NKBA | KBIS
POLICY MANUAL

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NATIONAL KITCHEN & BATH ASSOCIATION

PREAMBLE

ASSOCIATION

A group of people who voluntarily come together
to: Solve common problems;
Meet common needs; and
Accomplish common
goals.

An effective Association is one that recognizes and focuses on the common self-interests of its members.

The National Kitchen & Bath Association (NKBA), established in 1963, is the premiere non-profit trade association promoting the professionalism of the kitchen and bath industry.

This manual contains the Association's bylaws and policies. The bylaws are approved by the membership; the policies support the bylaws and are approved by the Board of Directors; the procedures explain how to carry out the policies and are decided upon by the Association staff.

I. MEMBERSHIP, DUES and FEES (Bylaws Article IV)

A. Membership Categories

1. Industry Member

   It is the intent of the Bylaws that any business or person actively and directly involved in providing kitchen and/or bathroom products and/or services, is eligible for Industry Membership. Industry Members are granted use of the NKBA logo in their advertising and promotional activities. Examples include, but are not limited to, the following:

   a. Manufacturing

   b. Retail & Sales

   c. Design

   d. Building & Construction

2. Industry Partner

   It is the intent of the Bylaws that any individual, firm, or entity which provides auxiliary products or services to the kitchen and/or bath industry would qualify as an Industry Partner. NKBA reserves the right to assess Industry Partner membership on a case by case basis to ensure they are industry aligned and promote the common business interest of NKBA members.

   Examples of Industry Partners may include, but not be limited to, the following:
   a. Related Associations (ex: NSI, Cedia)
   b. Educational Providers
   c. Product Groups (Installers, Certifications)
   d. Advertising or Media Co's (in Home Space)

3. Schools and Educators

   It is the intent of the Bylaws that any schools and its educators involved in the kitchen and/or bathroom industry are exempt from paying Association dues. A school is defined as - One or more of the
   following qualifications must be met:
   · Degree-granting, accredited.
   · A faculty or staff member to serve as primary contact with NKBA.
   · Regular school verifications completed with NKBA as requested.
   This excludes professional coaches or trainers offering instruction through a for profit program.

4. Student Member

   Student members are non-voting members of the Association and are exempt

from paying Association dues. A student member must be enrolled in a college, university and or technical institute. Student membership shall be limited to a period of no more than eight years.

Student membership acceptance is based on
verifying enrollment at a degree-granting, accredited school and pursuing coursework relevant to the kitchen & bath field in North America.

5. Honorary Member

Honorary membership is intended to recognize outstanding and long-term service and commitment to the kitchen and bath industry and/or to the Association. Such membership may be conferred upon an individual by a 2/3 vote of the Board of Directors. Nominations should be submitted to the Chairman of the Board of the Association who will place such nominations on the agenda for the next official meeting of the Board of Directors.

National Past Presidents and Chairmen of the Board are automatically vested with Honorary membership at the end of their term of office.

B. Annual Dues and Fees

The Board of Directors may determine, from time to time, the annual dues, fees, and assessments necessary to support Association activities. Such amounts are reviewed and approved annually as part of the budgeting process.

1. Industry Member (MEMB)

   a. Subsidiaries

      Subsidiaries of member firms are required to hold membership in the name of the subsidiary company and are not entitled to member benefits unless so subscribed. A subsidiary is defined as a firm, corporation, sole proprietorship, or other legal entity, which produces its own profit and loss statement but is either partially or wholly owned by a parent company. The parent is not required to be a member for the subsidiary to subscribe to NKBA membership.

   b. Branches

      Branch membership is available to any business that is a branch of a member firm (sole proprietorship, corporation, partnership, or other legal entity). A branch is defined as a separate location under common ownership and/or operating under a common name (or derivation thereof) as authorized by the member firm, which is actively engaged in the kitchen and/or bath industry. All branches must be individually approved, and the appropriate fees remitted. No advertising or publicity by the original member firm is permitted which claims or implies NKBA membership for its branches except for individually approved branches. Dues for branch memberships are assessed following the calculation of appropriate dues for the original member firm.

i. Employee Member of Member Company (EM)

Employees of Industry Members are added to the company roster for membership by the company. EMs are entitled to member discounts on the purchase of NKBA products and services, such as member rates for NKBA developed materials and conferences including but not limited to VFTI conference at the Kitchen & Bath Industry Show (KBIS), etc. These members will also receive individual mailings or subscriptions to NKBA publications and are considered voting members of the Association.

ii. Certified Individual Member of Non-Member Company (CIM)

Employees who are actively engaged in the kitchen and/or bath industry and have an active certification, but whose employer elects not to become an NKBA member, may purchase an individual membership upon payment of such dues, fees and assessments as set by the Board. Membership benefits accrue to that one individual, not the business. All NKBA National and Chapter mailings, member discounts on educational programming, and the purchase of other goods and services are granted to the single employee member only. Individual members may volunteer to serve on both local and national bodies and are entitled to vote on issues that may come before the membership. Individual members must also adhere to the following:

1) The non-member company name and physical address may not be listed on the NKBA website

2) To avoid association with the non-member firm, use of the NKBA logo may not be included on materials where the company's logo is imprinted (company letterhead, forms, business cards, etc.)

iii. Individual Member of Non-Member Company (IM)

Employees who are actively engaged in the kitchen and/or bath industry, but whose employer elects not to become an NKBA member, may purchase an individual membership upon payment of such dues, fees, and assessments as set by the Board. Membership benefits accrue to that one individual, not the business. All NKBA National and Chapter mailings, member discounts on educational programming and the purchase of other goods and services are granted to the single employee member only. Individual members may volunteer to serve on both local and national bodies and are entitled to vote on issues that may come before the membership. Individual members must also adhere to the following:

1) The non-member company name and physical address may not be listed on the NKBA web site

1) To avoid association with the non-member firm, use of the NKBA

logo may not be included on materials where the company's logo is imprinted (company letterhead, forms, business cards, etc.)

c. Retired Members

Individual certified members of the NKBA who are no longer working full-time in the kitchen and/or bath industry may qualify for retired membership upon payment of such dues, fees, and assessments as set by the Board; they continue to hold the same member category but are listed with a retired status. To qualify for retired member dues, the member must:

i. provide documentation that he/she is at least 65 years of age;

ii. spend fewer than 200 hours per year as a paid employee/consultant in the kitchen and/or bath industry; and,

iii. spend fewer than 500 hours per year as a paid employee/consultant in any field. Retired members are entitled to all member benefits. Retired members are eligible to serve as elected or appointed volunteers at the chapter or national level.

d. Emeritus Members

Individual certified members of the NKBA who are no longer working full-time in the kitchen and/or bath industry may qualify for emeritus membership upon payment of such dues, fees and assessments as set by the Board; They continue to hold the same member category but are listed as an "emeritus member" industry segment.

To qualify for emeritus member dues, the member must:

i. Provide documentation that he/she is at least 65 years of age;
ii. Has retired from active business but can continue to use the CKD/CBD or CMKBD – Emeritus appellation along with their name. Receives no income as a paid employee/consultant in the kitchen and/or bath industry or in any field.
iii. Agrees to comply with the NKBA Certification Code of Professional Conduct.
iv. Agree that they do NOT need to meet any CEU requirements during the two-year CEU cycle

If membership status is actively current, Emeritus members are eligible to serve as elected or appointed volunteers at the chapter or national level.

e. Unemployed Members

Individuals who have been NKBA members for at least two years may qualify for reduced dues for up to one year (one-time use only) if they are temporarily unemployed and actively seeking employment. Members may request this status, in writing, to NKBA's Membership Department. If the request is received between January 1st and September 30th, the reduced dues will be in effect for the remainder of the calendar year; if the request is received between October 1st and December 31st, the reduced dues will be in effect for the next calendar year.

This category is available to members who are temporarily unemployed and seeking permanent employment or those returning to membership while on "leave of absence" certification status. Members paying dues in this category would be entitled to all benefits accruing to individual members employed by non-member firms. If certified, the certification fee is waived for the year, while continuing education unit (CEU's) requirements remain in effect.

f. Honorary Members

Honorary members are exempt from paying dues.
The company that employs the President of the Board who served in this office position in 2015 or prior will receive credit against their company's dues of up to $575 per year for as long as that National Past President is actively involved in that company, provided that the company is eligible for membership in the Association.

2. Industry Partners

Annual Industry Partner memberships shall be available for the following categories upon payment of such dues, fees and assessments as set by the Board:

a. Businesses

b. Individuals

Industry Partners are entitled to vote on any Association business coming before the membership. They are entitled to receive Association mailings and discounts on the purchase of Association goods and/or services, may use the NKBA logo in their advertising and promotional activities, and may serve as appointed members of ad hoc and other committees in their area of expertise.

3. Recent Graduate

A Recent Graduate member is a former student member who is within two calendar years of their graduation date and who is not yet employed in the industry or is employed by a non-member company. They will be charged annual dues set by the board and may hold this membership for no longer than two years. All NKBA National and Chapter mailings, member discounts on educational programming and the purchase of other goods and services are granted to the Recent Graduate member. They may volunteer to serve on both local and national bodies and are entitled to vote on issues that may come before the membership.

C. Other Fees

NKBA Certifications

Members holding any of the NKBA appellations will be billed a certification fee separate from membership dues as set by the Board of Directors to cover the cost

of administering the certification program and maintaining the records of continuing education units (CEUs).

D. Annual Renewal of Membership

Membership in NKBA is renewed annually with the payment of appropriate annual dues. Renewing members are required to complete the annual member census.

E. Denial of Membership

If membership is denied, the applicant shall have the right to appeal the decision to the Board of Directors and submit additional information for its consideration. If the Board affirms the denial of membership, the applicant shall be so notified, and the decision of the Board shall be final.

F. Termination of Membership, Suspension, and Expulsion

Any member that fails to pay dues, assessments, or other financial obligations may be terminated from membership. Membership in the Association may be suspended or terminated for cause. Sufficient cause for such suspension or termination of membership shall include a violation of these Bylaws or any other lawful rule of practice or procedure duly adopted by the Association, any unethical or improper business practices, or other conduct detrimental to the best interests of the Association. For any cause, other than nonpayment of dues, assessments or other financial obligations, a vote for removal shall occur only after the member complained against has been notified of the recommendation for removal and has been given a reasonable opportunity to appear and be heard.

II. MEETINGS OF THE MEMBERSHIP (Bylaws Article V)

Annual Meeting

It is NKBA's policy to hold its annual meeting of the members at the Kitchen & Bath Industry Show (KBIS). Annual meeting information is communicated to members via various NKBA communication channels.

III. BOARD OF DIRECTORS (Bylaws Article VI)

A. Role of the Board of Directors

The Board of Directors shall have general supervision, control, and direction of the affairs of the Association and its committees and publications, shall determine its policies or changes therein, shall actively pursue the organization's objectives, and oversee the financial stability of the Association.

Members of the Board of Directors are expected to exercise reasonable diligence when performing the responsibilities listed here. Stay informed about the general activities of the Association and the general business areas in which it functions;

1. Attend all Board of Directors' meetings;

2. Maintain confidential those items classified as such by the Board of Directors;

3. Read and verify the accuracy of meeting minutes and be prepared to explain any discrepancies;

4. Be familiar with the Association's Bylaws and Policies;

5. Support Association activities on both the national and chapter level; and

6. Review agendas and supporting materials prior to meetings.

B. Election Policies

Each year, the Leadership Recruitment Committee shall recommend to the Board of Directors for approval, new appointments to fill the expiring terms of Board members for the following calendar year. The Board shall vote on whether to accept or reject each recommended candidate for appointment to the Board. If sufficient candidates are not accepted by the Board for appointment to fill all open positions, the Leadership Recruitment Committee shall recommend further candidates for consideration by the Board until the full number of Board seats is filled.

C. Term of Office

The term of office for a member of the Board of Directors shall be a four-year term. Members of the Board of Directors may be elected to no more than two non-consecutive terms and shall be ineligible to serve again on the Board for a period of four years following their first term. Terms of the Board of Directors shall commence January 1st.

D. Attendance at KBIS

All members of the Board of Directors are required to attend and participate in the annual KBIS Conference. They are required to be present for all scheduled chapter officer events, the KBIS opening event and the annual membership meeting. Board members are also requested to perform other duties during the show as assigned by the Chairman, unless required by their employer to be elsewhere.

In exchange for this participation, the Association provides reimbursement for transportation and lodging. There is no allowance for meals, other than for days prior to the KBIS opening event in accordance with the normal travel policy. Nor are any other incidental expenses covered.

E. Governance Meetings

There shall be a minimum of three regular meetings of the Board of Directors each year, not less than two of which shall be in person. The Chairman confers with staff on the schedule and locations of Board of Directors' meetings during his or her term of office.

IV. TASK FORCES AND COMMITTEES (Bylaws Article VIII)

The Board of Directors or Chief Executive Officer (CEO) may establish such task forces and committees as specific needs arise. Such task forces and committees shall have a specific charge and mission, and once that charge and mission is completed, it shall dissolve unless extended by the Board or CEO. In selecting the members of the task forces or committee, the Board, with the assistance of National Staff, will seek out the most qualified individuals to serve, paying attention to the work that needs to be accomplished and the areas of expertise that a given council or committee requires.

V. STANDING COMMITTEES (Bylaws Article IX)

National Standing Committee members may not serve on two national committees simultaneously, nor are related family members allowed to serve simultaneously on any National Committee.

Requirements for any National Standing Committee position(s) include but are not limited to:

- An understanding of the kitchen and bath industry
- An understanding of and commitment to the basic mission of the organization
- An understanding of the strategic goals of the Association
- Become familiar with the NKBA Bylaws and Policy Manual
- Ability to think in a three to five-year horizon
- Available to fully participate in meetings, both in person and by conference call/video conference as needed
- Keep all appropriate information confidential

A. Member Standards Committee

1. Role of the Member Standards Committee

The purpose of the Member Standards Committee is to review and evaluate member conduct that may have a detrimental effect on the Association or its image to the public.

a. An Association staff member will be assigned to serve as liaison to the Member Standards Committee and is responsible for calling meetings of the Committee as the need arises. NKBA's assigned staff member will also record decisions and recommendations of the Committee.

b. The Chairman of the Board or CEO will consider the complaint and decide whether a hearing meeting of the Committee and person being brought before the Committee, will be held in person or by digital communications.

2. Composition and Appointment of the Member Standards Committee

The Member Standards Committee is composed of three members, one of whom shall be a National Past President or Chairman of the Association. No member of the Committee may also be active in any other volunteer leadership position within the Association during their term on the Member Standards Committee. All members of the Member Standards Committee must have served as a national volunteer on the Board, CLC, or LRC.

3. Members of the Committee are appointed by the Chairman and approved by the Board of Directors. They serve one three-year term with the option to renew for an additional three-year term. The Committee elects its Chair annually. The Chair of the Committee may serve as Chair for two one-year terms, which may be consecutive.

4. Removal of from the Member Standards Committee

Any member of the Member Standards Committee may be removed by a majority vote of the Board of Directors whenever, in the judgment of the Board of Directors, the best interests of the Association would be served.

B. Finance Committee

1. Role of the Finance Committee

The Finance Committee shall be responsible for the general oversight of the Association's finances, recommend to the Board of Directors the approval of the annual operating budget and modifications to the investment policy and investment of surplus funds, and general oversight of internal controls. The Committee has four major tasks:

a. Record-keeping

The Finance Committee is responsible for ensuring that accurate and complete financial records are maintained and that the system in place provides assurances that the funds entrusted to the organization have been properly expended.

i. The Association will follow Generally Accepted Accounting Principles in the United States (U.S. GAAP).

ii. The CEO will follow prudent business practices in the payment of corporate obligations and will maintain adequate liquid reserves to meet operating expenses.

iii. The CEO, and such other senior members of the management staff as are delegated by the CEO, may sign checks for the Association consistent with the budget. Checks in an amount less than $10,000 shall require the signature of one senior management staff member. Checks in amounts between $10,000 and $100,000 shall require the signatures of two senior management staff members. Checks exceeding $100,000 must be co-signed by the Secretary/Treasurer and one senior management staff member.

iv. Cash reserves will be invested in accordance with the Board-approved investment guidelines.

b. Financial Statements

The Finance Committee is responsible for ensuring that accurate, timely and meaningful financial statements are prepared and presented to the Board of Directors. The Committee ensures that an independent auditor qualified in not-for-profit auditing conducts an annual audit of the Association's financial statements. The Committee reviews the financial statements of the Association on a quarterly basis.

i. The Finance Committee will approve the selection of independent auditors to perform an annual audit of financial records.

ii. The Board of Directors will meet annually to review the audited financial statements.

iii. The auditor will submit audited financial statements to the Board at least two weeks prior the Board meeting at which the audit is to be reviewed.

c. Budgeting

The Finance Committee is responsible for ensuring that the budget accurately reflects the strategic goals established by the Board. It reviews and approves the proposed budget for presentation to the Board of Directors. It is their responsibility to monitor budget versus actual revenue and expenditures during the year and make recommendations for budget adjustments as necessary and prudent.

i. The annual budget will project income and expenses that provide for programs and support services as outlined in the Strategic Plan.

ii. The Board will approve the annual budget prior to the beginning of the budget period.

iii. During the budget year, any major change of income or expenditure that would significantly alter the annual plan of operation will be reflected in a budget revision and approved by the Board of Directors.

d. Safeguarding Assets

The Finance Committee recommends policies and procedures for safeguarding the Association's assets. These include internal controls; independent audits; investment guidelines for operating and endowment funds; and variances from budget.

i. The investment policy of the association will be approved by the Board of Directors and reviewed annually.

ii. The CEO is authorized to purchase insurance against casualty and losses to the Association or its Board members and employees in performance of their duties to the Association.

iii. Assuring that the Association has an adequate functioning system of internal controls.

2. Composition and Appointment of the Finance Committee

The Finance Committee is comprised of the CEO, the Vice Chair of the Board, the Secretary/Treasurer of the Board, and one independent financial advisor. The term of service for the Vice Chair and Secretary/Treasurer shall end after the completion of the term of office which entitled them to serve on the Finance Committee and may be continued so long as the individual serves in an Officer position which has representation on the Committee. The independent financial advisor serves in an ex-officio capacity and is appointed by the CEO and Chairman for a three-year term, subject to renewal. The role of the advisor is to ensure compliance with the Committee charges and report to the Committee on a quarterly basis.

3. Officers of the Finance Committee

The Secretary/Treasurer of the Association is the Chair of the Finance Committee.

C. Leadership Recruitment Committee

1. Role of the Leadership Recruitment Committee

   The Leadership Recruitment Committee is charged with identifying and screening potential candidates to fill open positions on the Board of Directors and other National Committees as directed by the Board of Directors. The Leadership Recruitment Committee then presents to the applicable body a slate of candidates for open positions. Self-nominations should be solicited and received from members of the Board of Directors, the Committee, NKBA staff and the general membership of the Association for open positions on the applicable body; for positions on the Leadership Recruitment Committee, non-members of the Association with particular areas of expertise may also be solicited to submit a self-nomination form. The Leadership Recruitment Committee may also seek outside assistance from third parties and organizations in soliciting candidates.

   The Leadership Recruitment Committee shall recommend to the applicable body new appointments to fill any expiring or vacant terms. The members of the applicable body shall vote on whether to accept or reject each recommended candidate for appointment. If sufficient candidates are not accepted for appointment to fill all open positions, the Leadership Recruitment Committee shall recommend further candidates for consideration until the full number of vacant positions is filled.

2. Composition of the Leadership Recruitment Committee

   The Leadership Recruitment Committee shall consist of 5 members and the CEO who shall serve in an ex-officio capacity.

3. Election to the Leadership Recruitment Committee

   The Leadership Recruitment Committee will be elected by the Board of Directors from forms submitted to National Headquarters pursuant to a call for applications to the Committee.

4. Term of the Leadership Recruitment Committee

   The term of office is three years and shall be ineligible to serve again for a period of five years. Vacancies occurring on the committee shall be filled by the election process set forth above; however, the individual so elected to fill a vacancy shall serve the unexpired term of their predecessor and shall be eligible for election to their own term of office.

5. Removal from the Leadership Recruitment Committee

   Any member of the Leadership Recruitment Committee may be removed by a majority vote of the Board of Directors whenever, in the judgment of the Board of Directors, the best interests of the Association would be served.

D. KBIS Exhibitor Committee

1. Role of the KBIS Exhibitor Committee

   The purpose of the KBIS Exhibitor Committee is to provide a link between the exhibitors and NKBA National to ensure that their needs are being appropriately monitored and evaluated. The KBIS Exhibitor Committee advises NKBA Staff and the Board of Directors on industry trends and makes recommendations for appropriate products, programs, and services to meet the needs of the exhibitors and attendees.

2. Composition of the KBIS Exhibitor Committee

   The KBIS Exhibitor Committee shall consist of not less than five or more than ten members. Members of the KBIS Exhibitor Committee must be exhibitors at KBIS during the year in which they are elected to the Committee and must continue to exhibit and maintain a staffed presence on the next years' KBIS show floor to continue their membership on the KBIS Exhibitor Committee.
   Members must have a firm commitment for exhibit space at next year's Show no later than August 1st of each year that they will be serving on the Committee to continue to serve.

3. Election to the KBIS Exhibitor Committee

   A call for applications shall be sent to exhibitors announcing the availability of positions on the Committee. Application must be by self-nomination. All applications are sent to National Headquarters where a candidates' membership status and eligibility and KBIS exhibitor status will be confirmed.

   The KBIS Exhibitor Committee will meet by conference call in the fall to review the applications and determine a ballot and elect new members. The Committee has the right to allow Committee positions to remain vacant if they do not receive sufficient qualified self-nominations so long as a minimum of five positions are filled. The Chair votes only to break a tie.

4. Term of the KBIS Exhibitor Committee

   The term of office is three years, with the right to reapply to be re-elected.. Vacancies occurring on the Committee shall be filled either by appointment from the chair to a representative from the same member company or through the recruitment process by the KEC., The individual so elected to fill a vacancy shall serve the unexpired term of their predecessor and shall be eligible for election to their own term of office.

5. Removal from the KBIS Exhibitor Committee

   Any member of the KBIS Exhibitor Committee, may be removed by a majority vote of the Board of Directors whenever, in the judgment of the Board of Directors, the best interests of the Association would be served.

E. Chapter Leadership Committee

1. Role of the Chapter Leadership Committee

   The purpose of the Chapter Leadership Committee is to provide a link between the grassroots of the Association, its chapters, NKBA Staff and the National Board of Directors. They are charged with monitoring member needs and wants at the chapter level and conveying these needs to NKBA Staff. From time to time the Chapter Leadership Committee will be asked to assist NKBA Staff with ad hoc projects to facilitate fathering and/or enhancing NKBA initiatives and programs.

2. Composition of the Chapter Leadership Committee

   The Chapter Leadership Committee shall consist of five members who currently serve as officers or have served as officers in the past two years.

3. Election to the Chapter Leadership Committee

   A call for applications shall be sent to all chapter officers announcing the availability of positions on the Committee. Application must be by self-nomination submitted to National Headquarters where candidates' membership status and eligibility will be confirmed. Upon confirmation of eligibility, the Leadership Recruitment Committee will review the applications and recommend to the Board of Directors candidates to fill the open positions on the Committee. The eligibility requirements are as follows; the applicant must be a current chapter officer or have previously served at least one full term as a chapter officer within the last two years. The applicant does not need to maintain officer status to remain in the Chapter Leadership Committee position.

4. Term of the Chapter Leadership Committee

   The term of office is three years and shall be ineligible to serve again for a period of five years. Vacancies occurring on the Committee shall be filled by the election process set forth above; however, the individual so elected to fill a vacancy shall serve the unexpired term of their predecessor and shall be eligible for election to their own term of office.

5. Removal from the Chapter Leadership Committee

   Any member of the Committee may be removed by a majority vote of the Board of Directors whenever, in the judgment of the Board of Directors, the best interests of the Association would be served.

F. CEO Evaluation Committee

1. Role of the CEO Evaluation Committee

   The CEO Evaluation Committee is established to review and evaluate the CEO's performance in meeting the goals and objectives that have been set for the CEO by the Board of Directors; recommend compensation, including benefits, based on this evaluation; assure that the compensation is "just and reasonable;" and perform such other functions and duties consistent with the Association's Bylaws and Certificate of Incorporation as the CEO Evaluation Committee or the Board of Directors may deem appropriate. The Committee shall report its recommendations to the Board of Directors of the Association.

2. Composition of the CEO Evaluation Committee

   The CEO Evaluation Committee will be composed of the Chairman, Vice Chair, and Secretary/Treasurer.

   Each member of the CEO Evaluation Committee shall have no material financial interest in any entity doing business with the Association from which arises an actual or apparent conflict of interest.

3. Meetings of the CEO Evaluation Committee

   The CEO Evaluation Committee shall meet at least annually and shall hold such meetings as are necessary or appropriate for the committee to fulfill its responsibilities. As necessary or desirable, the Committee may invite any director, officer or employee of the Association, or other persons whose advice and counsel are sought by the Committee, to participate at committee meetings, consistent with the maintenance of confidentiality.

VI. CHAPTERS (Bylaws Article X)

A. Establishment of Chapter Boundaries

National has the responsibility for determining all chapter boundaries. Chapters are assigned geographic boundaries by postal zip or postal codes within a specific territory. National Staff determines upon application, into which chapter a new member is placed, based on the assigned postal codes. However, members shall have the right to request assignment to a chapter that is more geographically convenient to such member.

B. Chapter Formation

1. A request to form a new subchapter should first be brought to the attention of National Headquarters who will notify the Council of the "parent" chapter. Additional chapter formation shall be in accordance with the procedures outlined below and included in the Chapter Officer Resources section on nkba.org.

2. The request should include a list of members of the Formation Committee:

    a. Three (maximum of five) members residing in the geographical area of the proposed subchapter;

    b. Parent chapter President; and,

    c. Parent chapter Membership Chair;

    Note: If the boundaries cross into another chapter's area, the subchapter must get approval from the other Chapter Council(s).

3. After all research is complete, including no less than 75 NKBA members (a minimum of 50 industry member companies plus 25 individual dues-paying members other than students), the Formation Committee should determine whether there is a sufficient base of membership to petition the National Board of Directors for subchapter status. If the Formation Committee decides to proceed, NKBA will send a template for petition to the Board of Directors for subchapter status. The petition will be placed on the agenda for the next meeting of the Board of Directors. NKBA will need the following:

    a. List of Formation Committee members (3 to 5 members);

    b. Names of full Subchapter Council (i.e. Subchapter President, Programs Chair, Communications Chair, Membership Chair, and Secretary/Treasurer);

    c. Formal request by Formation Committee (via submission template) sent to NKBA National;

    d. List of three-digit zip codes to be included in new subchapter's geographical region;

    e. Name by which the proposed chapter will be identified (pre-approved by National; and,

    f. Written confirmation by the Council of the parent chapter(s) of their approval of the subchapter formation.

4. The subchapter officers will serve until the subchapter receives full chapter status. They are then eligible for re-election to a two-year term in the same officer position.

5. Once the officer slate is reported to National Headquarters, a grant in the amount of $2,000 is sent to the Subchapter to serve as "seed" money to assist in establishing a treasury. A payment of $500 is provided to the "parent" chapter. In the event of more than one "parent" chapter, the $500 payment is divided per among the "parent" chapters.

6. All members of the "parent" chapter(s) and the new subchapter are officially notified of the formation and are offered the opportunity to designate a chapter of their choice by contacting NKBA.

7. Following the successful completion of one year as a subchapter, a petition for full chapter status may be forwarded to the National Headquarters for inclusion on the agenda of the next Board of Directors meeting.

   Success is defined as follows:

   a. Maintain a full Council;
   b. Minimum of four subchapter meetings;

   c. Minimum of four professional development programs/CEU's held in conjunction with subchapter meetings;

   d. Successful recruitment and retention of members;

   e. Leaders willing to assume chapter responsibilities.

C. Chapter Members (voting and non-voting)

1. Voting Members are defined as the following: All dues paying members including individuals and companies (and their employees).

2. Non-Voting Members are defined as the following: Student members and schools.

D. Chapter Officers – Chapter Council

1. Subject to these policies and the Bylaws of the Association, any Member (except Student members), is eligible to be a chapter officer.

   i. No firm, corporation, entity, or employer shall have more than one representative or employee serve on the Chapter Council; and,

   ii. No elected officers on the Chapter Council shall be from the same immediate family (father, mother, brother, sister, son, daughter, or in-laws of the same degree); and

   iii. Current and former employees of NKBA are restricted from serving on the Chapter Council; and

   iv. The duties and elections of chapter officers are found in the Chapter Officer Resource section on nkba.org.

2. The Chapter Council shall serve as the governing body of the chapter and shall meet a minimum of four times per year at the call of the chapter president or upon a majority vote of the chapter officers. A quorum must be present at any meeting to conduct official chapter business. A quorum shall consist of a majority of the Chapter Council. All actions taken by the Council shall be reported at the next chapter meeting.

3. Chapter Council members are expected to participate in all chapter meetings and are required to attend chapter officer training online and in person at KBIS. Any exceptions to attending chapter officer training in person, must be requested via

email and approved NKBA National. The Chapter Council members are expected to attend chapter officers' activities held in conjunction with KBIS whenever possible.

4. Members of the Chapter Council shall consist of the following:

    a. President

    b. Programs Chair

    c. Communications Chair

    d. Membership Chair

    e. Secretary/Treasurer

5. Election of Recruitment Committee

    At the first meeting after January 1st, the chapter shall elect a Recruitment Committee. Members may self-nominate by sending their name to the chapter president and the president shall also call for self-nominations from the floor for volunteers. The Committee shall consist of at least three and not more than five members. The president is not eligible to serve on the Recruitment Committee.

    Those individuals receiving the greatest number of votes shall be elected to serve. Nominees must be members in good standing of NKBA. The newly elected Recruitment Committee members' names shall be submitted to the National Headquarters and shall immediately elect a chair. The Recruitment Committee shall seek out and interview potential candidates for chapter office throughout the year. For chapter officer vacancies occurring in between Elections cycles, Recruitment committee members will recommend candidates to the chapter officer council. Chapter council will hold a majority vote to fill the unexpired term and will submit Chapter Officer Appointment form. During Elections cycles, Recruitment committee members shall interview potential chapter officer candidates who have self-nominated for open positions. Recruitment committee members can recommend a slate of chapter officers but cannot select or appoint chapter officers. Protocol dictates first consideration is given to active members of the chapter and those who have demonstrated the willingness and capability to move the Association's strategic objectives forward.

6. Term of Office

    The term of office for a Chapter officer is two years. Chapter officers may be elected to a second two-year term in any position and shall be ineligible to serve on the Chapter Council for a period of one year following any second term.

7. Removal of Chapter Officers

    Any chapter officer, whether elected or appointed, may be removed by a majority vote of the chapter council whenever, in the judgment of the officers, the best interests of the chapter and Association would be served. This includes when an officer has been absent from their duties and non-communicative about their

absence, the council may vote for removal of said absentee officer. The Chapter Council should notify National Headquarters of the intent to remove a chapter officer in advance of any action. The chapter must have a full council for this vote. If there is not a full council, the chapter must contact National for guidance. Said officer shall have the right to appeal the decision to the full chapter membership. If the officer appeals, the decision of the chapter officers must be confirmed by a majority vote of all eligible voting chapter members present at the next regularly scheduled chapter meeting after not less than two weeks' prior notification of the intended vote. The Chairman of the Board of the Association or his/her appointed representative shall attend such meeting.

8. Vacancies/Disabilities of Officers

   In the event of a vacancy/disability, for any cause, of the Chapter President, as determined by the Chapter Council, the Programs Chair shall assume the role of the Chapter President at all the Chapter meetings. For all other vacancies, the Chapter Council, by majority vote of the council, shall fill the vacancy by the appointment of an eligible Chapter Officer to serve in that position for the balance of the term thereof. The individual so appointed to serve the unexpired term will then be eligible for election to his/her own term of office.

9. Termination of Membership/Change of Status of Officers

   If the membership in the Association of any elected officer shall for any reason terminate, the office shall automatically become vacant after 90 days, during which time the officer must reinstate his/her membership to be eligible to continue serving.

10. Avoiding Conflicts of Interest as a Chapter Officer

    The purpose of this statement is to help inform chapter officers about what constitutes a conflict of interest, assist them in identifying and disclosing actual and potential conflicts, and help ensure the avoidance of conflicts of interest where necessary.

    Volunteer leaders of NKBA are representatives of the entire membership of their Association and its chapters. As a chapter officer, they have a fiduciary duty to conduct themselves at all times without conflict to the interests of the NKBA and its members. In that capacity, they have an obligation to subordinate personal, individual business, third-party, and other interests to the welfare and best interests of the NKBA.
    One issue that has arisen in recent times is the role of a chapter officer in supporting the policies of the National organization and their ability to serve as an officer, director or member of another organization. The purpose of this policy is to explain the legal and ethical obligations chapter officers have as a volunteer leader of the Association.

    There is no prohibition against a chapter officer serving as an officer, director or member of any other organization, including legislative coalitions and professional associations. However, as noted above, they have a fiduciary duty to serve the interests of all the members of NKBA, which requires that they avoid any conflict

of interest or any situation where it could be perceived by the members that they have a conflict of interest. This is most likely where problems can arise.

The best way to handle such circumstances is to be aware of their role and how other members may view their involvement with another organization or group. Where there could be an actual conflict or even the appearance of a conflict of interest, a chapter officer should not participate in any discussions about the subject matter or vote on any issue that may call into question their loyalty to the NKBA. Nor should they seek to influence in any manner the decision or discussion other than by presenting the viewpoint of NKBA. Where the subject matter is particularly sensitive (such as in legislative meetings), chapter officers should avoid any possibility of a conflict by leaving the meeting and only returning after all such sensitive discussion topics have been concluded.

For NKBA's complete Conflict of Interest Policy, see Section XV. Conflict of Interest.

11. Policies and Chapter Officers

    The Board of Directors of NKBA is responsible for setting the direction and policies of the Association as it applies to our members. In doing so, the Council must consider the competing interests of the entire industry and make decisions that will address the concerns of most the membership and/or the long-term goals of the Association. This is particularly true in legislative matters such as licensing or regulation of the industry. Chapter officers have an obligation to represent the entire membership of the NKBA and support the policies as set by the Board. This means that when it comes to legislative issues, once the Board of Directors approves a policy or position, it becomes binding on the chapters and the chapter officers to support that policy or position. No act of a chapter or its officers may directly or indirectly contravene any act or policy of the Association.

12. Statistical Reporting

    No chapter should gather statistical information or establish a statistical reporting system without first submitting the proposed program to National Headquarters for approval, including an outline of the information to be gathered and the mode by which the information will be disseminated.

13. Strategic Plan

    Each chapter is required annually to submit a strategic plan to National Headquarters, no later than March 1.

E. Chapter Committees & Task Forces

1. Chapter Council Committees

   Committees for Secretary/Treasurer, Programs Chair, Communications Chair & Membership Chair positions shall be established in all chapters. The committee chair will be elected by each respective council position.

2. Other Chapter Committees

   Subject to approval of the Chapter Council, the Chapter President shall establish committees deemed necessary to carry out the business of the chapter and implement the strategic objectives set forth by the Association's Board of Directors. The Chapter President shall appoint all committee members, as well as the chair of each committee.

   The NKBA Chapter Officer Information Resource Manual is the reference tool for the duties and responsibilities of chapter committees. Each committee will report to the Chapter President and Chapter Council.

3. Task Forces

   A task force shall be used to bring a small group of chapter members together with specific skills to accomplish a short-term task. The NKBA Chapter Officer Information Resource Manual is the reference tool for the duties and responsibilities of Chapter Task Forces can be found in the Chapter Officer Resource section on nkba.org. Each Task Force will report to the Chapter President and Chapter Council.

F. Chapter Support

The Association offers Chapters and Subchapters that meet the requirements set forth below financial support to assist them in meeting the needs and goals of the Chapter/Subchapter.

Each Chapter and Subchapter must comply with the following requirements in order to remain in good standing and be eligible for Chapter support:

1. Reports of Chapter/Subchapter meetings must be prepared and sent to National Headquarters within one month of each Chapter meeting setting forth the date, location and purpose of the meeting;

2. Year-end financial reports must be submitted to National Headquarters no later than January 31st of each year;

3. A copy of the Chapter/Subchapter Strategic Plan must be submitted to National Headquarters no later than March 1 of each year;

4. A list of the recruitment committee members must be submitted to National Headquarters by March 1 of each year;

5. Any officer not attending Chapter Officer Training must complete the recorded on-demand version and the Chapter Presidents are responsible to ensure that all officers are trained.

6. IRS 990N Tax post card or 990EZ must be filed with the Internal Revenue Service by May 15th each year (where applicable). Proof of accepted filing status shall be provided to National Headquarters.

There are three types of Chapter Support programs offered by the Association to Chapters and Subchapters that are in good standing each year:

1. Chapter Compliance Grant

   The sum of $1,200.00 to be paid to the Chapter/Subchapter supporting its educational, professional development, and membership recruiting/retention activities. Chapter Compliance Funding is paid after requirements are met showing they've maintained good standing status with the Association. Documentation is based on the prior years' compliance requirements. The Board of Directors may determine, from time to time, the sum of the chapter compliance grant and assessments necessary to support Association activities. Such amounts are reviewed and approved, suspended or discontinued annually as part of the budgeting process.

2. Chapter Initiative Grant

   Chapters and Subchapters may apply for a Chapter Initiative Grant to support specific activities developed by Chapter or Subchapter to aid in the fulfillment of its educational, professional development, and membership recruiting/retention activities. Grants are requested through an application process submitted to National. The Chapter Leadership Committee will review the applications and approved based upon the established criteria. The amount of funds available each year for grants shall be set forth in the annual budget of the Association; however, the maximum amount to be awarded to anyone (1) Chapter or Subchapter each year is up to $2,500.00. The Board of Directors may determine, from time to time, the sum of the chapter compliance grant and assessments necessary to support Association activities. Such amounts are reviewed and approved, suspended or discontinued annually as part of the budgeting process.

3. Educational Funding

   Affiliated School Program. Chapters that sign-up a new school for the NKBA Affiliated School program will receive $100.00 for each school (up to a $500.00 maximum payment for 5 schools).

   Student-focused activities. Chapters that plan at least one student-focused activity will receive a bonus of $500.00 after the event. A plan for the activity must be documented in the Compliance Grant Form when it is submitted on January

31. The Board of Directors may determine, from time to time, the sum of the chapter compliance grant and assessments necessary to support Association activities. Such amounts are reviewed and approved, suspended or discontinued annually as part of the budgeting process.

G. Chapter Events

1. Chapter Meetings

Chapter meetings are important avenues for networking, sharing information, and learning about product development and advances in the industry. Sponsorship of chapter meetings is encouraged. Only NKBA industry or associate member companies may sponsor a chapter meeting. This policy shall not apply to companies who are not affiliated with the kitchen and bathroom business.

It is important for NKBA chapters and sponsors to mutually agree upon the terms and conditions of sponsoring a chapter meeting. Sponsor company visibility is allowed to introduce or educate meeting attendees. Chapters may permit sponsors to give a company introduction that can include educational product information. Sponsors are also permitted to provide promotional materials or brand collateral to meeting attendees. If more than one sponsor is secured, each sponsor much be offered an equal amount of time for an introduction and material distribution unless clarified with different sponsorship levels. Program presenters, even if presented by an NKBA member company, should not be merely an “advertisement” of products/services. Participation in chapter meetings should in no way constitute approval of or endorsement by the chapter or the Association of the product, service or the firm making the presentation.

2. Trade and Home Shows

Participation by a Chapter in local consumer home shows is encouraged, provided that the chapter’s sponsorship at the show represents all NKBA members within that chapter. Chapter funds may not be utilized to benefit any particular chapter member(s) but must be used for the benefit of the chapter as a whole.

Similarly, NKBA owns the Kitchen and Bath Industry Show (KBIS). The NKBA is bound by the terms of a long-term contract with a show producer. The terms of this contract prohibit the NKBA, or any of its chapters, from participating in or sponsoring, any other trade or consumer show or events in the United States or internationally which may in any way compete with KBIS. Therefore, it is essential that chapters wishing to participate in a trade or consumer show or event activity obtain prior written permission from the National Headquarters.

H. Fiduciary Responsibilities of Chapters

1. Tax Exemption

   NKBA is exempt from the payment of US Federal income tax pursuant to Section 501(c)(6) of the Internal Revenue Code. To maintain the Association's tax-exempt status, no part of the "net earnings" of the Association shall be used to benefit any individual member(s). The rationale for the tax exemption of trade associations is that the activities of the organization are to be directed toward the general improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual members. The IRS has found that when an association utilizes its funds to promote individual members, the association will not be entitled to maintain its tax exemption. The tax exemption is extremely important to the Association and its loss would have a serious effect upon the financial position and future activities of the Association.

   Therefore, it is absolutely essential that chapters representing the Association take no actions to adversely affect this tax-exempt status. Policies governing this provision include, but are not limited to, the following:

   a. No chapter officer may sign a contract in the name of NKBA, nor bind the Association in any way. The Chairman of the Board, CEO, and other authorized management staff at headquarters are the only individuals with the authority to bind the Association in any contract or other legal document.

   b. Chapter officers can and will be held personally liable for any commitments made on behalf of the Association without proper authorization.

   c. Chapters may establish bank accounts necessary to carry out the activities of the chapter, but such accounts should be in the name of the individual chapter.

2. Indebtedness

   No chapter, its officers, or members may create any indebtedness which binds or obligates the Association and its members without prior written approval. In any instance where an unauthorized indebtedness is incurred, the chapter, chapter officers, and members responsible shall indemnify and hold harmless the Association.

3. Disbursement and Review of Chapter Funds

   a. All checks and drafts disbursing chapter funds must have the signatures of two chapter officers.
   b. Majority vote of Chapter Council is required to approve chapter-related expenses over $250. The majority vote may be taken in person or via email.
   c. No Chapter should obtain or provide an ATM or any type of bank debit card.
   d. Monthly bank statements should be reviewed and approved by two or more Chapter Council members who review and initial monthly before presented to the full Chapter Council for motion to approve.
   e. Payment approvals: every disbursement by any method (check, ACH, card, online platform) needs documented approval by two unrelated officers. Neither may approve a payment to themselves or their firm.

f. Annual review: two non-officer members or a CPA review the books yearly. Set a receipts threshold for requiring the CPA (calibrate to chapter size).
g. Insurance: if within chapter funds – secure a master crime/fidelity policy covering chapter funds and volunteers.
h. Incident handling: suspected misappropriation is reported to NKBA within 5 business days. NKBA may suspend chapter support, and signer updates occur within 30 days of any officer change.
i. Annual acknowledgment: the President and Secretary/Treasurer sign a fiduciary-responsibility acknowledgment, which affirms their accountability.

4. Dissolving a Chapter

Following are the steps that should be taken if it becomes necessary to dissolve a chapter: The Chapter Council should notify the NKBA staff of the chapters' decision to dissolve the chapter due to the chapter's inability to remain viable. The Chapter Council should prepare a recommendation/letter of intent for such action, signed by the entire chapter council. The Board of Directors will issue an official notice of dissolution at its next appropriate meeting.

a. Upon the Board approval of such chapter dissolution, the Chapter Council should address their members by inviting them to a "final" chapter event.

b. Chapter officers are required to settle the chapter's debts and disburse its assets in accordance with the chapter's successors.

c. The chapter should then ensure that all significant chapter records (e.g. bank statements, minutes, and other financial, historical, or legal documents) are shipped to headquarters by a given date.

d. Refer to the Chapter Officer Resource section on nkba.org.

I. Student Chapters

1. The goal of the Student Chapter is to:

a. encourage involvement of students in NKBA;

b. offer students a venue to network with fellow students and professionals;

c. establish a firm link between the educational institution and local parent NKBA chapter; and,

d. introduce students to the benefits of on-going NKBA membership throughout their careers.

2. Formation of Student Chapters

a. Formation of student chapters is encouraged at all of NKBA's Affiliated School Programs; only NKBA Affiliated Schools may have NKBA Student Chapters.

b. Students who wish to form a Student Chapter must complete the application for Student Chapter Formation with the following information: A letter of support from the local professional chapter signed by the chapter president naming the local professional chapter member who will act as the liaison between the student and professional chapters;

   i. A list of the student officers including their names and contact information;

   ii. The name of their Affiliated School Program Coordinator; and,

   iii. The student chapter's intent including the networking and educational/professional development activities planned for the academic year.

c. Upon receipt of the completed Student Chapter Formation application, the staff of the NKBA's Professional Development department will send a grant of $500 to the NKBA Affiliated School Program Coordinator with the understanding that these funds are to be used to support the activities of the student chapter for networking and educational/professional development activities.

3. Student Chapter Officers

   a. Election of Student Chapter Officers

      i. The Affiliated School Program Coordinator and a member of the local chapter are automatically members of the Student Chapter Council.

      ii. The Student Chapter must hold an election for President, Programs Chair, and Secretary/Treasurer, provide NKBA with their names, and contact information by the date established each school year. Election shall be by a plurality of votes of student members present at the meeting where the election is held; the meeting shall be announced to the members of the student chapter at least one week prior to the meeting. The officers' term/year will be August 1st to July 31st . Only student members of NKBA who are registered on at least half-time basis in the Affiliated School Program are eligible for election to student chapter office.

4. Student Chapter Grants

   To receive the annual student chapter, grant $500, the Affiliated School Program Coordinator must submit a completed NKBA Student Chapter Activity/Financial Report to NKBA National at the beginning of each school year but not later than October 31st. Upon receipt of these reports, NKBA will authorize the release of the student chapter grant for that academic year.

5. Student Chapters Miscellaneous

   a. Tax Status

      The policies governing student chapters' tax status are identical to that of all NKBA Chapters.

   b. Indebtedness

      No student chapter, its officers, or members may create any indebtedness, which binds or obligates the Association and its members without prior written approval. In any instance where an unauthorized indebtedness is incurred, the student chapter, student chapter officers, and members responsible shall indemnify and hold harmless the Association.

   c. Disbursement of Student Chapter Funds

      All checks and drafts disbursing Student Chapter funds must have the signatures of a student chapter officer and the Affiliated School Program Coordinator.

VII. CHIEF EXECUTIVE OFFICER (Bylaws Article XI)

A. Appointment

The CEO is employed by and reports to the Board of Directors. In the event of a vacancy, the Chairman may appoint an Ad Hoc Search Committee to recruit and recommend a replacement.

B. Duties

The duties of the CEO are as set forth in the Bylaws and as further defined in the Position Description included in the NKBA Personnel Policy Manual.

C. Terms and Conditions of Employment

The CEO is subject to the terms and conditions of employment as set forth in the Personnel Policy Manual. The Board may, at its discretion, provide additional benefits to the CEO in keeping with professional association standards.

D. Annual Performance Review

An annual review of the CEO will be conducted by the Chairman and Vice Chair who will meet with the CEO to evaluate progress on achievement of targeted performance objectives during the previous year. They will also establish an agreed-upon set of achievable goals and objectives for the coming year. The CEO Evaluation Committee will review the evaluation.

Such review will follow the policies and procedures for performance evaluation as set forth in the Personnel Policy Manual, including a written document to be placed in the CEO's personnel file.

VIII. LEGAL REPRESENTATION (Bylaws Article XII)

Federal, State and Provincial antitrust laws are designed to promote and protect competition by prohibiting competitors from acting in concert. Since associations are comprised of competitors or potential competitors, the antitrust laws have special relevance to trade associations. Associations and association meetings in particular, provide competitors with the opportunity to reach tacit or explicit agreements on any variety of business practices.

For that reason, it is the NKBA's policy that legal counsel can be invited to attend meetings of the Board of Directors, and other Association meetings as directed by the Chairman or CEO. While legal counsel cannot always ensure that no anti-competitive discussions take place during a meeting of the Association, counsel's presence can be utilized to document the nature of the discussions and the fact that the topics discussed are proper and not in violation of the antitrust laws.

Whenever there is any doubt as to the nature of the conversation as to whether it violates Federal, State or Provincial laws, the discussion should immediately be stopped, and legal counsel should be consulted.

IX. RESOLUTIONS (Bylaws Article XIII)

Any member of the Association may submit a matter for consideration to the Board of Directors as set forth in the governing policies and procedures established by the Board.

X. PARLIAMENTARY AUTHORITY (Bylaws Article XIV)

The NKBA, in all of its meetings, follows the parliamentary procedures outlined in the latest edition of Robert's Rules of Order, Newly Revised.

The chief purpose of parliamentary procedure is to protect the rights of the minority; the majority can usually take care of itself. Accepted rules of parliamentary procedure are not only of the highest importance for legislatures, they are the foundation of freedom in every meeting, large or small, throughout the nation.

An NKBA staff member or designated assignee serves as the parliamentarian at all Association meetings and is available to advise on the proper procedures to be followed in conducting the meeting.

XI. WAIVER OF NOTICE (Bylaws Article XV)

One of the fundamental principles of parliamentary procedure is to enable all members to have an effective voice in decision making. Our state or provincial laws require that notice of regular and special meetings be given to the members entitled to vote on any

matter. A purpose of these types of time-notice requirements is to allow the members sufficient time to arrange to attend the meeting.

For example, the NKBA Bylaws require that written notice of the date, time, and place of all meetings of the membership be mailed or sent by means of electronic transmission to each member at the member's address as it appears on the books of the Association no less than 30 days before the date of the meeting. For each Special Meeting, the notice must also state the purpose(s) of the meeting. Similarly, notice of regular meetings of the Board of Directors must be given at least 30 days prior to the meeting; Special Meetings of the Board may be convened upon 72 hours advance notice.

Formal notice of the meetings of the Association, given in the manner required by the Bylaws, though ordinarily necessary for a valid meeting, may be waived by the members entitled to notice, either in writing or by their participation in the meeting, without objection. If notice of a meeting is not properly sent, counsel will prepare the necessary waivers for those who do not attend the meeting. For those persons attending the meeting, their attendance and participation shall be reflected in the minutes.

XII. ACTION WITHOUT IN-PERSON MEETING (Bylaws Article XVI)

Any action that can be taken at an Association meeting may be taken without a meeting if consent is in writing, setting forth the action taken, and is signed by all the members entitled to vote on the subject matter. Although the consent or vote on an action must be unanimous, actions by written consent do not require that the participants meet at one time or place to give their vote or consent or that prior written notice be given. However, an action by written consent is not effective unless the vote or consent is unanimous and does not become effective until the last participant signs the writing.

XIII. DISSOLUTION POLICY (Bylaws Article XVIII)

For the Association to maintain its tax-exempt status, the Bylaws and Certificate of Incorporation contain language, which directs that any funds remaining after dissolution of the Association will be distributed to another non-profit organization.

XIV. BOOKS OF RECORD, AUDIT, FISCAL YEAR

A. Books and Records

The Board of Directors of this Association will keep:

1. Records of all proceedings of the Board of Directors and Committees;
2. All financial statements of the Association;
3. The Certificate of Incorporation, Bylaws of this Association, and all amendments and restatements; and
4. Such other records and books of account necessary and appropriate to the conduct of the corporate business.

B. Audit and Publication

The records and books of account of this Association will be audited at least once in each fiscal year in such a manner as may be deemed necessary or appropriate and shall make such inquiry as the Board of Directors deems necessary or advisable into the condition of all trusts and funds held by any trustee, agent, or custodian for the benefit of the Association, and shall retain such person or firm for such purposes as it may deem appropriate.

The audit is to be carried out by an independent auditing firm experienced in the audit of tax-exempt trade associations. A Management Letter, if prepared by the audit firm, should accompany the financial statements and be provided to the Directors prior to the date of the meeting to review the audit.

C. Fiscal Year

The fiscal year shall commence on the first day of January and shall end on the 31st day of December, unless otherwise prescribed by the Board of Directors.

XV. CONFLICT OF INTEREST

It has been the policy of the NKBA since its inception to carry on its activities in accordance with the highest ethical standards. Adoption of this Bylaw provision is therefore a reaffirmation of policies that have been applicable to all officers, directors, other volunteers, and staff for many years.

The duty owed an association, by its officers, directors, committee members and employees, includes a duty of loyalty. The duty of loyalty requires these people to exercise their powers in the interest of the Association and not in their own interest or the interest of another entity or person. The basic legal principle to be observed here is a negative one: the individual shall not use a corporate position for individual personal advantage.

If there shall arise any questionable case, final determination of whether a conflict exists would be based on the recommendation of the Member Standards Committee, as confirmed by the Board of Directors.

Members of the Board of Directors, Councils, its volunteer leaders, the Association Staff, and to members of other Councils and Committees authorized by the Board have a fiduciary duty to conduct themselves without conflict to the interests of NKBA. In that capacity, they must subordinate personal, individual business, third-party, and other interests to the welfare and best interests of NKBA. Annually, each member of the Board of Directors shall execute an anti-trust and confidentiality statement to certify their understanding and agreement to the policy.

A. Conflict of Interest Policy

Volunteer leaders of NKBA are representatives of the entire membership and of the Association and its Chapters and must act at all times in the best interests of NKBA.

The purpose of this statement is to help inform you about what constitutes a conflict of interest, assist you in identifying and disclosing actual and potential conflicts, and help ensure the avoidance of conflicts of interest where necessary.

Volunteers have a fiduciary duty to conduct themselves without conflict to the interests of NKBA and its Chapters. In that capacity, they must subordinate personal, individual business, third-party, and other interests to the welfare and best interests of NKBA.

A conflict of interest is a transaction or relationship which presents or may present a conflict between an individual's obligations to NKBA or its Chapter and his or her personal, business, or other interests.

All conflicts of interest are not necessarily prohibited or harmful to NKBA. However, full disclosure of all actual and potential conflicts and a determination by the disinterested party - with the interested party recused from participating in debates and voting on the matter - are required.

All actual and potential conflicts of interests must be disclosed by Chapter Officers to the Chapter Council whenever a conflict arises. The disinterested members of the Chapter Council shall make a determination as to whether a conflict exists and what subsequent action is appropriate if any. The Chapter Council shall retain the right to modify or reverse such determination and action and shall retain the ultimate enforcement authority with respect to the interpretation and application of this procedure.

With the above in mind, examples of areas where conflicts could arise include, but are not limited to, the following areas:

1. Outside Interests - interests or investments of yourself or your immediate family, that might be deemed a position or financial interest in any outside concern that conflicts with the interests of the Chapter or NKBA, or purchases or sales of property or property rights, interests, or services, by yourself or your immediate family, that might be deemed to have been made in competition with the Chapter or NKBA.

2. Outside Activities - instances in which you or any members of your immediate family have rendered directive, managerial or consultative services to any outside concern that does business with or competes with the services of the Chapter or NKBA or have rendered other services in competition with the Chapter or NKBA.

3. Inside Information – instances where you or any member of your immediate family have disclosed or used information relating to the Chapter or NKBA business for personal profit or advantage, or disclosed any information to any outside concern that does, or is seeking to do business with the Chapter or NKBA on, that could be used to their advantage when soliciting or doing business with the Chapter or NKBA.

4. Financial Conflicts of Interest - As a professional Association, NKBA is dependent on providing the highest standards of excellence in programming and services to the membership. Within the established financial management procedures of NKBA, a volunteer Board, Council or Committee member may be awarded a contract in which he or she will be paid to perform a particular service for the Chapter or NKBA. Typically, this may involve fees or honoraria for performance of professional services. Such fees or honoraria must be fully disclosed.

B. Antitrust Policy

It is the policy of NKBA to be in strict compliance with all Federal and state antitrust laws, rules, and regulations. Those guidelines apply to all memberships, the Board, Committees, Chapters, and other meetings sponsored by the Association, and to all meetings attended by representatives of the NKBA.

Discussions of prices or price levels are prohibited. In addition, no discussion is permitted of any elements of a company's operations which might influence price such as:

1. Cost of operations, supplies, labor, or services;

2. Allowance for discounts;

3. Terms of sale including credit arrangements; and,

4. Profit margins and mark ups provided this limitation shall not extend to discussions of methods of operation, maintenance, and similar matters in which cost of efficiency is merely incidental.

It is a violation of Antitrust laws to agree not to compete, therefore, discussions of division of territories or customers or limitations on the nature of business carried on or products sold are not permitted.

Boycotts in any form are unlawful. Discussion relating to boycotts is prohibited, including discussions about blacklisting or unfavorable reports about particular companies including their financial situation.

Another means of reducing competition, frowned upon by antitrust regulators, is through the exchange of otherwise proprietary or confidential information between competitors. Information that members would not otherwise disclose to a competitor should not be disclosed to another Association member.

Association meetings also pose a possible antitrust danger when, despite the best intentions of all participants, the meeting inadvertently strays into subjects that could give rise to severe antitrust penalties, such as, for example, a casual conversation about prices that Association members plan to charge in the future, which could be construed as an unlawful agreement to fix prices. The best way to avoid potentially dangerous discussions is to prepare a written agenda and stick to it. if discussions begin to stray from the agenda, the person chairing the meeting should immediately stop the meeting and remind participants of the written agenda.

A large number of antitrust cases are premised on alleged conversations, of which participants and witnesses have wildly different recollections. This is not surprising because participants in meetings may be asked to remember and interpret specific statements several years later as witnesses in antitrust litigation. An important means of protecting against conversations being misconstrued or misremembered is to keep accurate and complete minutes of Association meetings. Legal Counsel can help prevent any discussions that later could be construed as evidencing unlawful antitrust activity. Counsel can also help make sure that the discussion adheres to the pre-approved agenda, or at least determine whether any proposed deviations from the agenda pose an antitrust risk.

It is the Association's policy that in a meeting attended by representatives of the Association where discussion can border on an area of antitrust sensitivity, the Association's representative will request that the discussion be stopped and ask that the request be made a part of the minutes of the meeting being attended. If others continue such discussion, the Association's representative should excuse himself/herself from the meeting and request that the minutes show that he/she left the meeting at that point and why he/she left. Any such instances should be reported immediately to the Chapter President and staff of the Association.

It is the Association's policy that a copy of this Conflict of Interest Policy and Antitrust Policy be given to each NKBA National Board member annually and that by taking the oath of office, they acknowledge their understanding of these requirements.

C. Anti-harassment Policy

All NKBA members are representatives of the entire membership of the Association and its Chapters and must act at all times in the best interests of the NKBA. It is the NKBA’s policy to prohibit intentional and unintentional harassment of any individual by another person on the basis of any protected classification including, but not limited to, race, color, national origin, disability, religion, marital status, veteran status, sexual orientation or age. The purpose of this policy is not to regulate our members' personal morality, but to ensure that no NKBA members are harassed.

If a member, volunteer, vendor or NKBA Staff feels that they have been subjected to conduct which violates this policy, they should immediately report the matter to NKBA’s Member Standards Committee liaison. All complaints will be kept confidential to the extent possible, but confidentiality cannot be guaranteed.

XVI. ADDITIONAL POLICIES

A. Travel Policies

Volunteer leaders and National Staff are subject to the following policies regarding travel expenditures. All members of the Board of Directors, and Committees, as well as invited participants, are reimbursed for expenses, based on this policy, when attending meetings at the request of NKBA unless otherwise indicated.

Members are expected to exercise good judgment when traveling on Association business and do so in a cost-effective manner.

Airfare to our meetings will be paid for by the Association in accordance with these policies and the instructions received from National Headquarters. Travelers should make their travel plans and give NKBA their travel itineraries by the requested deadline. NKBA will only reimburse members for travel for the dates the travel is to take place for the purpose of the meeting; should members extend their travel beyond the day(s) NKBA requests their attendance, the members are responsible for any difference in airfare between the actual cost and the cost of the ticket for the days the members would be traveling for NKBA. Members are expected to use utilize NKBA's travel vendor for all Airfare needs. In the instance that any volunteer or National Staff should purchase a first class or premium ticket they will be responsible for any difference in airfare between the actual cost and the cost of a coach ticket for the same travel days. The NKBA will verify all airfares and will adjust expense reports where discrepancies are noted. NKBA will reimburse the fee for the first bag checked only, up to the standard allowance for weight per the airline. NKBA will not reimburse for excess baggage fees incurred.; overweight and second bag fees are not reimbursed. In certain circumstances, NKBA will make travel arrangements, in which case, members and staff will be so advised.

If a traveler prefers to drive their personal automobile to a meeting site, NKBA will reimburse mileage at the prevailing IRS mileage allowance, up to the cost of an advance-purchase airfare.

All other meeting-related travel expenses are covered, unless otherwise communicated by NKBA Headquarters, including travel to and from airports, hotels, parking, and taxis. A daily allowance of up to $100 (including tips) is established by the Board of Directors to cover the cost of meals while on NKBA travel. When NKBA provides the meals however, the allowance is reduced by the following amounts -- $20 for breakfast, $30 for lunch, and $50 for dinner. It is the policy of the NKBA to reimburse only for the actual costs of meals up to the allowance amounts. They shall have the power to adjust the allowance in certain circumstances. Please note, with the exception of the automobile mileage allowance and tip allowance, receipts are required in order to be reimbursed for these meeting-related expenses, including itemized receipts for all meals.

Use of airport shuttle services is encouraged when available. NKBA staff will provide appropriate travel information well in advance of a meeting, when feasible.

NKBA normally establishes a master account at most hotels and all room and tax charges are posted to this account, with an invoice following the meeting paid directly by National Headquarters. Incidentals, such as internet access, telephone calls, in-room movies, mini-bar, etc. should not be posted to the master account and must be paid for upon departure by the guest. In room dining is highly discouraged.

Please note the following charges will not be reimbursed: personal entertainment, costs incurred at home while you are away (childcare, pet care, etc.), companion expenses, alcohol not associated with a meal or Association activity, repairs to personal vehicles used for business travel, lost or stolen personal property, life/flight/baggage insurance, mini-bar items, personal reading material, or costs incurred due to unreasonable failure to cancel transportation or hotel reservations.

Travel expense reports are due into National Headquarters no later than 30 days from the date of the meeting. It is very important that this policy be adhered to. It will be necessary to decline reimbursement if the expense report is not received within 45 days from the end of the trip.

The NKBA auditors require documentation for each person traveling on NKBA business. Therefore, it is ***mandatory*** that a travel expense report be forwarded to National for every trip taken, regardless of whether out-of-pocket expenses have been incurred or not. Where possible, the airfare passenger receipt coupon or boarding pass must be attached. Our independent auditors scrutinize NKBA's travel expenses carefully and, therefore, travel and expense reporting policies must be strictly enforced.

The Association maintains travel accident insurance in the amount of $1,000,000 for members of the Board of Directors and Senior Staff; and $250,000 for staff members traveling on NKBA business. NKBA also provides the Board of directors and Senior Staff (D&O) liability insurance for members serving as a volunteer leader of the Association on the national level. This insurance protects the volunteer against any unintentional wrongful acts as provided in NKBA's D&O liability insurance policy and/or personal injury. However, volunteers should be aware that insurance does not protect against wrongful acts of which the volunteer had knowledge.

B. Approach to Public Policy Issues

As the leading trade and professional organization in the kitchen and bathroom industry, NKBA is committed to educating its membership on legislative and regulatory issues that affect our professional community and protecting members' rights to practice their profession. As part of this commitment, NKBA will monitor relevant legislative and regulatory developments at the state and federal levels, and, where appropriate, provide information to members concerning material issues and developments – including laws and regulations that may impact the kitchen and bath industry.

1. NKBA Position on State Title and Practice Acts

Safety is a core value of the kitchen and bath design profession. However, NKBA does not believe a public health, safety, or welfare problem exists which necessitates the promulgation of Interior Design(er) Title or Practice Acts. While NKBA would prefer

that no such legislative or regulatory proposals be implemented, NKBA has taken a proactive and specific position to NOT oppose Interior Design(er) Title Acts or Practice Acts which create a voluntary registered/certified/licensed classification of Interior Designers as long as NKBA members' rights to practice are not negatively impacted.

NKBA believes that provisions in any Title Act or Practice Act to ensure its members' rights must include at least the following:

2. Explicit designation as a voluntary Act;

3. An exemption from registration for kitchen and bath designers who perform residential and light commercial interior design work;

4. A broad, comprehensive definition of residential spaces, light commercial spaces, interior designer, and the practice of interior design, which includes the full scope of practice of kitchen and bath designers and does not actually or potentially limit the current scope of practice of kitchen and bath designers;

5. A balance of education and practical experience requirements in the interior design profession for initial registration, as well as continuing education requirements for registration renewal;

6. The preclusion from registration of an Interior Designer and use of the Title prior to meeting all registration requirements;

7. Safeguards to prevent conflicts of interests by state officials responsible for any aspect of Interior Design(er) registration, renewal, accreditation, revocation, oversight, or other activities. Any Act should neither encourage nor require state officials to belong to credentialing organizations or to attend credentialing organization events;

8. NKBA requires the inclusion of kitchen and bath designers on the regulatory and oversight body with authority for the implementation of Interior Design(er) Title Acts and Practice Acts; and,

9. NKBA members recognize and utilize existing opportunities in states to become contractors with the ability to pull permits, and NKBA recommends other groups utilize similar and existing methods for achieving permitting privileges. States are encouraged to identify and examine existing state laws before expanding permitting privileges to additional groups.

NKBA, when appropriate, will continue to express its policy positions and articulate its stance publicly on state Title & Practice Acts through letters or similar means as requested by its members to ensure that the organization's viewpoints are clearly communicated to all relevant stakeholders. NKBA's position to not oppose Title or Practice Acts that contain these provisions should not be construed nor conveyed as a position of support for such legislation.

C. Sarbanes-Oxley Provisions

1. Whistle-blower Policy

   It is the policy of NKBA to strictly prohibit retaliation against any NKBA employee, board member, officer, or volunteer who acts as a whistle-blower by reporting, or threatening to report, perceived criminal or civil violations of the law or any fraudulent or dishonest conduct by any other NKBA employee, board member, officer, or volunteer. The Sarbanes-Oxley Act of 2002 and State Law make it a crime to retaliate against such whistle-blowers.

Comment:

a. Employees, board members, officers, and volunteers of the NKBA are required to maintain the highest standards of conduct and ethics at all times and shall act with honesty, integrity, and openness in all their dealings as representatives of the NKBA.

b. Employees, board members, officers, and volunteers are required by this policy to report in writing any suspected criminal or civil violations of the law or fraudulent or dishonest conduct to their immediate supervisor, the CEO or the Chief People Officer | Executive Vice President, Administration, or any member of the Board of Directors.

c. The NKBA will promptly investigate any suspected criminal or civil violations of the law or fraudulent or dishonest conduct, including, but not limited to, the use or misuse of the NKBA's financial resources or property. All reports of wrongdoing will be reviewed and analyzed, with documentation of the receipt, retention, investigation, and treatment of the report. Appropriate corrective action will be taken, if necessary, and findings will be communicated back to the reporting person and his or her immediate supervisor. Investigations may be conducted by an independent person such as auditors and/or attorneys.

d. The NKBA will not tolerate retaliation in any form against a whistle-blower in response to any of the following actions:

   i. The whistle-blower discloses, or threatens to disclose, to a supervisor or to a public body an activity, policy, or practice of the NKBA or another person or organization with whom the NKBA has a business relationship, that the whistle-blower reasonably suspects is a criminal or civil violation of law or is fraudulent or dishonest.

   ii. The whistle-blower provides information to, or testifies before, any public body conducting an investigation, hearing, or inquiry into any suspected criminal or civil violation of law, or fraudulent or dishonest conduct by the NKBA or other person or organization with which the NKBA has a business relationship.

iii. The whistle-blower objects to, or refuses to participate in, any activity, policy or practice which the whistle-blower reasonably believes:

1) would constitute a criminal or civil violation of law;

2) would constitute fraudulent or dishonest conduct; or,

3) would be incompatible with a clear mandate of public policy concerning the public health, safety, or welfare.

e. The NKBA will use its best efforts to protect whistle-blowers against retaliation. Whistle-blowing complaints will be handled with sensitivity, discretion and confidentiality to the extent allowed by the circumstances and the law. Generally, this means that whistle-blower complaints will only be shared with those who have a need to know so that the NKBA can conduct an effective investigation, determine what action to take based on the results of any such investigation, and in appropriate cases, with law enforcement personnel. (Should disciplinary or legal action be taken against a person or persons as a result of a whistle-blower complaint, such persons may also have the right to know the identity of the whistle-blower.)

f. Whistle-blowers who believe that they have been retaliated against must promptly file a written complaint with their immediate supervisor, the CEO or the Chief People Officer | Executive Vice President, Administration or any member of the Board. All complaints of retaliation will be investigated, and appropriate corrective measures taken if allegations of retaliation are substantiated. (This protection from retaliation is not intended to prohibit supervisors from taking action, including disciplinary action, in the usual scope of their duties and based on valid performance-related factors.)

g. Any persons found to have made allegations of wrongdoing with reckless disregard for their truth or falsity may be subject to disciplinary action by the NKBA and legal claims by the persons or organizations they have falsely accused.

2. Document Destruction Policy

It is the policy of the NKBA to strictly prohibit the destruction of documents relating to ongoing or anticipated litigation, audits, or investigations. The Sarbanes-Oxley Act of 2002 makes it a crime to alter, cover up, falsify, or destroy any document to prevent its use in an official proceeding.

Comment:

a. The destruction of any documents relating to ongoing or anticipated litigation, audits or investigations by any NKBA employee, board member, officer and/or volunteer is strictly prohibited and may result in civil and criminal sanctions against the NKBA and the offending individuals as well as possible disciplinary action up to and including discharge or removal from office.

b. All individuals covered by this policy have a further obligation to immediately notify the NKBA Senior Management upon obtaining knowledge of new or anticipated litigation, a new external audit or investigation, or other similar proceeding targeting the NKBA that may impact the NKBA's record retention requirements.

D. Financial Policies

1. Reserve Policy

NKBA shall maintain three accounts as part of its reserve policy; the Operating Fund, the Non-Managed Investment Fund, and the Managed Investment Fund. The Operating Fund is to provide sufficient cash to meet the financial obligations of the NKBA in a timely manner. The Non-Managed Investment Fund is to meet expenses that may be incurred as the result of unanticipated activities, to improve the return on funds held for expenditure over the next one to five years, and to minimize investment risk. The Managed Investment Fund is to enhance the purchasing power of funds held for future expenditure and to maintain the financial stability of the association. Together these three accounts make up Total Reserves. Our Reserve Policy is to target an amount equal to 100% of our annual operating budget. This reserve policy shall supersede any previous policy.

2. Investment Guidelines Statement

NKBA will invest available funds in order to maximize earnings and minimize risk. The overall investment guidelines, specifying the needed liquidity of investments, acceptable risk, and expected returns, will be recommended by the senior finance officer, and approved by the Finance Committee.

For the purpose of managing investment risk and to optimize investment returns within acceptable risk parameters, the funds held will be divided into two separate investment pools, the Non-Managed Investment Fund and the Managed Investment Fund.

a. The investment guidelines will be reviewed periodically by the senior finance officer together with the outside portfolio manager. Changes to the guidelines will be communicated to the Finance Committee.

b. Recommendations for transfer of funds between the Operating Fund and the Managed Investment Fund will be made by the senior finance officer and CEO to the Finance Committee.

c. The services of a portfolio manager will be sought to manage portions of NKBA designated Managed Funds.

d. The senior finance officer and CEO will make recommendations to the Finance Committee regarding hiring or replacing the portfolio manager.

3. Operating Fund

    a. Purpose

        The purpose of the Operating Fund is to provide sufficient cash to meet the financial obligations of the NKBA in a timely manner.

    b. Investment Objectives

        i. Preservation of capital; and,

        ii. Liquidity

    c. Allowable Investments

        i. Checking accounts in U.S. federally insured banks and savings and loans;

        ii. Money market funds that invest in U.S. Government backed securities; and,

        iii. Certificates of Deposit.

    d. Maturity

        i. The maturities of investments in the Operating Fund shall be limited to one year or less. The senior finance officer will be responsible for scheduling maturities.

4. Non-Managed Investment Fund

    a. Purpose

        i. The purpose of the Non-Managed Investment Fund is to meet expenses incurred as the result of unanticipated activities, to improve the return on funds held for expenditure over the next one to five years, and to minimize investment risk.

    b. Investment Objectives

        i. Preservation of capital;

        ii. Liquidity; and,

        iii. To optimize the investment return within the constraints of the guidelines.

c. Allowable Investments

i. Money market funds that invest in government-backed securities;

ii. U.S. Federally-insured certificates of deposit not to exceed $250,000 per institution;

iii. Direct obligations of the U.S. Government, its agencies and instrumentalities;

iv. Corporate notes with a minimum rating of investment grade by one rating service; and,

v. Mutual funds that invest according to the Non-Managed Investment Fund guidelines.

d. Maturity

i. The Non-Managed Investment Fund shall have a weighted average maturity target of five years or less.

e. Reporting

i. The senior finance officer shall report on and review the investment results on a quarterly basis with the Finance Committee, and include:

1) Bond Maturity Schedule; and,

2) Expected cash flows.

5. Managed Investment Fund

a. Purpose

i. The purpose of the Managed Investment Fund is to enhance the purchasing power of funds held for future expenditure and to maintain the financial stability of the association.

b. Investment Objectives

i. The objective of the Managed Investment Portfolio is to maximize long-term returns without exposure to undue risk, as defined herein. It is understood that fluctuating rates of return are characteristic of the securities markets. The primary objective is long-term appreciation of investment assets and a consistent return on investment. The account is expected to achieve the following objectives over time:

1) Although short-term market fluctuations may cause variations in the account performance, the account's expected return should outpace inflation over a market cycle; and

2) The account's total expected return should compare favorably to its benchmarks.

ii. In a given year, the realization of a 10% decrease in investment value will be communicated to the Finance Committee along with a go forward recommendation.

6. Performance Reporting

The Managed Investment Fund will be evaluated quarterly on a total return basis. Returns will be compared to:

a. Consumer Price Index plus 3%;

b. Nationally recognized indices measuring the performance of the specific classes of securities; and,

c. Personalized benchmark created based on the NKBA target asset mix.

Comparisons will show results for the latest quarter, year to date, and since inception. The report will be prepared by the portfolio manager and will be presented to the senior finance officer.

7. Managed Investment Fund Target Asset Mix

The Managed Investment Fund will be comprised of the asset classes listed in the table below. The target weight is the desired weight for each asset class. The minimum and maximum weights are to allow for normal market fluctuations. It will be the responsibility of the portfolio manager to remain within the range specified for each asset class. The portfolio manager should re-balance the portfolio according to the target weights annually or when market conditions permit.

ASSET CLASS	MINIMUM WEIGHT	TARGET WEIGHT	MAXIMUM WEIGHT
Equity			
Domestic Large Capitalization Stocks	10%	30%	35%
Domestic Mid-Capitalization Stocks	5%	7.5%	10%
Domestic Small Capitalization Stocks	5%	7.5%	10%
International Stocks	10%	20%	25%
TOTAL EQUITY	30%	65%	75%
FIXED INCOME			
U.S. &Int'l Gov't/Corp Fixed Income	25%	30%	65%
High Yield Corporate Bonds	0%	5%	10%
TOTAL FIXED INCOME	25%	35%	70%

8. Diversification

   Individual stocks are subject to a maximum 7% commitment at cost or 10% commitment of the account's market value for an individual security and 20% for a particular industry.

9. Equities

   The equity asset classes should be maintained at risk levels roughly equivalent to the sectors of the market represented, with the objective of exceeding a nationally recognized index measuring the performance of the designated sector over a three-year moving time period net of fees and commissions. Mutual funds conforming to the guidelines may be used to implement the investment program.

   The following definitions shall apply for the purposes of this guideline:

   a. Large Capitalization Stocks: Stocks with a market capitalization, on average, exceeding $10 billion and whose primary shares trade on a major US exchange.

   b. Mid-Capitalization Stocks: Stocks with a market capitalization, on average, of between $2 billion and $10 billion.

   c. Small Capitalization Stocks: Stocks with a market capitalization, on average, of less than $2 billion.

   (Market Capitalization = Market Price × Number of Shares Outstanding)

10. Fixed Income

    Investments in fixed income securities will be managed actively to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums.

Mutual funds conforming to the guidelines may be used to implement the investment program. The following definitions shall apply for the purposes of this guideline:

a. U.S. & Int'l Government/Corporate Fixed Income: Fixed income securities with a weighted average maturity of less than ten years.

b. High Yield Corporate Bonds: Bonds issued by U.S. corporations where the majority of the bonds are rated below BBB/Baa.

11. Prohibited Investments

The following investments and investment activities outside of mutual funds are prohibited:

a. Private placements;

b. Derivatives. However, to the extent that mutual funds are used by NKBA the mutual funds may buy or sell derivatives for the purposes of managing portfolio risk;

c. Commodities or commodity contracts;

d. Short sales;

e. Margin transactions;

f. Initial public offerings;

g. Futures trading; and,

h. Any speculative investment activities.



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