



ARIZONA
association of
REALTORS®

REAL SOLUTIONS. REALTOR® SUCCESS.

REALTOR®...the best prepared real estate practitioner with the highest standards.

Bylaws, Policies and Official Statements

Approved March 2018

ARIZONA ASSOCIATION OF REALTORS®

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ARIZONA ASSOCIATION OF REALTORS®
BYLAWS

ARTICLE I
NAME

Section 1. The name of the organization shall be: Arizona Association of REALTORS®, Inc., an Arizona nonprofit corporation, hereunder referred to as AAR.

Section 2. The purpose of AAR is to serve its members by providing and promoting services to enhance members' abilities to conduct their businesses with integrity and competency and to promote the extension and preservation of private property rights. The AAR vision is REALTOR®... *the best prepared real estate practitioner with the highest standards.*

ARTICLE II
MEMBERSHIP

Section 1. The members of AAR shall consist of six (6) classes: **(1)** Member Boards or Associations (hereafter referenced as Member Boards), **(2)** Board Members, **(3)** Individual Members, **(4)** Institute Affiliate Members, **(5)** Affiliate Members and **(6)** Honorary Members and Life Members.

Section 2. A Member Board shall be an association chartered by the NATIONAL ASSOCIATION OF REALTORS® within the State of Arizona. All the REALTOR® and REALTOR-ASSOCIATE® Members who hold primary membership in the association shall hold membership in this association and the NATIONAL ASSOCIATION OF REALTORS®.

Section 3. Association Members shall be either a REALTOR® or REALTOR-ASSOCIATE®, or institute affiliate members of a Member Board in good standing.

Section 4. A REALTOR® member shall be any individual engaged in the real estate profession as a principal, partner, corporate officer, or branch office manager acting on behalf of the firm's principal(s), and licensed or certified individuals affiliated with said REALTOR® member whose place of business is located in an area outside the jurisdiction of any Member Board who meets the qualifications for REALTOR® membership established in subsection (a) below.

Secondary REALTOR® membership shall also be available to individuals who hold primary membership in an association in another state and who desire to obtain direct membership in the state association without holding membership in a local association in the state.

Individuals who are actively engaged in the real estate profession other than as sole proprietors, partners, corporate officers, or branch office managers, in order to qualify for REALTOR® membership, shall at the time of application, be associated either as an employee or as an independent contractor with a designated REALTOR® member of the association or a designated REALTOR® member of another association (if a secondary member).

Designated REALTOR® members. Each firm (or office in the case of firms with multiple office locations) shall designate in writing one REALTOR® member who shall be responsible for all duties and obligations of membership, including the obligation to arbitrate or to mediate pursuant to Article 17 of the Code of Ethics and the payment of association dues as established in Article III of the Bylaws. The "designated REALTOR®" must be a sole proprietor, partner, corporate officer, or branch office manager acting on behalf of the firm's principal(s) and must meet all other qualifications for REALTOR® membership established in Article II, Section 4 of the Bylaws.

a. Membership Applications. AAR will consider the following in determining an applicant's qualifications for REALTOR® membership:

1. All final findings of *Code of Ethics* violations and violations of other membership duties in any other association within the past three (3) years;
2. Pending ethics complaints (or hearings);
3. Unsatisfied discipline pending;
4. Pending arbitration requests (or hearings);
5. Unpaid arbitration awards or unpaid financial obligations to this or any other association or association MLS; and
6. Any misuse of the term REALTOR® or REALTORS® in the name of the applicant's firm.

“Provisional” membership may be granted in instances where ethics complaints or arbitration requests (or hearings) are pending in other associations or where the applicant for membership has unsatisfied discipline pending in another association (except for code of ethics violations), provided all other qualifications for membership have been satisfied. AAR may reconsider the membership status of such individuals when all pending ethics and arbitration matters (and related discipline) have been resolved or if such matters are not resolved within six (6) months from the date that provisional membership is approved. Provisional members shall be considered REALTOR® and shall be subject to all of the same privileges and obligations of REALTOR® membership. If a member resigns from another association with an ethics complaint or arbitration request pending, AAR may condition membership on the applicant’s certification that he/she will submit to the pending ethics or arbitration proceeding (in accordance with the established procedures of the association to which the applicant has made application) and will abide by the decision of the hearing panel.

b. New Member *Code of Ethics* Orientation. Applicants for REALTOR® membership and provisional REALTOR® members (where applicable) shall complete an orientation program on the *Code of Ethics* of not less than two (2) hours and thirty (30) minutes of instructional time. This requirement does not apply to applicants for REALTOR® membership or provisional members who have completed comparable orientation in another association, provided that REALTOR® membership has been continuous, or that any break in membership is for one (1) year or less. Failure to satisfy this requirement within one hundred eighty (180) days of the date of application (or, alternatively, the date that provisional membership was granted), will result in denial of the membership application or termination of provisional membership.

c. Continuing REALTOR® Code of Ethics Training. Effective January 1, 2017, through December 31, 2018, and for successive two year periods thereafter, each REALTOR® members of the association (with the exception of REALTOR® members granted REALTOR® Emeritus status by the National Association) shall be required to complete ethics training of not less than two (2) hours and thirty (30) minutes of instructional time. This requirement will be satisfied upon presentation of documentation that the member has completed a course of instruction conducted by this or another association, the State Association of REALTORS®, the NATIONAL ASSOCIATION OF REALTORS®, or any other recognized educational institution or provider which meets the learning objectives and minimum criteria established by the NATIONAL ASSOCIATION OF REALTORS® from time to time. REALTOR® members who have completed training as a requirement of membership in another association and REALTOR® members who have completed the New Member *Code of Ethics* Orientation during any two (2) year cycle shall not be required to complete additional ethics training until a new two (2) year cycle commences.

Failure to satisfy the required periodic ethics training shall be considered a violation of a membership duty. Failure to meet the requirement for any two (2) year cycle will result in suspension of membership for the first two (2) months (January and February) of the year following the end of any two (2) year cycle or until the requirement is met, whichever occurs sooner. On March 1st of that year, the membership of a member who is still suspended as of that date will be automatically terminated.

d. Pending Ethics Complaint/Obligation to Arbitrate or Mediate after Membership Termination. If a member resigns from the Board or otherwise causes membership to terminate with an ethics complaint pending, that Board of Directors may condition the right of the resigning member to reapply for membership upon the applicant’s certification that he/she will submit to the pending ethics proceeding and will abide by the decision of the hearing panel the complaint shall be processed until the decision of the association with respect to disposition of the complaint is final by this association (if respondent does not hold membership in any other association) or by any other association in which the respondent continues to hold membership. If an ethics respondent resigns or otherwise causes membership in all Boards to terminate before an ethics complaint is filed alleging unethical conduct occurred while the respondent was a REALTOR®, the complaint, once filed, shall be processed until the decision of the association with respect to disposition of the complaint is final. In any instance where an ethics hearing is held subsequent to an ethics respondent’s resignation or membership termination, any discipline ratified by the Board of Directors shall be held in abeyance until such time as the respondent rejoins an association of REALTORS®.

If a member resigns or otherwise causes membership to terminate, the duty to submit to arbitration (or to mediation if required by the association) continues in effect even after membership lapses or is terminated, provided that the dispute arose while the former member was a REALTOR®.

Section 5. Institute Affiliate Members shall be individuals who hold a professional designation awarded by a n Institute, Society or Council affiliated with the NATIONAL ASSOCIATION OF REALTORS® that addresses a specialty area other than residential brokerage or individuals who otherwise hold a class of membership in such Institute, Society or Council that confers the right to hold office. Any such individual, if otherwise eligible, may elect to hold REALTOR® or REALTOR-ASSOCIATE® membership subject to payment of applicable dues for such membership.

Section 6. Affiliate Members shall be individuals who do not hold active Arizona real estate licenses and who are actively involved in a real estate-related industry.

Section 7. Honorary Members shall be individuals other than those engaged in real estate business who have contributed notably to AAR, as determined by the Board of Directors.

Section 8. An Affiliate or Honorary Member shall not have the right to vote, hold elective office or serve as a Director in AAR.

Section 9. All AAR past Presidents who have served a full term as President shall be awarded Life Membership.

ARTICLE III **DUES**

Section 1. The annual dues of each Member Board shall be (1) an amount as established by the Board of Directors times the number of REALTOR® and REALTOR-ASSOCIATE® Members who hold primary membership in the association, plus (2) an amount as established by the Board of Directors times the number of real estate salespersons and licensed or certified appraisers employed by or affiliated as independent contractors with REALTOR® Members of the association who are not themselves REALTOR®, REALTOR-ASSOCIATE® or Institute Affiliate Members. In calculating the dues payable by a Member Board, nonmembers, as defined in the preceding sentence, shall not be included in the computation of dues if dues have been paid in another association in the state or a state contiguous thereto, provided the association notifies the State Association in writing of the identity of the association to which dues have been remitted.

Section 2. The annual dues of each designated REALTOR® Member shall be in such amount as established annually by the Board of Directors plus an additional amount to be established annually by the Board of Directors times the number of real estate salespersons and licensed or certified appraisers who (1) are employed by or affiliated as independent contractors, or who are otherwise directly or indirectly licensed with such REALTOR® member and, (2) are not REALTOR® members of any association in the state or a state contiguous thereto or Institute Affiliate Members of the association. In calculating the dues payable to the association by a designated REALTOR® member, non-member licensees as defined in (1) and (2) of this paragraph shall not be included in the computation of dues if the designated REALTOR® has paid dues based on said non-member licensees in another association in the state or a state contiguous thereto, provided the designated REALTOR® notifies the association in writing of the identity of the association to which dues have been remitted. In the case of a designated REALTOR® member in a firm, partnership, or corporation whose business activity is substantially all commercial, any assessments for non-member licensees shall be limited to licensees affiliated with the designated REALTOR® (as defined in (1) and (2) of this paragraph) in the office where the designated REALTOR® holds membership, and any other offices of the firm located within the jurisdiction of this association.

A REALTOR® member of a Member Board shall be held to be any member who has a place or places of business within the state or a state contiguous thereto and who, as a principal is actively engaged in the real estate profession as defined in Article III, Section 1 of the Constitution of the NATIONAL ASSOCIATION OF REALTORS®. An individual shall be deemed to be licensed with a REALTOR® if the license of the individual is held by the REALTOR®, or any broker who is licensed with the REALTOR®, or by any entity in which the REALTOR® has a direct or indirect ownership interest and which is engaged in other aspects of the real estate business (except as provided in Section 2a. hereof) provided that such licensee is not otherwise included in the computation of dues payable by the principal of the entity.

a. A REALTOR® with a direct or indirect ownership interest in an entity engaged exclusively in soliciting and/or referring clients and customers to the REALTOR® for consideration on a substantially exclusive basis shall annually file with the association on a form approved by the association a list of the licensees affiliated with that entity and shall certify that all of the licensees affiliated with the entity are solely engaged in referring clients and customers and are not engaged in listing, selling, leasing, renting, managing, counseling or appraising real property. The individuals disclosed on such form shall not be deemed to be licensed with the REALTOR® filing the form for purposes of this section and shall not be included in calculating the annual dues of the designated REALTOR®. Designated REALTORS® shall notify the association within three (3) days of any change in status of licensees in a referral firm.

The exemption for any licensee included on the certification form shall automatically be revoked upon the individual being engaged in real estate licensed activities (listing, selling, leasing, renting, managing, counseling, or appraising real property) other than referrals, and dues for the current fiscal year shall be payable.

Membership dues shall be prorated for any licensee included on a certification form submitted to the association who during the same calendar year applies for REALTOR® or REALTOR-ASSOCIATE® membership in the association. However,

membership dues shall not be prorated if the licensee held REALTOR® or REALTOR-ASSOCIATE® membership during the preceding calendar year.

b. Membership dues shall be prorated to one-half (1/2) of the annual dues for any licensee who applies for REALTOR® membership in the association after July 1st provided that the licensee did not hold REALTOR® membership during the preceding calendar year.

Section 3. The annual dues of REALTOR members other than the designated REALTOR® shall be as established by the Board of Directors.

Section 4. No Member Board shall pay dues to AAR with respect to any member who has paid dues to another Member Board.

Section 5. Affiliate Member dues shall be one-half (1/2) of REALTOR® member dues as determined by the Board of Directors annually. Dues paid by Affiliate Members shall be in the name of the individual member for the current dues year. The annual dues of each Institute Affiliate Member shall be established in Article II of the Bylaws of the NATIONAL ASSOCIATION OF REALTORS®.

Section 6. The annual dues of each class of membership shall be set by vote of two-thirds (2/3) of the Directors present at any regular or special Board of Directors meeting at which a quorum is present. There shall be no annual dues for Honorary Members; members who qualify for REALTOR® Emeritus status for the NATIONAL ASSOCIATION OF REALTORS® or Life Members.

Section 7. Annual dues for renewal of all classifications of membership in AAR are due and payable in full on January 1 of each year. Member Boards shall transmit by the tenth (10th) of each month all dues collected the preceding month. Any Member Board or other member who has not paid renewal dues by April 1 of each year shall be dropped from membership. For any Boards dropped from membership, reinstatement may occur only after total payment of dues owed plus ten dollars (\$10.00) times the number of members of the Member Board.

Section 8. The Board of Directors may levy a per individual member assessment for specific purposes. Such an assessment shall be set by vote of two-thirds (2/3) of the Directors present at any regular or special Board of Directors meeting at which a quorum is present. The assessment shall be treated as annual dues as set forth herein.

ARTICLE IV **RESERVES**

Section 1. Operating Reserve. AAR shall maintain an operating reserve fund (the “Operating Reserve”) for legal, special and unbudgeted operating purposes. The Board of Directors shall annually determine an allocation (the “Allocation”) of the annual dues which shall be placed in the Operating Reserve. The Operating Reserve fund balance shall be placed at interest, with any interest earned thereon accruing to the Operating Reserve. The Allocation shall continue each year until the Operating Reserve fund balance exceeds an amount equal to the operating expenses from the previous fiscal year, at which time the Allocation shall cease. Additional contributions to the Operating Reserve may be made from other sources such as operating surplus, at the discretion of the Board of Directors. If the fund is depleted to less than three million dollars (\$3,000,000), the Allocation shall be reinstated at the inception of the next fiscal year.

Expenditures from the Operating Reserve fund may be made only upon approval of the Executive Committee or Board of Directors as follows:

- a. The Executive Committee, by a two-thirds (2/3) vote may approve expenditures, other than for legal purposes, of no more than fifty percent (50%) in the aggregate of the total Operating Reserve. All expenditures shall be reported to the Board of Directors at their next scheduled meeting.
- b. Expenditures, other than for legal purposes, that in the aggregate exceed fifty percent (50%) of the Operating Reserve must be approved by the Board of Directors.
- c. Expenditures for legal purposes shall be determined by the Executive Committee in compliance within existing Policy D.2.
- d. Expenditures for an Arizona REALTOR® or Region 11 member seeking an NAR Officer position shall be determined by the Executive Committee in compliance with Policy F.2.

Section 2. Capital Reserve. AAR shall maintain a reserve fund, (“Capital Reserve”) for capital expenditures including, but not limited to, major repairs, furniture, fixtures, equipment, real property debt retirement, acquisition/investment of real property assets, or major improvements to real property assets. The Capital Reserve fund balance shall be placed at interest,

with any interest earned thereon accruing to the Capital Reserve. AAR's annual budget shall acknowledge depreciation per Generally Accepted Accounting Principles. The depreciation amount shall be considered as a cash expense credited to the Capital Reserve. Additional contributions to the Capital Reserve may be made from other sources such as operating surplus, at the discretion of the Board of Directors.

Expenditures from the Capital Reserve fund may be made only upon approval of the President, Executive Committee or Board of Directors as follows:

- a. An annual capital expenditure budget shall be presented to the Board of Directors for approval in conjunction with the annual operating budget.
- b. Unbudgeted capital expenditures from the Capital Reserve may be approved by the President up to five thousand dollars (\$5,000) per instance and ten thousand dollars (\$10,000) in the aggregate within a fiscal year. Such expenditures shall be reported to the Board of Directors at their next scheduled meeting.
- c. The Executive Committee, by a two-thirds ($\frac{2}{3}$) vote, may approve unbudgeted expenditures from the Capital Reserve up to fifty percent (50%) of the fund total within a fiscal year. Such expenditures shall be reported to the Board of Directors at their next scheduled meeting.
- d. Any unbudgeted expenditures exceeding fifty percent (50%) of the Capital Reserve fund balance must receive prior approval of the Board of Directors.

Section 3. REALTORS® Issues Mobilization Fund (RIMF). AAR shall maintain a reserve fund to support or oppose federal, state and local issues that impact real property and real property owners in Arizona. The REALTORS® Issues Mobilization Committee ("RIMC") shall approve any expenditure within the funding limits and guidelines as contained in the RIMC Policies. A per member amount of the annual dues may be placed in the fund as determined by the AAR Board of Directors. Said fund shall be placed at interest, with any interest earned credited to the fund. The amount established by the AAR Board of Directors shall be credited to the fund each year until the fund attains a total of ten million dollars (\$10,000,000). If the fund is depleted to less than five million dollars (\$5,000,000), the AAR Board of Directors shall reinstate a per member contribution amount to the fund at the inception of the next fiscal year. Additional contributions to the Issues Mobilization fund may be made from other sources such as operating surplus, at the discretion of the Board of Directors.

Section 4. Strategic Initiative Fund. AAR may maintain a reserve fund ("Strategic Initiative Fund") to support initiatives designed or dedicated to the support of our REALTOR® members' business practices. Such initiatives may include, but are not limited to, new member benefits, technology enhancements, communication enhancements, or other efforts that benefit the REALTOR® membership. The Strategic Initiative Fund balance shall be placed in an interest bearing account, with any interest earned thereon accruing to the Strategic Initiative Fund. Contributions to the Strategic Initiative Fund may only be made from the annual operating surplus at the discretion of the Board of Directors.

Expenditures from the Strategic Initiative Fund may be made only upon approval of the Executive Committee or Board of Directors as provided in subsections a through c of this section. Prior to approving any expenditure, the Executive Committee or Board of Directors shall consider whether the expenditure will result in an ongoing expense, and if so how AAR will budget for the ongoing expense.

- a. The Executive Committee, by a two-thirds ($\frac{2}{3}$) vote, may approve expenditures of no more than seventy-five percent (75%) in the aggregate of the total Strategic Initiative Fund balance. All expenditures shall be reported to the Board of Directors at their next scheduled meeting.
- b. An expenditure over seventy-five percent (75%) or in the aggregate exceeds seventy-five percent (75%) of the Strategic Initiatives Fund can only be approved by the Board of Directors. The Board of Directors may approve an expenditure of less than seventy-five percent (75%).
- c. Approved expenditures shall not commit the Strategic Initiative Fund to payments exceeding twelve (12) consecutive months for the same initiative.

Section 5. Arizona Homeownership Alliance. AAR may maintain a fund ("Arizona Homeownership Alliance") to support or oppose candidates running for elective office or as otherwise expressed in this section. Funds designated for this fund are to be used as allowed by state law in corporate independent expenditures, polling and grassroots activities. Monies placed in this fund may come from a variety of sources including but not limited to AAR's annual operating surplus, the National Association of REALTORS®, Arizona local associations of REALTORS®, AAR annual budget or by contribution. The Arizona Homeownership Alliance fund balance shall be placed in an interest bearing account, with any interest earned thereon accruing to the Fund.

The members of the Arizona Homeownership Alliance shall be the current AAR President or their designee, Legislative and Political Affairs Chair, REALTORS® of Arizona Political Action Committee Chair, the AAR CEO, and the Vice President of Government Affairs. Voting members of the Arizona Homeownership Alliance shall be the current AAR President or their

designee, Legislative and Political Affairs Committee Chair and the REALTORS® of Arizona Political Action Committee Chair. The voting members of the Arizona Homeownership Alliance are authorized to make expenditures from this fund. Independent Expenditures to support candidates shall only be those candidates endorsed or supported by the REALTORS® of Arizona Political Action Committee. The Arizona Homeownership Alliance may expend funds opposing for elective office a candidate that is not endorsed or supported by the REALTORS® of Arizona Political Action Committee. Prior to making any expenditure for or against a candidate running for elected office, the Arizona Homeownership Alliance shall file the appropriate registration or committee paperwork with any local or state elections officer as well as complete any filings with the Internal Revenue Service.

ARTICLE V **OFFICERS**

Section 1. The AAR elective officers shall be a President, a President-elect, a First Vice President, a Treasurer and five (5) Regional Vice Presidents (“RVPs”). In the absence of the President, the President-elect shall perform the duties of the President. All officers shall serve for one (1) year or until their successors are elected and qualified, except RVPs shall be elected for two (2) year terms and shall be limited to two (2) consecutive terms. Officers shall be ex-officio members of the Board of Directors. For purposes of electing the President, the person elected President-elect shall serve their term in office and after completing their term shall serve the following year as President unless otherwise required under Section 6 of this Article.

Section 2. The duties of each officer shall be those required by law, those indicated in the officer job descriptions as approved by the Board of Directors, and those assigned by the Board of Directors from time to time.

Section 3. AAR shall be divided into five (5) Regions, as approved by the Board of Directors, with an RVP elected from each Region, pursuant to Article VII. The First Vice President shall be responsible for the coordination of the efforts and activities of the RVPs. The RVPs shall be AAR officers and shall be responsible for developing and maintaining effective communication and cooperation among the Member Boards in their Region and AAR.

Section 4. The Executive Committee may employ a Chief Executive Officer (“CEO”), subject to the approval of the Board of Directors, who shall be chief administrative officer and Secretary of the Association and who shall perform such other duties as may be delegated to him by the President, the Executive Committee or the Board of Directors. The CEO shall provide a surety bond or insurance in such amount as the Executive Committee or the Board of Directors may determine, and the premium therefore shall be paid by AAR. The CEO may appoint an Assistant Chief Executive Officer.

Section 5. The CEO may be removed from office with or without cause at any time by the Board of Directors or the Executive Committee. In the event of the inability of the CEO to carry out his duties as Corporate Secretary and chief administrative officer because of removal from office or incapacitation as defined in the CEO’s employment contract, those duties would then revert to the Assistant Chief Executive Officer or as determined by the Executive Committee.

Section 6. If a vacancy occurs during the term of office of the President, the President-elect shall assume the office of the President for the remainder of the unexpired term and serve as President for a full term for the next elective year. The President shall not be eligible to serve a successive complete term unless the person assumed the office of President due to a vacancy of office. If a vacancy occurs in the office of President-elect, the First Vice President shall assume the office of the President-elect for the remainder of the unexpired term and must stand for election for President-elect to succeed to the office of President. If a vacancy occurs in the office of First Vice President, Treasurer or Executive Committee member, the President, with the approval of the Executive Committee, shall appoint a replacement for the duration of the unexpired term. Should a vacancy occur in an RVP position, that Region shall appoint a replacement for the duration of the unexpired term. Should the office of Immediate Past President become vacant, the office shall remain vacant until the next elective year.

Section 7. Every AAR officer shall be indemnified by AAR against all expenses and liabilities, including counsel fees, reasonably incurred or imposed upon such officer in conjunction with any proceeding to which that officer may have been made a party or in which that officer may become involved by reason of being or having been an AAR officer, or any settlement thereof, whether or not the individual is still an officer at the time such expenses are incurred, except in such cases wherein the officer is adjudged guilty of willful misfeasance or malfeasance in the performance of such officer’s duties or shall have acted in such a manner as has exceeded such officer’s authority so to act. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such officer may be entitled.

ARTICLE VI
BOARD OF DIRECTORS/EXECUTIVE COMMITTEE

Section 1. AAR shall be managed by the Board of Directors and the Executive Committee as further provided in these Bylaws. Each Director shall serve for a term of one (1) year.

Section 2. Quota Directors shall be elected or named by each Member Board. Each Member Board shall have at least one (1) Quota Director and such additional Quota Directors based on the number of members on record with AAR as of December 31 of the year preceding eligibility as follows: 400-699 add one (1); 700-999 add three (3); 1,000-2,999 add four (4); 3,000-4,999 add five (5); 5,000-6,999 add six (6); and 7,000 or more add twelve (12).

Section 3. The following persons shall be voting, non-quota AAR Directors: **(a)** all elected AAR officers; **(b)** Arizona quota Directors of the NATIONAL ASSOCIATION OF REALTORS®; **(c)** the three (3) most immediate past AAR presidents who hold active membership in AAR and are willing to serve; **(d)** chairs of the four (4) Primary Committees; **(e)** four (4) representatives of the Arizona state chapters, or regional chapter if no state chapter exists, of the Institutes, Societies and Councils (ISCs) of the NATIONAL ASSOCIATION OF REALTORS®; **(f)** two (2) Member Board or Regional Multiple Listing Service (MLS) chief staff officers; **(g)** one (1) representative from each of the five (5) largest firms in the large firm category, one (1) representative from each of the four (4) largest firms in the medium firm category and one (1) representative from each of the two (2) firms in the small firm category, in terms of number of REALTOR® members; and **(h)** one (1) representative from an “outside” organization selected by AAR’s President-elect annually. In the event that one (1) member shall qualify under more than one of the categories described in Section 3 or in Section 2 of this Article, that person shall be entitled to only one (1) vote as a Director.

For the purposes of the firm categories: Large firms shall be defined as those firms having six hundred fifty (650) or more REALTORS®; Medium firms shall be defined as those firms with six hundred forty-nine (649) to one hundred fifty-one (151) REALTORS®; and Small firms shall be defined as those firms located in Region One (1) and Region Three (3) with one hundred fifty (150) or fewer REALTORS® and the Small firm directors must be an owner, partner or officer of their real estate firm. The Directors of the firm categories shall be determined as of December 31st two (2) years prior to the elective year served.

Section 4. The Board of Directors shall elect and remove AAR officers and National Director Nominees, approve the annual budget and dues, approve withdrawals from the Operating or Capital Reserves, other than as noted in Article IV, Sections 1 and 2, and amend AAR’s Bylaws and Policies except Professional Standards policies, which may be approved by AAR’s Executive Committee. AAR’s accounts shall be audited annually by a certified public accountant.

Section 5. AAR shall conduct Directors’ meetings no less than two (2) times annually. Special meetings of the Board of Directors may be called by the President or by any fifteen (15) Directors. Written notice of a special meeting shall be sent by mail to all Directors at least ten (10) days before the date of the meeting or by electronic mail at least five (5) days before the date of the meeting. Directors may not participate in Directors’ meetings by agent, representative or proxy, except alternates for quota Directors may be designated in the absence of a quota Director without notice at Board of Directors meetings, however, said alternate shall register at Directors’ attendance desk and provide verification by an officer of said Member Board prior to voting.

Section 6. There shall be an Executive Committee of the Board of Directors, composed of the President, the President-elect, the First Vice President, the Treasurer, the Immediate Past President, five (5) RVPs, the four (4) Primary Committee chairmen and one (1) Member Board/Association Executive Officer appointed by the President, subject to the approval of the Board of Directors. The Executive Committee shall provide accountability to the Strategic Plan, transact business of an emergency or delegated nature and administer AAR’s finances and business between meetings of the Board of Directors and shall report the substance of such actions to the Board of Directors at its next meeting. At the discretion of the President, the Executive Committee may conduct official AAR business by video or telephone conference call. The Executive Committee may retain legal and other professional advisors and fix the terms of compensation thereof. A majority of the Executive Committee shall constitute a quorum.

Section 7. A quorum of the Board of Directors shall consist of Directors constituting at least one-third ($\frac{1}{3}$) of the total number of AAR Directors of which there must be representatives from at least one-third ($\frac{1}{3}$) of the total number of Member Boards present.

Section 8. The latest available financial statements reflecting AAR’s financial status shall be mailed or otherwise distributed to each voting Director at least fifteen (15) days prior to the scheduled date of each regular meeting of the Board of Directors. A copy of the proposed annual budget shall be mailed or otherwise distributed to each voting Director at least fifteen (15) days prior to the scheduled date of the Directors Meeting at which the annual budget shall be submitted for adoption.

Section 9. A Director or an Officer other than the CEO may be removed from office in the following manner:

- a.** A petition requiring the removal of an Officer or Director and signed by not less than thirty-three and one-third percent (33 $\frac{1}{3}$ %) of the voting Directors shall be filed with the President, or if the President is the subject of the petition, with the next-ranking Officer, and shall specifically set forth the reasons the subject thereof is to be removed from further service.
- b.** Not less than twenty (20) days nor more than thirty (30) days after the petition is filed, a special meeting of the voting members of the Board of Directors shall be held, and the sole business of the meeting shall be to consider the charges against the Officer or Director who is the subject of the petition and to render a decision on such petition.
- c.** Previous notice by mail of the special meeting shall be given to all voting members of the Board of Directors at least ten (10) days prior to the meeting and shall be conducted by the President unless the President's continued service in office is being considered at the meeting. In such case, the next-ranking Officer will conduct the meeting. Provided a quorum is present, a two-thirds ($\frac{2}{3}$) vote of the Directors present, and voting by written ballot shall be required for removal from the office.
- d.** The Region from which the RVP was nominated and a manner agreed upon within that Region shall handle removal of an RVP.

ARTICLE VII **ELECTION OF OFFICERS AND NATIONAL DIRECTORS**

Section 1. AAR Officers shall be elected at the first AAR Board of Directors meeting and shall be installed during the last Board of Directors meeting annually. Officers shall be elected by a majority vote of the Board of Directors present and voting. If three (3) or more candidates are running for the same office and there is no majority vote on the first ballot, the two (2) nominees receiving the greatest number of votes shall be included on a second and subsequent ballot, if necessary, until one (1) candidate shall be elected by majority vote.

Section 2. Nominations of proposed Arizona Directors of the NATIONAL ASSOCIATION OF REALTORS® for terms commencing during the succeeding elective year shall be held at an AAR Directors' meeting no later than December 15. Election shall be by plurality vote. As long as there are four (4) or more entitlements not assigned to a Member Board, those remaining entitlements shall be allocated as follows: positions shall be reserved to be filled by the AAR Immediate Past President, AAR President-elect, AAR First Vice President and AAR Treasurer. Any remaining positions are elected, as provided earlier in this section, from members other than primary members from Member Boards that have National Director entitlement(s). REALTORS® in Arizona, except primary members of an Arizona Member Board that has one (1) or more automatic National Directors by virtue of their total number of members, who otherwise meet qualifications established in Article VII, Section 6, may apply for election for NAR Director. In the event AAR should lose any at-large NAR Director entitlements, the entitlements to be eliminated would be in the following order: **(1)** elected positions whether or not term completed; **(2)** AAR Immediate Past President; and **(3)** AAR Treasurer.

Section 3. National Director vacancies that occur between NATIONAL ASSOCIATION OF REALTORS® meetings shall be filled by an election to be held at a regularly scheduled AAR Board of Directors meeting or at a special meeting of the AAR Board of Directors, provided that there is thirty (30) day notice to Member Boards prior to the meeting. The replacement process shall begin at the time there is an actual vacancy or when a seated National Director provides written notification of intent to vacate the position at a time definite. In the event the foregoing would cause a vacancy at a subsequent National meeting, the President, with the approval of the Executive Committee, may appoint a replacement until such time that an election could be held.

Section 4. Candidates for AAR Officer who meet the qualifications for elective office, as provided for in Section 6 of this Article, shall submit an application for elective office to AAR's office no later than sixty (60) days prior to the date of the elections. Candidates for National Director(s) who meet the qualifications for elective office, as provided for in Section 6 of this Article, shall submit an application for elective office to AAR's office no later than thirty (30) days prior to the date of the elections. In the event no application is received for an elective position by the required deadline, the Executive Committee will conduct a search for qualified candidate(s). If no qualified candidate is identified prior to the time of the elections, the position will be considered vacant and filled as provided for in Article V, Section 6, and Section 3 of this Article.

Section 5. The application process shall be as follows:

- a.** A Notice of Request for Applications for AAR Officers shall be sent to each Member Board and RVP and shall be published by AAR at least five (5) months prior to the Directors' meeting at which elections shall take place.
- b.** A Notice of Request for Applications for NAR Director positions shall be sent to each Member Board and RVP and shall be published by AAR at no later than ten (10) days following NATIONAL ASSOCIATION'S notice of entitlements to State Associations.

- c. Each candidate's application will be reviewed to verify candidates' compliance with position qualifications. RVP applications shall be verified by the respective Regional Nominating Committee and follow procedures as provided in Section 7 of this Article.
- d. Any applicant for AAR Officer or National Director shall provide evidence of acceptance and qualification for the office.
- e. A candidate shall not make application for more than one (1) AAR Office but may also make application for National Director.

Section 6. The following minimum criteria shall be established for acceptability as nominees for AAR Officers or National Directors:

- a. Any nominee for AAR Officer or NAR Director shall be a REALTOR® or REALTOR-ASSOCIATE® member in good standing, **and**
- b. The nominee must display knowledge of the AAR Plan issues and objectives, **and**
- c. The nominee must have been an elected officer of his Member Board and have served in that capacity for at least one (1) year; **or**
- d. The nominee must have been an elected or appointed director of AAR and have served in that capacity for a minimum of one (1) year; **or**
- e. The nominee must have served at least one (1) year on the Executive Committee.

Section 7. The RVP from each Region shall be nominated by a Regional Nominating Committee comprised of one (1) member (which may be the: President, President-elect, Immediate Past President, or an appointee of the President) from each Member Board within the Region. Nominees for RVP must be nominated by a Member Board within their appropriate Region. An application containing the signature of the applicant's member board AE or President shall be submitted to the current RVP no later than ninety (90) days prior to the election date. The current RVP shall chair the Committee without voting rights, unless a vote is necessary to break a tie. Each Region's nominee shall be voted on by the AAR's Board of Directors at the first Directors' meeting. No nominations for RVP shall be accepted from the floor. If any Region does not submit a nominee for RVP for the following year or if the Board of Directors does not accept any nominee, the AAR President-elect shall have the authority to appoint a qualified RVP from the membership within the Region with the approval of the Board of Directors.

In the event the Regional Nominating Committee cannot reach a consensus in the selection of one (1) candidate for RVP, those candidates being considered shall be submitted to the Board of Directors for selection of that Region's RVP.

Section 8. AAR shall conspicuously display its report of qualified candidates for each elective office at least forty-eight (48) hours before the election is held. No nominations may be made from the floor.

ARTICLE VIII

QUOTA DIRECTORS' ELIGIBILITY, ELECTION, INSTALLATION, TERM, VACANCIES

Section 1. Any member in good standing shall be eligible to serve as a Director. The only exception is the person designated to represent an "outside" organization.

Section 2. The AAR President shall notify on or before April 1 annually each Member Board as to Quota Director Entitlements calculated pursuant to Article VI, Section 2. Member Boards shall choose their allotted Quota Director entitlements as provided for in their Association Bylaws and shall submit their names to AAR no later than October 1 annually. Member Board Presidents shall certify that entitlements were filled in accordance with the Member Board's Bylaw provisions. Quota Directors shall be installed in accordance with AAR's elective year.

Section 3. The Institute, Society and Council Chapters, the Association Executives and the large, medium and small firms shall select their allotted Directors and notify AAR no later than October 1 annually.

Section 4. Quota Directors shall serve for the AAR elective year. In the event of a resignation, the affected Member Board shall fill the vacancy in accordance with its Bylaws and shall notify AAR in writing at least ten (10) days prior to the meeting at which the replacement will begin service.

ARTICLE IX

MEMBERSHIP MEETINGS

Section 1. AAR shall not hold annual meetings of its members.

Section 2. Special meetings of the members of AAR, as defined in Article II, Section 1 of these Bylaws, may be called by the Board of Directors, by the Executive Committee or by members having at least one-tenth ($\frac{1}{10}$) of the votes entitled to be cast at such meeting.

Section 3. Notices of special meetings of the members of AAR shall be in writing and shall state the place, day and hour of the meeting and the purpose or purposes for which the meeting has been called. Notices shall be mailed to members, as their addresses appear in the records of AAR, not less than ten (10) nor more than fifty (50) days before the date of the meeting.

Section 4. At membership meetings **(i)** each Member Board shall be represented by its President or by another Board Member previously designated by the Member Board, and shall be entitled to cast one (1) vote for each Board Member in such Member Board. The number of votes to which a Member Board shall be entitled shall be equal to the number of its Board Members as shown on the records of the Association on the first day of the month preceding the month in which the meeting is held; and **(ii)** Individual Members may vote in person.

Section 5. Presidents of Member Boards, whose members constitute at least a majority of the members of AAR, or their duly appointed alternatives, shall constitute a quorum at any membership meeting.

ARTICLE X COMMITTEES AND FORUMS

Section 1. The Primary Committees will function as follows: **(1)** Determine programs and services to further AAR's vision within the Strategic Plan objectives; and **(2)** Provide funding for such programs and services within the approved Primary Committee's operating budget.

Section 2. The President, with cooperation of the President-elect, for their respective years in office, and with the approval of the Board of Directors, shall appoint the Primary Committee chair and vice chair to serve for one (1) year terms or until their successors are appointed and qualified. The Primary Committees of AAR shall be as follows:

Legislative and Political Affairs
Risk Management
Business Services and Technology
Professional and Business Development

a. Committees, task forces, or work groups of Primary Committees may be appointed by the Primary Committee Chair. Members of said Committees may be selected without limitation unless otherwise provided for in these Bylaws. The President shall be an ex-officio member of all Primary Committees.

b. The Primary Committees shall have such duties and authority as stated in Sections 1 and 2 of this Article and as may be assigned to them by the President, Executive Committee, and/or Board of Directors from time to time.

Section 3. Standing Committees shall be appointed and governed as provided in Article X, Sections 4 through 8 of these Bylaws. Standing Committees shall be as follows:

REALTORS® Issues Mobilization
Professional Standards
REALTORS® of Arizona Political Action Committee (RAPAC)
Grievance

Section 4. At least fifty percent (50%) of the Primary Committee, work group, Standing Committee or task force members shall constitute a quorum.

Section 5. The Grievance Committee shall be governed by the AAR Professional Standards Policies and shall have at least nine (9) and no more than eighteen (18) members, including a Chair and Vice Chair. Members shall be appointed to serve staggered three (3) year terms. The Chair and Vice Chair should have each served a minimum of two (2) years on the Committee before serving in those capacities. Committee training requirements shall be established in AAR policies.

Section 6. The Professional Standards Committee shall be governed by the AAR Professional Standards Policies and shall be comprised of a pool of REALTORS® referenced in the Statewide Professional Standards Agreement. Members shall be appointed to serve staggered three (3) year terms. The Chair and Vice Chair should each have served a minimum of two (2) years on the committee before serving in those capacities. Committee training requirements shall be established in AAR policies.

Section 7. The REALTORS® Issues Mobilization Committee shall be governed by its Policies.

Section 8. The REALTORS® of Arizona Political Action Committee (“RAPAC”) shall be governed by its Bylaws.

ARTICLE XI
FISCAL AND ELECTIVE YEAR

Section 1. AAR’s fiscal year shall be the calendar year.

Section 2. AAR’s elective year shall be December 1 through November 30.

ARTICLE XII
CODE OF ETHICS

Section 1. The *Code of Ethics* of the NATIONAL ASSOCIATION OF REALTORS®, is adopted as the *Code of Ethics* of the association and shall be considered a part of its Rules and Regulations and the Code of Ethics and the Rules and Regulations of the association shall, in the future, be deemed to be amended and changed whenever said *Code of Ethics* is amended or changed by the National Association.

ARTICLE XIII
PROFESSIONAL STANDARDS

Section 1. Under certain circumstances, allegations of ethical violations and controversies concerning REALTORS® and REALTOR-ASSOCIATES® may be submitted to AAR by Member Boards. These situations shall be processed according to the *Code of Ethics* and Arbitration Manual of the NATIONAL ASSOCIATION OF REALTORS®. This provision is not designed to relieve the Member Board of its primary responsibility in enforcing the *Code of Ethics* but is designed to provide a due process hearing in cases where unusual circumstances exist, unless the Member Board is a signatory to the Statewide Professional Standards Agreement. In this case the signatory Member Boards have delegated the enforcement of the *Code of Ethics*, the disciplining of members and the arbitration of disputes and procedures incident thereof to AAR.

Any REALTOR® member of the association may be disciplined by the Board of Directors for violations of these Bylaws, the Code of Ethics, or other duties of membership, after a hearing as described in the Code of Ethics and Arbitration Manual of the association, provided that the discipline imposed is consistent with the discipline authorized by the Professional Standards Committee of the NATIONAL ASSOCIATION OF REALTORS®, as set forth in the Code of Ethics and Arbitration Manual of the National Association.

Section 2. The responsibility of the association and of association members relating to the enforcement of the Code of Ethics, the disciplining of members, the arbitration of disputes, and the organization and procedures incident thereto shall be governed by the *Code of Ethics* and Arbitration Manual of the NATIONAL ASSOCIATION OF REALTORS®, as from time to time amended which by reference is made a part of these Bylaws.

Section 3. AAR shall require REALTORS® (Principals) and their firms to mediate otherwise arbitrable disputes pursuant to Article 17 of the Code of Ethics and be bound by any resulting agreement.

Section 4. Hearings held under the auspices of the Statewide Professional Standards Enforcement Agreement shall be held, when possible, in a geographic area close to the Respondent’s association.

Section 5. AAR may take disciplinary action against a member, including but not limited to, suspending or expelling a member from a Member Board and/or its MLS for a breach of membership duty resulting from a professional standards matter held under the auspices of AAR; including but not limited to, failure to pay arbitration fees, procedural review filing fees, ethics appeal fees, and/or failure to either pay the award or escrow the award pursuant to AAR Professional Standards policy and the *Code of Ethics* and Arbitration Manual.

ARTICLE XIV
USE OF THE TERMS REALTOR[®], REALTORS[®] AND REALTORS-ASSOCIATE[®]

Section 1. Use of the terms REALTOR[®], REALTORS[®] and REALTOR-ASSOCIATE[®] by members shall, at all times, be subject to the provisions of the Constitution and Bylaws of the NATIONAL ASSOCIATION OF REALTORS[®] and the Rules and Regulations prescribed by its Board of Directors. The state association shall have authority to control, jointly and in full cooperation with the NATIONAL ASSOCIATION OF REALTORS[®], use of the terms within those areas of the state not within the jurisdiction of a Member Board. Any misuse of the terms by members is a violation of a membership duty and may subject members to disciplinary action by the Board of Directors after a hearing as provided for in the association's *Code of Ethics* and Arbitration Manual. (Amended 5/2006).

Section 2. REALTOR[®] Members of the state association shall have the privilege of using the terms REALTOR[®], REALTORS[®] in connection with their business so long as they remain REALTOR[®] Members in good standing. No other class of members shall have this privilege.

Section 3. A REALTOR[®] Member who is a principal of a real estate firm, partnership, or corporation may use the terms REALTOR[®] or REALTORS[®] only if all the principals of such firm, partnership, or corporation who are actively engaged in the real estate profession within the state or a state contiguous thereto are REALTOR[®] or Institute Affiliate Members.

Section 4. REALTOR[®] Associate Members of the state association shall have the right to use the term REALTOR-ASSOCIATE[®] so long as they remain REALTOR-ASSOCIATE[®] members in good standing and the REALTOR[®] Member with whom they are associated or by whom they are employed is also a REALTOR[®] Member in good standing.

Section 5. An Institute Affiliate Member shall not use the terms REALTOR[®], REALTORS[®], or REALTOR-ASSOCIATE[®] and shall not use the imprint of the emblem seal of the NATIONAL ASSOCIATION OF REALTORS[®].

ARTICLE XV
RULES OF ORDER

Section 1. The most recent edition of *Robert's Rules of Order* shall be recognized as the authority governing all meetings and conferences when not in conflict with AAR Bylaws.

ARTICLE XVI
AMENDMENTS

Section 1. These Bylaws may be amended at any meeting of the Board of Directors by the affirmative vote of two-thirds ($\frac{2}{3}$) of the Directors present, provided that:

- a. A quorum is present, and
- b. The proposed amendment has been sent to each Director, in writing, no less than fifteen (15) days prior to the meeting.

Section 2. Amendments to these Bylaws affecting the admission or qualifications of active members, Associate Members and Institute Affiliate Members, the use of the terms REALTOR[®], REALTORS[®], or REALTOR-ASSOCIATE[®], *Code of Ethics*, Professional Standards, or any alterations in the territorial jurisdiction of a Member Board shall become effective upon the approval of the Board of Directors of the NATIONAL ASSOCIATION OF REALTORS[®].

ARTICLE XVII
DISTRIBUTION OF ASSETS

Section 1. Upon the dissolution of AAR, the Board of Directors, after paying or making provision for the payment of all of the liabilities of AAR, shall distribute any remaining assets to the NATIONAL ASSOCIATION OF REALTORS[®]; provided, however, that said organization at the time qualifies under Section 501(c)(6) of the Internal Revenue Code, as amended, or within its discretion, to any other tax exempt organization or organizations that qualify under Section 501(c)(6) or 501(c)(3) of the Internal Revenue Code, as amended.

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POLICY STATEMENTS

(as of March 2018)

INTRODUCTION, PURPOSE, AND FORMULATION

Policy statements are for the purpose of developing guidelines and standards for AAR's internal operations. Policy statements shall be approved by the Board of Directors, except for recommendations for professional standards policies, which may be approved by the Executive Committee.

AUTHORIZED SPOKESPERSON

The President and the CEO are the authorized spokespersons for AAR. No other individuals shall speak for AAR on matters affecting AAR or its membership as a whole except the Legislative Advocate on legislative matters without prior approval of the President or CEO.

A. LEADERSHIP/COMMITTEES

A.1 – STRATEGIC PLANNING PROCESS: PLAN, VISION AND OBJECTIVES

The Planning work group shall update AAR's Strategic Plan at least every two (2) years and submit recommendations to the incoming Executive Committee. The Strategic Plan vision and objectives shall be the basis for all AAR programs, products, services and activities.

A.2 – LEADERSHIP AND STAFF SELECTION STANDARDS

The Executive Committee and the CEO shall be familiar with AAR's Strategic Plan. The Strategic Plan's vision and specific objectives shall be the primary standards against which the abilities and skills of staff and leadership at all levels of AAR shall be examined.

A.3 – EXECUTIVE COMMITTEE ACCOUNTABILITY

The Executive Committee shall continually evaluate its own performance to ensure that it is strategically focused. It shall monitor but avoid conducting the day-to-day AAR operations. It shall conduct business in a timely and honest fashion, and observe AAR's internal and external chain-of-command. The President shall assign a deadline for action to be completed, including votes cast in favor or opposition to a properly made motion in accordance with *Robert's Rules of Order*.

A.4 – BOD VOTING

Vote counts for officer and National Director elections shall not be given verbally; however, exact counts will be retained by AAR for thirty (30) days following the date of the election for review upon request by any AAR member.

A.5 – WORKGROUP/COMMITTEE APPOINTMENTS

Appointments to AAR Work Groups or Committees other than Standing and Primary Committees shall be made on the following basis: appointments shall be made by the appropriate Primary Committee leadership; those appointed to groups with a specific purpose will serve until the group's goal is reached; those appointed to groups with an on-going purpose will be appointed for one (1) year terms to coincide with AAR's elective year. Members of both types of groups will be eligible for reappointment, as necessary and upon approval of the appropriate Primary Committee leadership.

A.6 – PROFESSIONAL STANDARDS POLICY RECOMMENDATIONS PROCESS

The Professional Standards and Grievance Committees are AAR Standing Committees and report through the Risk Management Primary Committee. However, any recommendations dealing with Professional Standards, Arbitration or Mediation procedure or policy from any assigned work group shall be noticed to the members of the Professional Standards and Grievance Committees for comment prior to consideration by the Risk Management Primary Committee.

A.7 – PRIMARY COMMITTEES; DEADLINES

AAR is focused on making decisions in a timely and diligent manner that are in the best interests of AAR and its members. To assist AAR with timely decision making, AAR's Primary Committee Chairmen shall assign a deadline for action to be completed, including votes cast in favor or opposition to a properly made motion in accordance with *Roberts Rules of Order*.

A.8 – CONFLICT OF INTEREST

Members of AAR's decision making bodies, including, but not limited to, the Executive Committee, Board of Directors, Primary Committees, workgroups and other committees (hereinafter "Committee/Director Members") should not use their position with AAR to further their private interests. Committee/Director Members should avoid placing themselves in situations where their personal interests may conflict with the interests of AAR and should at all times avoid the appearance of conflict of interest. AAR duties should be performed in good faith and for the benefit of AAR.

Committee/Director Members will be considered to have a conflict of interest if the interest would constitute a conflicting interest pursuant to the Arizona Non-profit Corporation Act when:

- (1) the issue involves a business providing products or services to AAR in which the Committee/Director Member or a related person is a principal, partner or corporate officer, director, agent or employee.
- (2) the issue is one in which that Committee/Director Member or a related person has a beneficial interest involving money, employment, investments, credit or contractual rights or is so closely linked to a transaction of such financial significance to the Committee/Director or a related person that the interest would reasonably be expected to exert an influence on the Committee/Director's judgment if called on to vote on the transaction. "Related person" shall have the same meaning as defined in the Arizona Non-profit Corporation Act.

Committee/Director Members with a conflict of interest shall immediately disclose the existence and the nature of the conflict at the outset of any discussions by a decision making body pertaining to the issue as well as all facts reasonably material to a judgment about an issue. Such Committee/Director Members may not participate in the discussion relating to that issue other than to respond to questions asked of them by other Committee/Director Members of the body. Committee/Director Members with a conflict of interest may not vote on any issue in which they have a conflict of interest, and should not be present when the vote on the issue is taken.

A.9 – ELECTRONIC TRANSACTION OF BUSINESS

To the fullest extent permitted by law, the Board of Directors, Executive Committee, Primary Committees and workgroups may conduct business by electronic means.

A.10 – ATTENDANCE BY TELEPHONE

Members of a committee or workgroup may participate in any meeting through the use of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Such participation shall be at the discretion of the Chair and shall constitute presence at the meeting.

A.11 – OPEN MEETINGS

With the exception of the Grievance Committee and RAPAC, all AAR Standing and Primary Committee meetings shall be open to any members who wish to attend. No meetings shall be electronically recorded without the consent of the Chair and concurrence of two-thirds ($\frac{2}{3}$) of the members of the assembly

A.12 – ALCOHOLIC BEVERAGES

AAR will not provide alcoholic beverages in the AAR Suite or room at State meetings and National meetings. Alcohol will be served only at supervised cash bar or limited "host" drink functions.

A.13 – WEAPONS

No person shall bring any firearm or other weapon, or any other article or instrument that could reasonably be deemed dangerous or harmful, into any AAR meeting.

A.14 – INVOCATIONS/INSPIRATIONAL MESSAGES

It is suggested that invocations or inspirational messages at any AAR activities be nonsectarian and non-exclusive of any groups.

A.15 – SMOKING POLICY

There will be no smoking at any education events, business meetings, and social functions.

A.16 – SELECTION OF MEMBER BOARD CHIEF STAFF AS VOTING, NON-QUOTA AAR DIRECTORS

The following process shall be utilized for the selection of member board chief staff as voting, non-quota AAR directors pursuant AAR's Bylaws, Policies and Official Statements Article VI, Section 3(F):

Each eligible member board chief staff officer ("AEs") will have their names entered in a drawing. The two (2) AEs who served on the Board of Directors the previous year will not be included in the drawing and their names will be withheld from the drawing for three (3) years following their year of service. Additionally, the AE selected as the AE representative on the Executive Committee for that year will not be placed in the drawing, but will be serving as an ex-officio director.

The following drawing process will be used:

- (i) AEs of associations with one (1) director entitlement will be placed together with one (1) name drawn.
- (ii) AEs of associations with two (2) or more director entitlements will be placed together with one (1) name drawn.

The selected AEs will be notified. If they do not accept a position on the Board of Directors, another drawing will be held for that position.

B. FINANCIAL

B.1 – BUDGET PROCESS

The objectives of the Strategic Plan shall provide the primary basis upon which the Executive Committee shall make recommendations with regard to Primary Committee Business Plans and the annual budget. The Executive Committee which will be in office during the fiscal year for which the budget is being prepared will prepare budget recommendations.

B.2 – AMENDMENTS TO APPROVED BUDGET; REALLOCATION FLEXIBILITY

Proposals to amend the AAR approved budget shall be submitted to the Executive Committee for approval. The Executive Committee may, on its own authority, approve aggregate budget amendments up to two and one-half percent (2.5%) of the approved annual budget.

The Executive Committee shall act as the finance committee and may reallocate approved, but unutilized expense(s) to be used for another program(s), product(s) and expense(s). Reallocations of approved, but unutilized expense(s) by the Executive Committee shall be reported to the Board of Directors at their next scheduled meeting

B.3 – CHECK PROCEDURES

There shall be two (2) signers on any AAR accounts and accounts for which AAR is administratively responsible. Only pre-numbered check stock shall be utilized and checks shall be issued in sequence. Checks shall be made payable only to the designated payee listed on the back-up documentation, which has been approved by the CEO and/or area primary committee staff liaison. The use of signature stamps on checks and backup documentation shall be prohibited. All checks shall be submitted to the CEO for review and signature. In the absence of the CEO, checks may be reviewed and signed by the secondary account signer with prior authorization by the CEO. When not in use, all checks shall be stored in a locked secure location accessible only to CEO and accounting staff authorized by the CEO.

B.4 – ACCOUNTS RECEIVABLE

All accounts receivable are due and payable within ten (10) days of receipt by debtor. After thirty (30) days, all unpaid accounts receivable shall bear an interest of one and one-half percent (1.5%) per month of the unpaid balance. Accounts receivable ninety (90) days or more delinquent shall be turned over for collection. If an AAR member's account receivable is ninety (90) days or more delinquent, said membership may be suspended or terminated by a two-thirds ($\frac{2}{3}$) vote of the Executive Committee in attendance at a scheduled meeting. Said member shall be noticed in writing no later than ten (10) days prior to the meeting at which such action will be considered.

Any unpaid obligations due as a result of an ethics or arbitration proceeding and resulting in suspension or termination of membership shall cause the membership of the affected member to be suspended or terminated at AAR and any Member Board signatory to the Statewide Professional Standards Enforcement Agreement to which the member belongs

B.5 – DUES PAYMENTS

AAR shall generate all direct member and secondary member invoices no later than December 1st of each year. Membership dues are due in full by January 1st of each year. Partial payments will not be accepted. AAR shall assess a \$25 late fee on all dues payments made after January 15th. An additional late fee of \$30 shall be assessed on all dues payments made after February 15th of each year. Any membership account outstanding as of March 31st shall be deactivated. Once a membership account has been deactivated for nonpayment of dues, a \$50 reinstatement fee shall be assessed in addition to the \$55 late fees to reinstate active membership. There shall be no refund of AAR dues paid.

B.6 – OPERATING AND RESERVE FUNDS INVESTMENT POLICY

All AAR Funds not immediately required shall be invested by the CEO and Controller at the direction of the Treasurer and Executive Committee. Permitted investments shall include: Obligations of the US Treasury; obligations of an agency of the US Government; obligations of and obligations fully guaranteed by any of the fifty (50) states of the United States of America; Auction Preferred Stock (APS) and/or Auction Rate Certificates (ARC) and/or Variable Rate Demand Obligations (VRDO) and corporate bonds with an investment grade rating by a nationally recognized rating service. Funds invested in certificates of deposit shall not exceed the total amount insured, including interest earned to maturity, so that a guarantee is made of return of principal and interest.

With the approval of the Executive Committee, permitted investments shall also include up to twenty percent (20%) of the Capital Reserve, up to twenty percent (20%) of the Strategic Initiatives Reserve and up to twenty percent (20%) of the Issues Mobilization Fund in long term growth assets with equity exposure (such as stocks, stock mutual funds and exchange traded funds). The Capital Reserve, Strategic Initiatives Reserve and the Issues Mobilization Fund shall be analyzed annually taking into consideration past disbursements and anticipated future disbursements. Up to twenty percent (20%) of the funds in these accounts that are deemed not to be needed for their intended purpose for a period of five (5) years or greater shall be eligible to be invested in long term growth

assets with equity exposure. All investments in long term growth assets with equity exposure shall be reported to the Board of Directors at the next scheduled meeting.

B.7 – CONTRACTS AND ENCUMBRANCES

The President and/or CEO shall be the only individual(s) authorized to enter into contracts or agreements which incur financial or other liabilities to AAR. All contracts not authorized through action of the Executive Committee, Board of Directors or through the budgeting process in excess of ten thousand dollars (\$10,000) shall be presented to the Executive Committee for approval prior to execution.

C. REIMBURSEMENTS

C.1 – EXECUTIVE COMMITTEE TRAVEL

Members of the Executive Committee who travel more than fifty (50) miles one way to attend Executive Committee meetings shall be reimbursed at the IRS-approved rate per mile for full roundtrip mileage, or actual coach air fare, when approved by the President. Lodging and expenses shall be paid for AAR state meetings.

C.2 – TRAVEL REIMBURSEMENT

All claims for travel reimbursement from individuals authorized to receive reimbursement shall be submitted to AAR within thirty (30) days from the time the expense was incurred. Authorized transportation shall be reimbursed on the basis of roundtrip mileage at IRS-approved rate or actual coach air fare. Authorized expenses for National meetings shall be reimbursed at the approved rate for the actual day(s) of the meeting plus one (1) additional day. Authorized in-state expenses shall be reimbursed at an approved rate for actual days on AAR business

C.3 – NATIONAL DIRECTOR REIMBURSEMENT

National Directors eligible for expense reimbursement shall be those elected or appointed to fill entitlements other than those entitlements assigned Member Board and specifically representing franchise and/or large firm entitlements, as designated by the NATIONAL ASSOCIATION OF REALTORS®, and who are not otherwise reimbursed. Authorized reimbursement for National Directors to attend National meetings is contingent upon their attending the Member and Directors Forum, AAR Caucus (if any), the Rocky Mountain Regional Caucus and all meetings of the National Board of Directors at each National meeting. Any exceptions shall be approved at the President's discretion.

C.4 – NATIONAL MID-YEAR/LEGISLATIVE MEETING REIMBURSEMENT

The Federal Political Coordinators ("FPCs") shall be reimbursed for travel expenses to attend the NAR Mid-Year/ Legislative Meetings an amount to be established by the Board of Directors annually. Officers/NAR Directors reimbursement is contingent upon their attendance at the AAR Caucus, any Congressional Briefings and appropriate Hill visitations. Any exceptions shall be determined by the Executive Committee.

C.5 – LINE OFFICER CREDIT CARD POLICY

AAR line officers may request a corporate credit card but must complete and return the Corporate Credit Card Declaration prior to obtaining and using the card. AAR corporate credit cards will be issued with a maximum \$5,000 credit limit per individual. The AAR corporate credit card may be used for travel expenditures that are frequently incurred in the normal course of his or her duties with the Association. This includes, but is not limited to, hotel expenditures, airfare, meals, registration costs, etc. Should the corporate credit card be used inadvertently for personal expenditures, AAR reserves the right to recoup the associated costs from the named cardholder within 30 days from the statement date. Individuals may not use the corporate credit card to obtain cash advances, checks, or electronic cash transfers as this type of activity is strictly prohibited. Misuse of any kind will result in cancellation of the card and revocation of all corporate credit card privileges.

All AAR corporate credit card expenditures must be reconciled at the end of each month. AAR staff will email each cardholder a list of charges incurred during the month. **The cardholder is responsible for verifying that all charges listed are valid, identifying the event the charge is associated with, and submitting the corresponding receipts to the Accounting department within 5 days of receiving the list. Repetitive non-conformance to this policy will result in cancellation of the card and the loss of all corporate credit card privileges.**

Should a card become lost, stolen, or incur any fraudulent activity it must be reported immediately to the CEO or Controller. A new corporate card will be issued to the cardholder once a claim has been made with the bank.

D. LEGAL/STANDARD FORMS

D.1 – ACCESS TO LEGAL COUNSEL

The AAR General Counsel and Associate Counsel provide support to AAR's CEO, Executive Committee, Board of Directors, and Primary Committees. Legal support to Member Boards and/or members is prohibited unless approved by the CEO.

D.2 – LEGAL ASSISTANCE

One of the purposes of the Operating Reserve fund is to provide legal assistance to Boards and/or REALTORS® where litigation arises that can affect other REALTORS®, Member Boards or AAR. In such instances, funds may be used to defray costs and legal fees involved in such litigation. In addition, funds may be used for any litigation involving AAR including covering the deductible amount of AAR's errors and omissions coverage. No funds may be allocated or utilized to pay or apply to any judgment rendered against any party other than AAR for the payment of damages or fines.

Any request for legal assistance by a REALTOR® must be first supported by his Member Board. All requests, whether from a REALTOR® or a Member Board, must be submitted in writing to the CEO, setting forth the purpose of the request in as much detail as possible prior to any action being undertaken.

The Executive Committee, with AAR General Counsel present, shall hear and decide on all requests for legal assistance. No funds may be expended without the Executive Committee making determination that the matter is of such nature as to adversely affect real estate licensees and/or private property rights within the state of Arizona. The Executive Committee may decide that all costs and legal fees, or a portion thereof, be paid from the Reserve Fund.

The President shall, at the next meeting of the Board of Directors, following a commitment for the use of funds for legal assistance, report to the Directors as to the amount of monies committed or expended. The President shall not discuss at a regular Directors' meeting the nature of the individual case, the REALTOR® or the Member Board involved. Any Director may, however, review the file on the matter at AAR in the presence of the CEO.

In the event any REALTOR® or Member Board is dissatisfied with the action of the Executive Committee with regard to his or its request, the REALTOR® or Member Board may appear before the Board of Directors and a two-thirds ($\frac{2}{3}$) vote of the Board of Directors present and voting may reverse or amend the action of the Executive Committee.

D.3 – STANDARD FORMS

The Executive Committee or Board of Directors shall approve all form content and format, new or revised, prior to distribution for member use. Prior to substantive revision of any existing form being released, the revised form shall be circulated for comment from experts in the field, all Member Boards, and any appropriate Institutes, Societies or Councils. New or revised forms shall be released on or about February 1, June 1 and October 1 unless law or regulation mandates earlier release.

AAR grants permission to each of its Member Boards to use the AAR member benefit electronic forms software to print each of AAR's standard forms provided that the Member Board executes a license agreement with AAR setting forth the terms and conditions of such agreement.

D.4 – STANDARD FORMS COPYRIGHT

Those who alter AAR's forms or sell or attempt to sell unauthorized copies of AAR forms will be vigorously pursued for violation of copyright law.

E. LEGISLATIVE/POLITICAL

E.1 – ANNUAL LEGISLATIVE POLICIES

The Legislative and Political Affairs Primary Committee is responsible to recommend subsequent year's legislative policies to the Board of Directors for approval. The Primary Committee may use any means to obtain member input; however, the Primary Committee, by its own motion(s), will present the final recommended Legislative Policies to the Executive Committee for its recommendation to the Board of Directors.

E.2 – FEDERAL POLITICAL COORDINATORS (FPC)

FPC appointments and alternates shall be recommended by the incoming state association president in accordance with the National Association of REALTORS® established process for Federal Political Coordinator (FPC) nomination and changes. FPC term of appointment shall coincide with term of the applicable U.S. Representative or for one-half ($\frac{1}{2}$) the term of the applicable U.S. Senator.

E.3 – CALLS FOR ACTION

The Chair of the Legislative and Political Affairs Primary Committee, or Legislative Committee, or the President are the sole authorities for issuing a Call for Action.

F. NAR

F.1 – ENDORSEMENTS AND NOMINATIONS OF CANDIDATES FOR NAR POSITIONS

The President, President-elect, First Vice President and AAR National Directors, by majority vote, shall have the authority to endorse candidates for NAR officer/position from states other than Arizona on behalf of AAR and shall do so in a timely manner that will provide maximum benefit to and for AAR.

The Executive Committee and AAR National Directors, by majority vote, shall have the authority to select and endorse candidates from Arizona to seek NAR officer/positions to include NAR Treasurer, NAR First Vice President, NAR Regional Vice President and/or member of the NAR Nominating Committee representing NAR Region 11.

F.2 – NAR OFFICER CANDIDATE ASSISTANCE

The Association shall assist an Arizona or Region 11 REALTOR® who gains AAR support as provided in AAR Policy seeking one of the following NAR officer positions:

- AAR member seeking NAR Regional Vice President, Region 11.
- AAR or Region 11 member seeking NAR Treasurer or higher position.
Member must be an “official candidate” per NAR or Region 11 Nominating process. The maximum aggregate assistance per office sought shall be:
 - AAR member seeking NAR Regional Vice President, Region 11 - up to \$15,000
 - AAR member seeking NAR Treasurer or higher position - up to \$150,000
 - Region 11 member seeking NAR Treasurer or higher position- up to \$20,000

If an Arizona member is officially designated NAR Regional Vice President by Region 11 selection process and is not serving as an NAR Director, assistance for attending NAR meetings shall be provided as outlined in Policy P.5 until the year the member serves as NAR Regional Vice President. Said member shall receive assistance for attending the Region 11 Conference until the year he officially serves.

G. CEO/INTERNAL

G.1 – ACCOUNTABILITY SYSTEM

Written job standards and expectations for the CEO shall be prepared by the Executive Committee officers annually at the time of the CEO’s performance review.

G.2 – COORDINATION OF STAFF TIME, RESPONSIBILITIES AND WORKLOAD

All AAR staff is directly responsible to the CEO. Any requests for staff time other than normal staff liaison functions shall be coordinated through the CEO.

G.3 – STAFF ACCOUNTABILITY

The CEO shall prepare, in concert with each employee, annual job standards and expectations for each program, product, service and activity, based on the Strategic Plan and one (1) year plan of work. These will be the primary standards against which employee performance is measured.

G.4 – DESK AUDITS

The CEO shall perform compensation studies of all AAR staff positions at least every five (5) years.

G.5 – EMPLOYMENT

AAR shall not employ more than one (1) member of the same immediate family at any time.

G.6 – STAFF RELATIVES IN LEADERSHIP POSITIONS

Family members of staff shall not be eligible to serve on the Executive Committee or hold Chair or Vice Chair position(s) on AAR Primary Committees, committees, forums, networks or task forces. If such a relationship develops at the time a member is serving in any of said leadership positions either the leadership position or staff position must result in a resignation.

NOTE: Family member is defined as:

- a. A natural or adopted son or daughter of the staff member or a descendent of either.
- b. A stepson or stepdaughter of the staff member.
- c. The father or mother of the staff member or an ancestor of either.
- d. A stepfather or stepmother of the staff member.
- e. A son-in-law, daughter-in-law, father-in-law or mother-in-law of the staff member.

This policy includes spouse in definition of family members.

G.7 – INSTRUCTOR EMPLOYMENT STATUS

All instructors/trainers shall be retained on an independent contractor basis. Any payment for such services shall be paid to a bona fide corporation, not to an unincorporated individual.

G.8 – NON-DUES INCOME PROGRAMS

AAR staff shall be authorized to investigate potential non-dues income programs and to implement such programs that require less than a five hundred dollar (\$500) initial investment and expect at least a ten percent (10%) return, with approval of the CEO, without receiving approval from the Executive Committee or Board of Directors. Such programs shall contain “benchmarks” at which evaluation will occur to continue, alter or discontinue. Reports of implementation of such programs will be made periodically to the Executive Committee.

G.9 – SOLICITATIONS AND DONATIONS

All solicitations for donations and funding of non-AAR projects must be approved by the Executive Committee or Board of Directors. Any requested funds must be accompanied by budget when submitted.

G.10 – MAILING LISTS AND ROSTERS

The use of membership mailing lists and rosters for commercial purposes is expressly prohibited with the exception of uses authorized by the CEO in fulfillment of contractual obligations with affinity partners. Any non-commercial use of membership mailing list and rosters must be authorized by the CEO or by a person designated by the CEO. Under no circumstances shall member email addresses or phone numbers be provided for commercial use.

G.11 – HARASSMENT

AAR fully supports the rights of all its members and employees to work in an environment free from harassment. Harassment means any conduct (verbal, physical, visual, electronic or by other means) including threatening or obscene language, unwelcome sexual advances, stalking, actions including strikes, shoves, kicks or other similar physical contacts, or threats to do the same, or any other with the purpose or effect of unreasonably interfering with an individual’s work performance by creating a hostile, intimidating, or offensive work environment. Any member or employee who believes that he or she has been the subject of harassment should immediately report the improper conduct to the association CEO or General Counsel. If for any reason the member or employee is not comfortable contacting the CEO or General Counsel, then the member or employee should contact the association President. Reports of harassment will be investigated promptly by Association legal counsel. Pending the investigation of any complaint, the individual named in the complaint may be asked not to participate in Association functions until the matter is resolved. The results of the investigation shall be presented to a five member Executive Committee panel, which may impose any disciplinary action authorized by the *Code of Ethics and Arbitration Manual*, at the discretion of the Association.

G.12 – WHISTLE BLOWER POLICY

AAR is committed to lawful and ethical behavior in all of its activities and requires its staff to conduct themselves in a manner that complies with all applicable laws and regulations. If at any time a concern exists regarding the propriety or legality of any action contemplated to be taken or that has been taken by any AAR officer, director, staff, committee member or any contractor or vendor as the action relates to AAR activities, or if an action needs to be taken in order for AAR to be in compliance with law or appropriate ethical standards, the issue can be addressed directly by going to the CEO as needed until matters are satisfactorily resolved.

Alternatively, if the complainant or aggrieved party is not comfortable speaking to the CEO about the matter, or does not feel that the issue has been properly addressed, they may contact AAR’s President or General Counsel about the matter. If the complainant or aggrieved party does not believe that direct channels of communication can/should be used to express their concerns, they can send an anonymous letter or email utilizing the U.S. Mail or any internet hosted email service (using an anonymous name) to the CEO, AAR’s President or General Counsel.

Official Statements

OS.1 – CONTRACT BETWEEN BROKER AND SALESPEOPLE

AAR strongly recommends that a Designated Broker maintain a written Independent Contractor Agreement with each salesperson setting forth their rights and obligations and that an office policy and procedure guide be provided to each salesperson, which the salesperson acknowledges reading and accepting.

OS.2 – COMMISSIONS AND FEES

AAR does not and will not establish or maintain fixed or recommended rates of commission. Commissions are a matter of negotiations between the parties (the principal and the Designated Broker) and AAR will not interfere in those negotiations or inhibit in any way the freedom of the parties to negotiate.

Private Property Rights Statement

The purpose of AAR is to serve its members by providing and promoting services to enhance members' abilities to conduct their businesses with integrity and competency; with due consideration for the preservation of private property rights.

We believe in the fundamental right of all private property owners to determine the highest and best use of their land, working through appropriate governmental entities.

Properly conducted programs of land conservation and historic preservation which attempt to protect aquifers, agricultural lands, wetlands, scenic vistas, natural areas, historic properties, and open space, may have a positive effect on the environment in towns, counties, and municipalities. However, in establishing land use laws and regulations for the purpose of protecting these resources, the cost of the benefits to the general public shall be borne by the general public.

Governments shall not arbitrarily infringe on the basic right of the individual to acquire, possess, and freely transfer real property, and shall protect private property rights as referred to in the 5th and 14th Amendments of the United States Constitution.

Every person should have the right to acquire real property with confidence and certainty that the value of such property will not be unduly diminished or jeopardized by governmental action at any level without just compensation or the owner's express consent.

The State and Federal governments should minimize their involvement in land use decisions and not withhold government grants and programs to enforce their policies.

We maintain that planning for the classification and use of land must adequately consider the needs of housing, agricultural, commercial, and industrial growth, as well as quality of life and a healthy local economy.

AAR supports responsible development through informed planning. Responsible and continual growth is healthy to the economic well being of our communities. Effective coalitions of State and local government, developers, and environmentalists are imperative to effect responsible growth.