothing herein contained shall be construed to preclude any Director from serving the Association in any other capacity and receiving compensation therefor.

Section 13. INFORMAL ACTION BY DIRECTORS: Any action required by law to be taken at a meeting of Directors, or any action which may be taken at a meeting of Directors, may be taken without a meeting if consent in writing, setting forth the action so taken, shall be signed by all of the Directors.

Section 14. RE-ELECTION: No member of the Board of Directors having served a full three (3) year term as Director may be re-elected to again serve as a Director prior to the first annual meeting of the Association following the annual meeting in which his full three (3) year term as Director expired.

ARTICLE V

OFFICERS

Section 1. OFFICERS: The Officers of this Association shall be a President, a First Vice President, a Second Vice President and a Third Vice President, one or more Regional Vice Presidents, a Secretary, a Treasurer and such other Officers as may be elected in accordance with the provisions of this Article. The Board of Directors may appoint one or more assistant secretaries and one or more assistant treasurers, as it shall deem desirable, such Officers to have the authority and perform the duties prescribed, from time to time, by the Board of Directors. Any two or more offices may be held by the same person.

except the offices of President and Secretary.

All Officers of the Association (except those appointed by the Board of Directors) shall automatically become members of the Board of Directors at the time they assume office.

Section 2. NOMINATING COMMITTEE FOR OFFICERS: The nominating committee for Directors, specified as Article IV, Section 3 of these Bylaws, shall also act as the nominating committee for Officers.

The nominating committee, so appointed, shall confer and nominate a number of candidates for the offices as are to be filled for the ensuing year. On or before the first day of April the nominating committee shall report its nominations to the President and Secretary of the Association.

Section 3. ELECTION OF OFFICERS: The report of the nominating committee shall be read at the annual meeting of the Association. Additional nominations shall be permitted only if such nominations are submitted in writing to the Secretary at least ten (10) days prior to the annual meeting and if such nomination is endorsed in writing by not less than twenty (20) members in good standing. Each member may cast vote(s) in accordance with Article II, Section 4 of these Bylaws. A member or a division, branch office, or other entity of a member having a voting right may cast only one (1) vote for any one (1) candidate and may not cast more votes than the number of vacancies to be filled. The persons receiving the greatest number of votes shall be declared to be Officers and shall take office immediately following the close of the annual meeting.

Section 4. REMOVAL: Any Officer elected or appointed may be removed by a two-thirds (2/3) vote of the whole Board of Directors whenever in its judgement the best interests of the Association would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the Officer so removed.

Section 5. VACANCIES: If a vacancy occurs in the office of President, the Vice President, (or in the event there be more than one Vice President, the Vice Presidents in the order of their election) shall assume the Presidency. If any other vacancy occurs, the President shall appoint a substitute Officer for the unexpired term.

Section 6. PRESIDENT: The President shall be the principal executive officer of the Association and shall in general supervise and control all of the business and affairs of the Association. He shall preside at all meetings of the members and of the Board of Directors. He may sign, with the Secretary or any other proper Officer of the Association authorized by the Board of Directors, any deeds, mortgages, bonds, contracts or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws or by statute to some other Officer or agent of the Association; and in general he shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 7. VICE PRESIDENT: In the absence of the President or in event of his inability or refusal to act, the Vice president (or in the event that there be more than one Vice President, the Vice Presidents in order of their election) shall perform the duties of President, and when so acting, shall

have all the powers of and be subject to all the restrictions upon the president. Any Vice President shall perform such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 8. TREASURER: The Treasurer shall furnish a fidelity bond on his position in such amount as the Board of Directors shall determine. He shall have charge and custody of and be responsible for all funds and securities of the Association; receive and give receipts for monies due and payable to the Association from any source whatsoever, and deposit all such monies in the name of the Association in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of Article VII of these Bylaws, and in general perform all duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 9. SECRETARY: The Secretary shall keep the minutes of the meetings of the members and of the Board of Directors in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; be custodian of the corporate record and of the seal of the Association and see that the seal of the Association is affixed to documents, the execution of which on behalf of the Association under its seal is duly authorized in accordance with the provisions of these Bylaws; keep a register of the post office address of each member which shall be furnished to the Secretary by such member; and in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 10. ASSISTANT TREASURERS AND ASSISTANT SECRETARIES: If required by the Board of Directors, the Assistant Treasurers shall furnish fidelity bonds on their positions in such amounts as the Board of Directors shall determine. The Assistant Treasurers and Assistant Secretaries, in general, shall perform such duties as shall be assigned to them by the Treasurer or the Secretary or by the President or the Board of Directors.

ARTICLE VI

COMMITTEES

Section 1. STANDING COMMITTEES: The following shall be permanent standing committees of this Association:

Finance
Membership
Professional Standards

Section 2. OTHER COMMITTEES: Other committees may be designated by a resolution adopted by a majority of the Directors present at a meeting at which a quorum is present, or may be designated by a resolution adopted by a majority of the Executive Committee of the Board of Directors. Except as otherwise provided in such resolution, members of such committees shall be principals or employees of the members of the Association, and the President of the Association shall appoint the members thereof. Any member thereof may be removed by the person or persons

authorized to appoint such member whenever in their judgment the best interests of the Association shall be served by such removal.

Section 3. TERM OF OFFICE: Each member of a committee shall continue as such until the next annual meeting of the members of the Association and until his successor is appointed, unless the committee shall be sooner terminated, or unless such member be removed from such committee, or unless such member shall cease to qualify as a member thereof.

Section 4. CHAIRMAN: One (1) member of each committee shall be appointed chairman by the person or persons authorized to appoint the members thereof.

Section 5. VACANCIES: Vacancies in the membership of any committee may be filled by appointments made in the same manner as provided in the case of the original appointments.

Section 6. QUORUM: Unless otherwise provided in the resolution of the Board of Directors designating a committee, a majority of the whole committee shall constitute a quorum and the act of a majority of the members present at a meeting at which a quorum is present shall be an act of the committee.

Section 7. RULES: Each committee may adopt rules for its own government not inconsistent with these Bylaws or with rules adopted by the Board of Directors.

ARTICLE VII

CONTRACTS, CHECKS, DEPOSITS AND FUNDS

Section 1. CONTRACTS: The Board of Directors may authorize any Officer or Officers, agent or agents of the Association, in addition to the Officers so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances.

Section 2. CHECKS, DRAFTS, ETC.: All checks, drafts or orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Association, shall be signed by such Officer or Officers, agent or agents of the Association in such manner as shall from time to time be determined by resolution of the Board of Directors. In the absence of such determination by the Board of Directors, such instruments shall be signed by the Treasurer or an Assistant Treasurer and countersigned by the President or a Vice President of the Association.

Section 3. DEPOSITS: All funds of the Association shall be deposited from time to time to the credit of the Association in such banks, trust companies or other depositories as the Board of Directors may select.

Section 4. GIFTS: The Board of Directors may accept on behalf of the Association, any contribution, gift, bequest or device for the general purposes or any special purpose of the Association.

ARTICLE VIII

CERTIFICATES OF MEMBERSHIP

Section 1. CERTIFICATES OF MEMBERSHIP: The Board of Directors may provide for the issuance of certificates evidencing membership in the Association, which shall be in such form as may be determined by the Board. Such certificates shall be signed by the Secretary or an Assistant Secretary and shall be sealed with the seal of the Association. The name and address of each member and the date of issuance of the certificate shall be entered on the records of the Association. If any certificate shall become lost, mutilated or destroyed, a new certificate may be issued therefore upon such terms and conditions as the Board of Directors may determine.

Section 2. ISSUANCE OF CERTIFICATES: When a member has been elected to membership, or a division, branch office or other entity of a member firm has been accepted for participation under the firm's membership, and has paid any administrative fees and dues that may then be required, a certificate of membership shall be issued by the Secretary, if the Board of Directors shall have provided for the issuance of certificates of membership under the provisions of Section 1 of this Article.

ARTICLE IX

BOOK AND RECORDS

The Association shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its members, Board of Directors and committees having any authority of the Board of Directors, and shall keep at the registered or principal office, a record giving the names and addresses of the members entitled to vote. All books and records may be inspected by any member, or his agent or attorney for any proper purpose at any reasonable time.

ARTICLE X

FISCAL YEAR

The fiscal year of the Association shall begin on the first day of January and end on the last day of December in each year.

ARTICLE XI

DUES

Section 1. ANNUAL DUES: The Board of Directors, by a two thirds (2/3) vote of all its members, may determine from time to time the amount of administrative fee, if any, and annual dues payable to the Association.

Section 2. PAYMENT OF DUES: Dues shall be payable in advance on the first day of January in each fiscal year. Dues of a new member shall be prorated from the first day of the

month in which such new member is elected to membership, for the remainder of the fiscal year of the Association.

Section 3. DEFAULT AND TERMINATION OF MEMBERSHIP: When any member or individual dues paying division, branch office or other entity of a member shall be in default in the payment of dues for a period of six (6) months from the beginning of the fiscal year or period for which dues became payable, its membership may thereupon be terminated by the Board of Directors in the manner provided in Article II of these Bylaws.

ARTICLE XII

SEAL

The Board of Directors shall provide a corporate seal, which shall be in the form of a circle and shall have inscribed thereon the name of the Association and the words "Corporate Seal District of Columbia".

ARTICLE XIII

WAIVER OF NOTICE

Whenever any notice is required to be given under the provisions of the statutes of the District of Columbia, under the provisions of the articles of incorporation or the Bylaws of this Association, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XIV

CODE OF PROFESSIONAL STANDARDS

PREAMBLE

The reliance of the public and the business community on sound practices in the surety industry imposes on the professional surety bond producer an obligation to maintain high standards of technical competence, ethics and integrity. To this end, a surety bond producer shall at all times strive continuously to:

1. Improve his professional skills.
2. Uphold the dignity and honor of the surety profession.
3. Maintain high standards of personal conduct.
4. Hold the affairs of his clients in strictest confidence.

In further recognition of the public interest and his obligation to the profession, a surety bond producer agrees to comply with the following rules of ethical conduct, the enumeration of which should not be construed as denial of the existence of other standards of conduct not specifically mentioned but which emanate from common sense and prudent business practice.

SECTION 1: RELATIONS WITH THE CLIENT AND THE PUBLIC

- 1.01 A surety bond producer shall not commit an act which may bring discredit to the profession of suretyship.
- 1.02 A surety bond producer shall not knowingly violate the confidential relationship between himself and his client, and shall make every effort to determine that the same rule of confidentiality be maintained by the surety companies that he represents.
- 1.03 A surety bond producer shall not discriminate in dealing with any client because of sex, race, creed, color or country of origin.

SECTION 2: TECHNICAL STANDARDS

- 2.01 A surety bond producer shall continuously strive to keep himself informed and educated regarding the principals of surety credit, surety industry affairs, and the services normally rendered by a surety producer.
- 2.02 A surety bond producer shall aid and assist in the passage of local laws and ordinances which pertain to and benefit the surety industry, consistent with the interests of the public. He shall oppose legislation or regulations harmful to the interests of suretyship.
- 2.03 A surety bond producer shall take an active interest in the affairs of the Association and is encouraged to serve actively on committees and to furnish timely information to the Association or its officers that would be significance or interest to the surety industry as a whole.
- 2.04 A surety bond producer member firm is expected and encouraged to be represented at annual and regional meetings of the Association on a regular basis.

SECTION 3: PROMOTIONAL PRACTICES

- 3.01 A surety producer shall not advertise, in writing or word of mouth, his professional attainments or services in a manner which would bring discredit to the profession.

SECTION 4: RELATIONS WITH FELLOW MEMBERS

- 4.01 Members of the National Association of Surety Bond Producers, in order to develop and maintain a national network of mutual assistance, are encouraged to cooperate with and assist fellow members in servicing their clients' requirements while operating beyond the area normally serviced by the fellow member. The fellow member shall compensate the surety bond producer commensurate with the extent of the services rendered or as mutually agreed.
- 4.02 A surety bond producer who receives an engagement for services to be rendered as a result of a referral from a fellow member shall not discuss or accept an extension of his services beyond the specific engagement without first consulting the referring fellow member.
- 4.03 A surety bond producer shall not violate the confidential relationship between himself and another fellow member with whom he may be or has been associated or in consultation.

SECTION 5: OPERATING PRACTICES

- 5.01 A surety bond producer shall maintain objectivity and integrity in the rendering of his services and shall not knowingly misrepresent facts.
- 5.02 A surety bond producer shall provide all relevant information needed to support the submission he presents

the underwriter. The producer shall not knowingly withhold negative information even if the underwriter does not ask for it.

Within the meaning of these rules, the words 'surety bond producer' shall mean any member organization of the Association whether individual proprietorship, partnership or corporation, its principals and any person involved in the conduct of surety operations by or for said member organization.

ARTICLE XV

HOLD HARMLESS

The Association shall indemnify its Officers, Directors and Committee Members against liability and expenses incurred in or by reason of their being or having been an Officer, Director or Committee Member to the extent permissible by law and to the extent that such liability or expenses are not covered by valid and collectible insurance.

ARTICLE XVI

AUDIT

An annual audit of the financial records of the Association shall be made by a Certified Public Accountant to be appointed annually by the Board of Directors.

ARTICLE XVII

AMENDMENTS TO THE BYLAWS

These Bylaws may be altered, amended or repealed in whole or in part by a two thirds (2/3) vote of those with voting rights present at any duly authorized meeting of the Association.