STANDING COMMITTEE GUIDELINES
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Approved by the SBA Board of Governors October 19, 2018.
EXECUTIVE SUMMARY

To support the work of the Bar and the Board of Governors, the President, has the authority to appoint standing committees. Groups with standing committee designation are those that handle regulatory, constitutional or statutory matters and are subject to the public meetings policy. The standing committees provide their work product to the Board for approval. Standing committees have no independent authority. The groups currently with such a designation include:

- Appointments Committee
- Civil Practice and Procedure Committee
- Criminal Practice and Procedure Committee
- Family Law Practice and Procedure Committee
- Civil Jury Instructions Committee
- Criminal Jury Instructions Committee

PURPOSE AND SCOPE

State Bar of Arizona (“SBA”) committees are established and governed under the SBA’S Bylaws [Attachment A] and policies as adopted by the Board of Governors (“the Board”). Committees are created to address matters of continuing and recurring concern to the SBA. Each year, the president may request that committees address particular goals set forth as part of the SBA’s strategic plan and provide periodic status reports to the Board regarding the committee’s work. Committees serve at the pleasure of the Board and may be called upon to address additional matters outside their original charters as determined by the Board. These guidelines may apply to special committees and task forces appointed by the president to undertake specific assignments of relatively short duration.

The SBA Bylaws state that: “The president of the State Bar shall appoint standing committees.

The president shall appoint members to committees; such authority may be delegated by the president. Notice will be provided to the Board regarding such actions.”

Active, inactive, judicial, retired, and suspended members may be appointed to committees/working groups/task forces or be approved to participate in events by the SBA president. Inactive or retired members are not entitled to assume any chair or other officer role within any of the committees unless appointed or approved by the SBA president or otherwise authorized by the SBA Bylaws.

The SBA president shall have discretion to appoint nonmembers to SBA standing committees with participation in any other groups governed by Supreme Court Rule or the SBA Bylaws.

Nonmembers are not entitled to assume any chair or other officer role within any of the committees. In addition, member and nonmember volunteers will disclose potential conflicts of interest to members of the groups in which they participate and to the SBA. Such disclosures should be made in writing using the SBA conflicts form at Attachment B and should be reflected in the minutes of the group. If nonmember volunteers desire to do business with the SBA, they will disclose to the CEO/Executive Director of the SBA, in writing, their intentions to pursue such opportunities.
ROSTERS AND CONTACT INFORMATION

A complete listing of all SBA committees and staff liaisons can be found on the SBA’s website:

http://www.azbar.org/ForLawyers/Advisory Groups Committees & Sections/Committees.

MEETINGS AND STAFF SERVICES

Public Meetings
Committee meetings are open to the public and shall be held in a manner consistent with the SBA Public Meetings Policy, at Attachment C.

Committee Meetings: Attendance, Quorums and Absences
Committees are encouraged to meet as appropriate to carry out established goals. Dates and locations for proposed meetings throughout the year should be scheduled through the committee’s SBA staff liaison.

A quorum is required for committee decisions. A quorum shall be 50% plus one voting members. Committee decisions should be made by consensus with dissenting opinions articulated for the minutes.

Members shall actively participate in committee meetings. A committee member may designate a proxy to attend meetings and vote on behalf of the member, subject to the following requirements:

1. The proxy is a delegate of the member and, in that capacity, carries the same responsibility as does the member;
2. The proxy delegate shall review all agenda issues and be prepared for the meeting;
3. The proxy delegate shall consider any and all additional information presented at the meeting by committee members and staff, as well as the information derived from the meeting discussion, prior to voting on an issue;
4. The chair of each committee shall determine the number of times the proxy provision may be used during the member’s term; and
5. The use of proxies by members of the committee is limited to extraordinary circumstances, as determined by the committee chair.

The chair may designate a particular meeting as a virtual attendance meeting. Otherwise members may virtually attend a meeting with prior approval of the chair. In the instance where the chair designates a meeting as a virtual attendance meeting, a meeting room and a connection must be available for members of the public who wish to attend. (See State Bar of Arizona Public Meetings Policy. Section C, page 4)

The committee chair or the chair’s designee is responsible for keeping attendance records. Absence from two consecutive meetings, without an excused approval by the chair, may result in removal of a member from the committee. Upon notice, the chair will advise the SBA president of any absence from three or more meetings.
**Committee Meeting Location Arrangements and Notices**

The committee’s SBA staff liaison will assist with meeting arrangements, the notification process, and distribution of agendas and minutes at the chair’s request. Sufficient advance notice is recommended in order to allow the SBA staff liaison to provide this important service in a timely manner. The SBA uses electronic means for meeting notifications and other communications with members. Notice of meetings means posting on the SBA’s Calendar of Events webpage. While the Public Meetings Policy only requires posting 24 hours in advance of the meeting, it is recommended that a year-long meeting calendar be established to encourage maximum committee member participation. Conference rooms are available for use at the SBA offices. Contact the SBA staff liaison in advance to reserve a room.

**Minutes**

Committees must keep minutes of all meetings, which are to be available to the Board at any time for review. It is recommended that the chair designate a member to record and prepare minutes for distribution. Unless necessary the SBA staff liaison should not be asked to take minutes as they may not be conversant with the technical and substantive matters associated with the committee’s work. Minutes should be provided in electronic format for ease of distribution to committee and Board members.
FINANCIAL AND ORGANIZATIONAL OVERVIEW

The Board, acting through the CEO/Executive Director, CFO and the Chief Member Services Officer, oversees committee income and expenditures. Expenses associated with a committee’s operation must be authorized by the committee chair within the committee’s annual budget, and must be approved in advance by the Chief Member Services Officer, acting on behalf of the CEO/Executive Director, prior to making the expenditure or committing to do so. Committee chairs and members have no authority to enter into contracts on behalf of the SBA or otherwise obligate SBA funds. As entities of the SBA, all committee expenditures are subject to the same policies and rules that relate to expenditure of general SBA funds. All requests to allocate funds to non-bar entities must be approved in advance of the expenditure or commitment through the process outlined in the SBA’s Financial Policies and Processes Manual [Attachment D]. Any reimbursement of expenses requires compliance with the process outlined above and the submission of original receipts.

Budget

Individual SBA committees do not have operating budgets. The SBA’s budget provides limited funds for committee expenses. Requests for extraordinary expenses must be submitted in September for consideration as part of the annual budget process for review by the Finance and Audit Committee and approval by the Board at its December meeting. Requests for special appropriations should include a brief outline of the project and the anticipated cost. Requests for funds to underwrite proposed convention seminars should be provided to the Chief Member Services Officer in September for consideration as part of the annual convention budget.

A committee cannot have its own bank accounts or funds, as all transactions connected with SBA activities must be reflected in the appropriate SBA account. All funds received by a committee must be remitted to the SBA, and all expenditures will be paid by the SBA.

Donations

Committees are funded by the SBA, and any funds they receive as income are included in the general SBA funds. All donations received or disbursed (including “in-kind” donations) must be approved by the Finance and Audit Committee in advance of expenditure or commitment. This is necessary to ensure consistent application of the Keller doctrine and compliance with federal and state regulations, as well as the SBA’s financial policies and contribution guidelines.

In order to comply with IRS disclosure regulations regarding contributions, sponsorships, patrons, donations (including non-cash) the following language must be included in all marketing materials, solicitations, or acknowledgement/thank you letters, etc.

“The State Bar of Arizona is a 501(c)(6) nonprofit corporation. Donations to a 501(c)(6) organization are not tax deductible as a charitable contribution. Some payments, however, may be deductible as a business expense, please consult your tax advisor.”

1 See discussion at page 7, infra.
Public Positions

The SBA president shall serve as the official spokesperson for the SBA, representing the organization to the members and the public. The president may delegate authority to speak on behalf the SBA as necessary.

No member of a committee, in his or her capacity as such, shall express a position to the public (either in writing or verbally) or engage in any activity (including political or legislative activity) in the name of or on behalf of the committee or the SBA without advance authorization by the Board.

All committee members are reminded that while serving as members of a committee, they are to focus on the best interest of the legal system, the SBA, and the committee, rather than on personal, constituent, or client interests.

Committee members are encouraged, however, to participate in activities as private citizens not representing the SBA unless authorized by the Board. In addition, letters to the editor must not be written on SBA letterhead and cannot suggest that the person writing the letter is submitting it on behalf of the SBA.

POLITICAL ACTIVITIES POLICY

It is the policy of the SBA that the Board, SBA employees, and committee members (hereinafter collectively referred to as “Bar Leaders”) will not engage in political activity on behalf of the SBA. “Political activity” refers to partisan activities; campaigns; ballot referendums; elections involving primaries, partisan ballots, or partisan activities; or any other political activity. [Attachment E]

This policy does not prohibit or restrict the lawful activities or use of SBA resources. In fact, lawful and permitted activities of lobbying, funding and supporting activities of a political or ideological nature that are reasonably related to the Bar’s core purposes, as outlined in the SBA’s Bylaws, and as approved by the Board are allowed.

By Arizona Supreme Court Rule 32 (C)8 the State Bar of Arizona can only take positions on bills that meet guidelines established by Keller v. State Bar of California2. The constitutional restrictions in Keller and subsequent cases require that positions taken by the State Bar of Arizona must be narrowly limited to “…regulating the legal profession or improving the quality of legal services.” While the Supreme Court ruling allows bars to take positions which do not meet Keller standards with the understanding that members may be entitled to a refund of mandatory dues used for such a purpose, Arizona’s rule requires a stricter standard. It states, “The State Bar shall conduct any lobbying activities in compliance with Keller v. State Bar of California.”

Bar Leaders and all others acting on the SBA’s behalf must comply with the SBA’s Bylaws and policies, which generally prohibit the use of SBA resources to support or oppose candidates or political committees. Except for the lawful political contributions and activities described below, the SBA does not allow political campaign or partisan political activities at any SBA workplace or facility and does

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not permit the use of the SBA name, logo, or other resources, including computers, telephones, electronic mail, or employee work time, for political campaigning, fund-raising, or partisan political activities.

SBA committees are not allowed to take positions on bills or political issues without approval from the Board. SBA committee members and Bar Leaders have the right to participate individually in the political process and to make voluntary contributions of their nonworking time and personal resources to support the candidates and political parties of their choice. The SBA encourages involvement in the political process, but such activities must not in any way suggest SBA support or involve the use of SBA resources. An attorney committee member or Bar Leader who chooses to become a candidate for political office has the right to state that he or she is a member in good standing with the SBA, and may also list the ways in which he or she has served the SBA.

GOVERNMENT RELATIONS

The SBA’s Communications and Government Relations Division (the Division) performs the following functions:

- Coordinates legislative activities at the state legislature, and on a limited scale, analyzes the impact of proposed legislation.

- Coordinates and facilitates communication between various entities in monitoring and influencing legislation to achieve the SBA’s goals.

- Monitors the legislative priorities of the SBA based on the direction of the Board and as set forth in Rule 32(a)(1), Arizona Rules of the Supreme Court.

During regular legislative sessions, the Division provides updates regarding legislative matters through its newsletter, Bar Track. Bar Track is emailed to all members and gives an overview about bills that might affect various practice sections. Each committee is responsible for reviewing legislation that falls within its particular area of expertise.

The Division can assist committees in furthering their legislative goals. Working with the SBA’s lobbyist, bills can be introduced at the state legislature. However, before a bill reaches that point the committee must ensure the bill has been properly drafted and vetted through various committees and organizations both inside and outside the SBA. Using the same process, the Division can also assist committees that wish to take a stand for or against other proposed legislation.

It is very important that the committees direct their legislative concerns, proposed positions on existing legislation, and any legislative proposals initiated by the committee to the Division, which will forward the proposals to the Board. All relevant materials are to be prepared by committee members, must be in writing, and must include the following:

- Board Reporting Form at Attachment F (which may provide some of the required information listed below);
Copies of the bill or proposal, along with a detailed summary;

Copies of pending legislation in Arizona’s or other legislatures, if appropriate; the existing state or federal laws which would be affected by the proposal; whether the proposal would repeal or supplement such laws; and a brief description of the effect of the change or repeal;

Reasons for the approval and enactment or rejection of the proposal and any anticipated impact as it relates to the SBA’s strategic plan;

A statement of the known positions of interest groups or corporations concerning the proposal, including the principal reasons for their support or opposition;

Input from other SBA committees or sections that would be reasonably expected to have an interest or significant perspective regarding the proposal;

Other information as requested by the Division or the Board.

The Board must review all legislation proposals prior to the SBA or any of its agents taking a position. In general, the SBA takes a formal position only on a small number of bills during each legislative session in order to preserve the SBA’s lobbying effectiveness. Formal positions are reserved for bills that are seen as central to the interests of the SBA and appear to have some viability in the Legislature.

If the Board does not endorse the proposed legislation, its action in no way diminishes the right of any member to express, in his or her individual capacity, support of or opposition to any legislation.

Committees must seek permission from the Board prior to any legislative advocacy by a committee; and requests for permission must be submitted to the Division.

Individual members of a committee are free to advocate their own position as long as they clearly indicate that they are not speaking on behalf of the SBA.

If you have further questions about the Keller doctrine, legislation, or the legislative process, please contact the SBA’s Chief Communications Officer at 602.340.7335.

**RULE PETITIONS, COMMENTS AND REPLIES**

The Legal Services Division is responsible for the development of and commentary regarding proposed amendments to state, federal, and local court rules.

The Rules Administrator manages all original rule petitions, comments to existing petitions, and responses to comments. In order to petition for a rule change or comment on a proposed rule change, a committee must follow the procedure described below for vetting and submitting the petition or comment to the Board.
The Rules Administrator will email to each appropriate committee chair the link to the Supreme Court website on proposed rule amendments and comments. Chairs are asked to review the information and decide if it is a matter for their members to (a) discuss; (b) be made aware of; or (c) inform members in a particular jurisdiction about – i.e., rule changes in local courts.

Once a committee has decided to submit a new rule petition, comment, or response, it must prepare a Board Reporting Form [Attachment F]. The form will include the group vote, acknowledgement that the committee has considered the proposal’s Keller implications, and the proposed language of the petition, comment, or response. The Board Reporting Form and the relevant draft language are submitted to the Rules Administrator. This information will then be forwarded to the Board’s Rules Committee for review. The Rules Committee may request that the chair or a committee representative be available at its meeting to respond to possible questions from the committee members. The request for approval and the Rules Committee’s recommendation, based on the outcome of the Committee vote, will then be submitted to the full Board for a formal vote at the next Board meeting. All rule petitions and comments are signed by the SBA’s General Counsel.

For more information, contact the SBA’s Rules Administrator at 602-340-7236.

KEY OPERATIONAL GUIDELINES FOR STANDING COMMITTEES

1. Committees do have an established quorum. A quorum is required for committee decisions. A quorum shall be 50% plus one voting members.

2. Committee decisions should be made by consensus with dissenting opinions articulated for the minutes.

3. Voting by proxy is permitted if a member is unable to attend a meeting. Additionally the member is asked to submit written comments to the committee’s staff liaison for distribution.

4. The chair or the chair’s designee must keep attendance records.

5. Absence from two consecutive meetings without an excused approval by the chair may result in removal from the committee.

6. Minutes of all meetings must be kept. The chair should preferably designate a member to record and prepare minutes for distribution.

7. Only the SBA president or his/her designee can speak on behalf of the SBA. No committee member may express a position to the public or engage in any activity in the name of or on behalf of the committee or SBA without advance authorization by the Board.

8. Permission from the Board is mandatory prior to any legislative advocacy.

9. Committee activities must pass the Keller test (see discussion at page 7, supra).
10. The committee’s SBA staff liaison will assist with, meeting arrangements, the notification process, distribution of agendas and minutes and the preparation of the committee’s annual budget at the chair’s request.

**COMMITTEE REPORTS**

Committees provide periodic written reports on the status of its work to the Board. Utilization of a Board Reporting Form [Attachment F] is preferred, along with any relevant documents or information.

**COMMITTEE APPOINTMENTS**

- The president makes committee appointments.
- All committees have a chair and a vice-chair.
- The chair’s term is for one year with the president choosing whether to reappoint the individual for a second year.
- The vice-chair would succeed to the position of chair upon completion of the then chair’s term as chair unless the president decides otherwise.
- Committee members’ terms are for three years with a three term limit. Members must reapply after each term for a subsequent term. If the president determines that seniority is critical to the functioning of the committee, up to one-third of the committee would be eligible to be reappointed to serve additional terms beyond the three-term limit. The president may consider such factors as geographical representation, attendance records and contributions by members in considering their reappointment.

**CHAIRS’ GENERAL DUTIES**

1. Planning objectives (in consultation with the Board and staff).
2. Assigning responsibilities to individual members to make sure that each member is an active, productive participant.
3. Conducting meetings where all views are encouraged, objectives are met, recommendations are summarized, and participation is encouraged.
4. Maintaining records and information by appointing a committee secretary and alternate secretary to ensure that accurate minutes are kept, reports are prepared, and a record of work is maintained.
5. Monitoring the progress of subcommittees and the work of individual members.

6. Evaluating the status of activities and projects, and the participation of individual members.

7. Adjusting work assignments so that individual assignments meet the interests and capabilities of each member.

8. Informing the staff, the SBA president, and the Board of the activities and progress on a given task, as well as its overall objectives.

**COMMITTEE MEMBERS’ RESPONSIBILITIES**

Committee members report to the chair. Members are expected to fully participate in the work of the committee, provide thoughtful input to the deliberations of the group, and work toward fulfilling the committee’s goals. Members are expected to:

1. Review all relevant material before meetings, make contributions, and voice objective opinions on issues.

2. Attend meetings and participate in discussions regarding committee issues.

3. Carry out individual assignments made by the chair and discharge responsibilities diligently without delegating them to other members or staff.

4. Work as part of the team to ensure that when the committee proposes policies and/or develops products and services, it does so within its scope of interest.

5. Promote clarity within the committee on how it supports and fits within the interests of the SBA.

6. Publicly disclose any actual or perceived conflicts of interest and abstain from voting on such matters.

7. Act in good faith and in accordance with what they believe are the best interests of the SBA, their committee, and the legal profession as a whole, rather than on personal, client, or constituent interests.
SAMPLE EMAIL, AGENDA, AND MINUTE TEMPLATES

Staff Contact
T : EMAIL:

Committee Agenda

Date
Time
Place

Dial-in number for telephonic participants:

# __________________________

Committee Mission Statement

1. Call to order
2. Approval of minutes
3. Task Force goals for 2013-2014
4. New Business
5. Date of next meeting
6. Adjournment
Attendance—Present at the meeting were [name everyone who attended in person or participated telephonically]. State Bar staff members present were [list of those who attended].

The minutes of the [date of most recent meeting] meeting were approved [as read or as modified].

Agenda Item #1—

Agenda Item #2—

Agenda Item #3—

New Business—

Adjournment—

Next Meeting – [insert date]
BYLAWS
OF THE
STATE BAR OF ARIZONA

ARTICLE I
DEFINITIONS

The following definitions shall apply in the interpretation of these bylaws:

1.01. "Corporation" or "State Bar" means the State Bar of Arizona, as created by Rule 32 of the Rules of the Supreme Court of Arizona.

1.02. "Board" shall mean the Board of Governors of the State Bar of Arizona.

1.03. "Member" shall mean every person licensed to practice law within the State of Arizona.

1.04. "Governor" shall mean a member of the Board of Governors of the State Bar of Arizona.

1.05. "District" shall mean the district referred to in Rule 32(e) of the Rules of the Supreme Court of Arizona.

1.06. "Rule" shall mean the Rules of the Supreme Court of Arizona, which Rules are incorporated herein by this reference.

1.07. "Annual Meeting" shall mean the Board meeting held each year in conjunction with the State Bar Convention; the conclusion of the annual meeting for purposes of assuming governor and officer seats, pursuant to Rule 32, will be at the end of Convention.

ARTICLE II
PRECESSION OF ARTICLES OF INCORPORATION AND RULES

2.01. Precedence of the Articles of Incorporation. The State Bar's articles of incorporation and amendments are on file with the Arizona Corporation Commission and shall, in all respects, take precedence over these bylaws, with any inconsistency to be resolved in favor of the articles of incorporation. These bylaws are deemed to be automatically amended from time to time to eliminate any inconsistency which may then exist.

2.02. Precedence of Supreme Court Rules. Supreme Court Rules shall, in all respects, take precedence over these bylaws, with any inconsistency to be resolved in favor of the Rules.
ARTICLE III

CORPORATE OFFICES

3.01. Known Place of Business. The primary address of the known place of business of the Corporation is 4201 N. 24th Street, Suite 100, Phoenix, Arizona 85016. The Corporation may have such other offices, either within or without the State of Arizona, as the Board may designate or as the business of the State Bar may require from time to time.

3.02. Change Thereof. The Board may from time to time change the Corporation's known place of business or its statutory agent by filing a statement with the Arizona Corporation Commission pursuant to applicable law.

ARTICLE IV

POWERS

4.01. General Powers of the Board. The State Bar shall be governed by the Board, which shall have the powers and duties prescribed in accordance with the Rules.

4.02. Sections. The Board shall create such sections as necessary to further the mission of the State Bar.

4.03. Standing State Bar Committees. The president of the State Bar shall appoint standing committees. The president shall appoint members to committees; such authority may be delegated by the president. Notice will be provided to the Board regarding such actions.

4.04. Special Advisory Councils, Working Groups and Task Forces. The president of the State Bar may appoint such special advisory councils, working groups, task forces or other entities as he or she may deem necessary. Notice will be provided to the Board regarding such actions.

ARTICLE V

STATE BAR MEMBERSHIP

5.01. Membership. Membership shall be determined and processed in accordance with the Rules. The CEO/executive director shall maintain a record of members of the State Bar. The record shall contain information required by the Rules and other information necessary for the effective and efficient operation of the State Bar.

5.02. Resignations and Reinstatements. Resignations, reinstatements and other changes in status shall be processed in accordance with the Rules and related policies established by the Board.
ARTICLE VI

NOMINATION AND ELECTION OF GOVERNORS

6.01. Procedures. The procedure for nomination and election of members of the Board shall be as provided by the Rules.

6.02. Candidate Qualifications. Each elected Governor must be an active Member of the State Bar throughout the elected term. Beginning in 2019, pursuant to and consistent with the Rules, each elected Governor must have been an active State Bar Member, and have had no record of disciplinary sanctions (under the Rules), for five years prior to election to the Board.

6.03. Voting. In Districts electing more than one (1) Governor, Members may vote for any number of candidates equal to or less than the total number of Governors to be elected from the District, but Members shall not cast more than one (1) vote for an individual candidate. Failure to comply with this section shall void the Member's ballot.

6.04. Tie Vote in an Election. In the event of a tie vote in an election, the Board shall determine by lot which candidate shall be declared elected. Candidates shall have the option to be present during the vote and declaration of the candidate elected.

6.05. Tie Vote for Nominations and Filling Vacancies. In the event of a tie vote for a nomination by the Board, or to fill a vacancy on the Board, the president may vote to break a tie.

6.06. Assumption of Position. Once the Board completes the canvass of ballots and certifies the results, those Governors declared elected shall assume their position on the Board at the conclusion of the Annual Meeting.


6.08. Removal. Beginning in 2019, pursuant to and consistent with the Rules, a Governor may be removed for good cause, as defined in the Rules, by a vote of two-thirds or more of the Governors cast in favor of removal, or pursuant to any other process for removal as may be specified in the Rules. The process of initiating such removal shall be pursuant to the policy adopted by the Board.

6.09. Vacancies. The procedure for filling vacancies on the Board shall be as provided by the Rules.

ARTICLE VII

OFFICERS

7.01. Officers--General. In accordance with the Rules, officers of the State Bar shall be: president, president-elect, vice-president and secretary-treasurer. The assumption and term for each office shall be as prescribed by the Rules.

7.02. Duties of Officers and Board Advisor:
(A) President. The president shall, in addition to the duties prescribed by the Rules, preside at the meetings of the Board. The president shall also serve as the official spokesperson for the State Bar, representing the organization to the Members and the public. The president may delegate authority to speak on behalf of the State Bar as necessary.

(B) President-Elect. The president-elect may be assigned to duties by the president as necessary to fulfill the mission of the State Bar. Those duties may include serving as chair of the Board’s Strategic Planning Working Group. In the absence of the president, the duties of the president shall be performed, and the president’s powers may be exercised, by the president-elect.

(C) Vice-President. The vice-president may be assigned duties by the president as necessary to fulfill the mission of the State Bar. Those duties may include serving as chair of the State Bar’s Appointments Committee.

(D) Secretary-Treasurer. The secretary-treasurer may be assigned duties by the president as necessary to fulfill the mission of the State Bar. Those duties may include serving as the custodian of the records of the Board, signing the approved minutes for all meetings of the Board, and serving on the Finance and Audit Committee.

(E) Board Advisor. The immediate past president of the Board will serve a one-year term as an advisor to the Board. The board advisor may participate in Board discussions but has no vote at Board meetings, except an immediate past president may continue to vote if his or her term as an elected Board member has not expired. If the board advisor’s elected term ended at the conclusion of his or her presidency, then a special election shall be held in the board advisor’s District to elect a member of the Board.

7.03. Election of Officers. At the regular meeting of the Board, held at the start of the Annual Meeting, the election of officers shall occur. As provided by the Rules, the president-elect shall automatically become president at the conclusion of the Annual Meeting. The president-elect, vice-president and secretary-treasurer shall be elected in order by nomination and vote of the Board. Beginning in 2019, the board advisor, with the assistance of two or more Governors chosen by the president (the Nominating Panel), will lead a panel to recruit, recommend and nominate candidates for the above-named offices. The Board will vote on the candidates presented by the Nominating Panel as well as any nominations from the floor.

7.03.1 Officer elections shall be determined by secret ballot. The ballots shall be counted by the secretary-treasurer and the CEO/executive director. The secretary-treasurer shall not count the ballots if he or she has nominated one of the candidates. The next officer who has not nominated a candidate would then count the votes. The winner, but not the specific vote count, shall be announced by the president. In the event of a tie vote, further discussion will be invited and if three (3) consecutive ballots result in a tie vote, the Board shall determine by lot and in the presence of the candidates which candidate shall be declared elected to the office in question. In the event that there are more than two nominees, and no single candidate obtains a majority vote in three (3) consecutive ballots and the vote is not tied, the nominee receiving the lowest number of votes on the third ballot shall be removed from the next ballot. Thereafter, the balloting shall proceed until one candidate obtains a majority or there are
three (3) consecutive ballots resulting in a tie, thereby resulting in the election being determined by lot as provided above. A Governor may not be elected to a second term for any office that the Governor has held during the preceding nine or fewer consecutive years of service on the Board. However, a Governor may serve a partial term, either before or after service of one full term, as may be provided in the Rules.

7.04. Removal. Pursuant to and consistent with the Rules, an officer may be removed from office, with or without good cause, by a vote of two-thirds or more of the Governors cast in favor of removal, or such other process for removal as may be specified in the Rules.

7.05. Recusal of an Attorney Governor. Beginning in 2019, pursuant to and consistent with the Rules, an attorney Governor who is the subject of either a probable cause order issued pursuant to the Rules or an agreement for discipline by consent must recuse himself or herself from serving on the Board pending disposition of the matter.

7.06. Executive Council. The four officers listed above and any other Board member appointed by the president shall constitute the Executive Council. The Executive Council may convene as necessary to consider making recommendations to the full Board. Any decision requiring a vote of the Executive Council resulting in a tie vote shall be determined by lot.

7.07. Board Committees

(A) Finance and Audit Committee. The Committee oversees the budgeting process, recommends financial decisions to the Board, monitors compliance with the Bar’s financial policies in relation to the budget, the strategic plan, and other Board policies. The Committee also oversees the audit process and is responsible for recommending an audit firm to the Board, setting its compensation, and overseeing the auditor’s activities.

(B) Rules Committee. The Committee reviews proposed Rules and changes to existing Rules, and makes recommendations to the full Board for consideration.

(C) General. Board committees are subject to the Public Meetings Policies, as adopted by the Arizona Supreme Court. The president shall make all appointments to Board committees.

7.08. Extension of President-Elect's Term as a Governor. Pursuant to the Rules, the term of a Governor chosen as president or president-elect automatically extends until completion of a term as president if his or her term as a Governor expires in the interim without their re-election or re-appointment to the Board, or if the term is limited under the Rules. In either of these events, there shall not be an election or appointment of a new Governor for the seat held by the president or the president-elect until the person has completed his or her term as president, and then the election or appointment of a successor-Governor shall be a partial term that otherwise remains in the regular three-year cycle under the Rules.

7.09. Vacancies. Pursuant to the Rules, a vacancy in any office before expiration of a term may be filled by the Board at a meeting called for that purpose.
CEO/EXECUTIVE DIRECTOR

8.01. Selection. The Board shall employ a CEO/executive director whose compensation shall be fixed by the Board.

8.02. Duties. The CEO/executive director shall perform such duties as directed by the Board.

ARTICLE IX

MEETINGS

9.01. Public Meetings. All meetings of the Board shall be noticed and conducted in accordance with the State Bar of Arizona Public Meetings Policy as promulgated in Arizona Supreme Court Administrative Order No. 2017-34, dated April 5, 2017.

9.02. Regular Meetings. The president shall determine the meeting schedule of the Board but shall convene a minimum of six (6) regular meetings each year. The Annual Meeting is one of the six Regular Meetings.

9.03. Annual Meeting. The Annual Meeting shall be held at such time and place as shall be fixed by the Board.

9.04. Special Meetings. Special meetings of the Board shall be called by the president upon a majority vote of the Governors present at any meeting of the Board. Except by unanimous consent of the Governors present, special meetings may consider only such matters as are set forth in the call of the meeting.

9.05. Meeting Procedures. Proceedings at meetings of the Board shall be conducted in accordance with policies adopted by the Board.

9.06. Quorum. The transaction of business and taking of votes requires that a quorum be maintained at any meeting of the Board, and shall consist of a majority of Governors entitled to vote.

9.07. Voting. If a quorum is present when a vote is taken, the affirmative vote of a majority of Governors present and entitled to vote (excluding the president) shall be the act of the Board, unless the Rules, the articles of incorporation, or bylaws require the vote of a greater number of Governors. Votes will be taken by a show of hands or vocal acknowledgement. During contested elections, and whenever the vote is by secret ballot, the president may vote by casting a secret ballot. Once the president has voted by casting that ballot, the president may no longer vote again to break a tie.

9.08. Proxy Voting. Voting by proxy shall not be permitted at any meeting of the Board.

9.09. Teleconferencing. Participation and voting by telephone shall not be permitted at any meeting of the Board.

9.10. Agendas. The president shall set the agenda for all Board meetings. In the event a Governor wishes to have an item placed on the agenda for a future meeting wherein the president disagrees, the Governor may demand and the Board shall vote on whether or not such item will be placed
ARTICLE X

POLITICAL AND IDEOLOGICAL ACTIVITIES


10.02. Activities Intended to Influence the Legislature.

(A) The State Bar may use the mandatory membership fees of all Members to review and analyze pending legislation.

(B) The State Bar may use the mandatory membership fees of all Members to provide content-neutral assistance to legislators, provided that:

(1) a legislator requests the assistance;

(2) the Board or its designee approves the request in a letter to the legislator stating that providing technical assistance does not imply either support for or opposition to the legislation.

(C) No other activities intended to influence legislation may be funded with Members’ mandatory fees, unless the legislation in question is limited to matters within the scope of permissible activities as described in 10.01.

(D) The State Bar will produce a report that summarizes any positions taken by the organization on legislation. This report will be posted on the State Bar’s official website.

10.03. Requests for Refunds of Lobbying Activities. A Member who objects to particular State Bar lobbying activities may request a refund of the portion of the annual membership fees allocable to those activities at the end of the membership year, as set forth in the Rules. The process for requesting a refund shall be in accordance with policies and procedures adopted by the Board and posted on the State Bar’s official website.

ARTICLE XI

AMENDMENTS AND REVIEW

11.01. Amendment. These bylaws may be amended by the Board at any regular meeting. No amendment shall be proposed or considered except after thirty (30) days advance written notice of the proposed amendment.

11.02. Review. These bylaws shall be reviewed at least once every three years.

ARTICLE XII
TAX-EXEMPT STATUS

12.01. Tax-Exempt Status. Notwithstanding any provision in these bylaws or in the State Bar’s articles of incorporation, the State Bar shall not carry on any activities not permitted of an organization exempt from federal income tax as an organization described in § 501(c)(6) of the Internal Revenue Code of 1986, as amended, or the corresponding provision of any future federal tax code.

Comments


Amended 09/15/95: Article 8.03. Election of Officers. (ballot tabulation process amended).

Amended 04/19/02: Article 8.03. Election of Officers. (automatic ascension of First Vice President to President-Elect position; process for ballot tabulation); Article 11.04. Quorum. (Board quorum defined as “40 percent of those entitled to vote”).

Amended 11/30/07: Article 3.01. Known Place of Business (required an address change as a result of the move from the downtown location on Monroe Street to the current 24th Street address); Article 8.02. Secretary/Treasurer (added new duties of this officer as result of the June 14, 2006 Finance Policy manual, which made the Secretary/Treasurer the Vice Chairman of both the Finance and Audit committees); Article 11.01. (reduces the minimum number of meetings from 11 to 9 and allows the Board to set its last regular meeting at a time and place to be designated by the Board).

Amended 10/24-25/13: Article 1.01 and 1.05. Definitions (Rule number changed 12/01/03); Article 3.01 Known Place of Business (suite number changed when 1st floor occupied); Article 4.02 Standing State Bar Committees (clarification regarding type of committees, i.e., member volunteers versus Board); Article 8.02(C) First Vice President (deleted Board officer’s probable cause panelist duty; Rule change effective 01/01/11); Article 8.02(D) Second Vice President (name of “Long-Range Planning Committee” changed to “Strategic Planning Committee”); Article 8.05 Scope and Operations Committee and Finance Committee and 8.05(B) (name of “Finance and Investment Committee” changed to “Finance Committee”); Article 10.02 Notice of Annual Meeting, Article 10.04 Notice of Special Meetings, Article 11.07 Action By Governors Without A Meeting, and Article 14.01 Bylaw Amendments (add that any required notification can be done “by electronic means”); Article 11.01 Regular Board Meetings (President sets meeting schedule; Board meets a minimum of six times per year); Article 13.01 Political and Ideological Activities (deleted “Generally” in title); Article 13.02(3) Activities Intended to Influence the Legislature (deleted “in the Arizona Attorney”; report “published” through electronic or other means as determined by staff).

Amended 07/20/18: In order to conform with amendments the Arizona Supreme Court promulgated in Rule 32, Ariz.R.S.Ct. (Order No. R-16-0013, filed and dated 09/02/16) governing the State Bar, and the Bar’s new Public Meetings Policy (A.O. No. 2017-34, dated 04/05/17) mandated by the Court, a major rewrite of the bylaws was undertaken.
STATE BAR OF ARIZONA
POLICY GUIDELINES FOR VOLUNTEER PARTICIPATION AND
CONFLICTS OF INTEREST

1. The Organization and its Members

The State Bar of Arizona (SBA) is an integrated, or mandatory, bar. As a non-profit professional organization, the SBA is generally exempt from income tax under Section 501(c)(6) of the Internal Revenue Code. There are five classes of members within the SBA: active, inactive, judicial, retired and suspended.

2. Purpose and Scope

The SBA relies on member volunteers to carry out the purposes of the SBA and benefits from the diversity of viewpoints provided by its members. It also values the services of its employees. The SBA must ensure that its member volunteers and employees act in the best interests of the SBA and in doing so avoid conflicts of interest. Members of the Board of Governors, Committee and Section members, members of SBA Task Forces and other ad hoc Bar activities, and SBA employees, all act as SBA “Bar Officials” when carrying out their duties and responsibilities on behalf of the SBA. Bar Officials must avoid using their SBA positions, resources or information for personal gain or benefit. They must also avoid creating a perception of improper use of position. The following policy is intended to supplement but not replace applicable laws or regulations governing conflicts of interest, and it applies to all Bar Officials as described above.

3. Volunteer Participation Guidelines

   a. Attendance at Meetings. Active members of the SBA have an unqualified right to attend committee, section, and open meetings of the Board of Governors and other functions of the SBA unless otherwise prohibited by Supreme Court rule or SBA bylaws. Attendance at or participation in Executive Sessions of the Board of Governors or the Scope and Operations Committee shall be reserved for voting and ex-officio members of those bodies.

   b. Appointment of Certain Members. Inactive, judicial and retired members may be appointed to committees/task forces or be approved to participate in events by the SBA President. Participation in a section shall be at the discretion of the Section Chair or Section Executive Council, as directed by that Section’s bylaws. Inactive or retired members are not entitled to assume any chair or other officer role within any of the committees, task forces, sections or other groups within the SBA, unless appointed or approved by the SBA President or otherwise authorized by SBA bylaws.

   c. Appointment of Non-Members. The SBA President shall have discretion to appoint non-members to SBA standing committees with participation in any other groups governed by Supreme Court Rule or SBA bylaws. Non-members are not entitled to assume any chair or other officer role within any of the committees, task forces or other subgroups of the SBA without permission from the SBA President. In addition, non-member volunteers shall disclose potential conflicts of interest to members of the groups in which they participate and to the Bar generally.
This disclosure should be made in writing using the form provided and should be reflected in the minutes of the group. If non-member volunteers desire to do business with the SBA, they shall disclose to the CEO/Executive Director of the SBA, in writing, their intentions to pursue such opportunities.

d. Section Affiliates. Section Affiliates are non-lawyers or lawyers who are not members of the SBA but who wish to participate in SBA section activities. Affiliates may participate in a section only at the discretion of the Section Chair or Section Executive Council, as directed by that Section’s bylaws. Affiliates are not entitled to assume officer roles within a section.

4. Conflicts of Interest

a. Definition of Conflict of Interest. For purposes of this policy, a conflict of interest is defined as direct or indirect interest that a Bar Official has or may have with any person (including self) or entity that may benefit as a result of the Bar Official’s action or inaction. Examples include but are not limited to:

   (1) ownership of an equity interest in, or holding of a debt or other obligation of, a person or entity doing business or wishing to do business with the SBA;

   (2) holding office, serving on the board, participating in management, or being otherwise employed (or formerly employed) by any third party that wishes or may wish to influence the SBA;

   (3) receiving remuneration for services with respect to individual transactions involving the SBA;

   (4) using the SBA's time, personnel, equipment, supplies, or goodwill other than for approved SBA activities, programs, and purposes; or

   (5) receiving personal gifts or loans from third parties dealing with the SBA.

b. Disclosure of Conflicts of Interest. The existence of a real or potential conflict of interest shall be disclosed on a timely basis in the manner provided below. It shall be the continuing responsibility of Bar Officials to scrutinize their interests and relationships for potential conflicts with the interests of the SBA, and to make such disclosures.

Disclosure of a conflicting interest should be made as follows, and a transaction or other dealing with the persons involved in the conflicting interests should be undertaken only if both of the following are observed:

   (1) the transaction or dealing is fully disclosed to the person or persons described below; and

   (2) the transaction has been approved in the manner set forth below.

Disclosures shall be made to the SBA's CEO/Executive Director or the SBA President. If the CEO/Executive Director or President is involved in a real or potential conflict of interest, the disclosure shall be made to the Scope and Operations Committee and recorded in the Committee’s minutes.
For SBA employees, the CEO/Executive Director shall determine whether a conflict exists and is material. If a conflict of interest is found and material, the CEO/Executive Director shall determine the appropriate limits and safeguards necessary to protect the interests of the SBA. For member volunteers, the SBA President shall make the aforementioned determinations. For matters involving the CEO/Executive Director or President, the Scope and Operations Committee shall make such determinations.

c. Relationships in Which Conflicting Interests May Arise. Conflicting interests may arise in the relationships of Bar Officials with persons or entities:

   (1) supplying goods or services to the SBA;
   (2) with whom the SBA may deal in connection with the acquisition or disposition of real estate or other property;
   (3) whose goals or intentions may differ from those of the SBA;
   (4) who may directly or indirectly benefit from SBA decisions (e.g., family members, friends, other significant relationships).

d. Disclosure of Relationships in Which Conflicting Interests May Arise. Bar Officials may have career and other interests unrelated to the mission of the SBA that could be the source of potential conflicts of interest. Bar Officials shall disclose such activities or interests to all members of the Bar entity in which (s)he is participating. This disclosure shall be made periodically as requested by the CEO/Director or President, in writing using a designated form, and as appropriate reflected in the official minutes or records of the SBA. Bar Officials desiring to do business with the SBA shall disclose to the CEO/Executive Director of the SBA, in writing, their intentions to pursue such opportunities.

5. Conflict of Interest Voting Policy

No Bar Official involved in a conflict of interest shall vote or make a decision on any matter related to such interest. With the approval of the CEO/Executive Director for employees, and the President for volunteer members, Bar Officials may participate in the discussion of such matters.

6. Endorsements

Bar Officials shall not support or endorse persons, entities or positions that have not been expressly approved by the Scope and Operations Committee or the Board of Governors. This limitation does not preclude Bar Officials from such support or endorsement when acting in a personal capacity and not on behalf of the SBA.

7. Dissemination

A copy of these Policy Guidelines for Volunteer Participation and Conflicts of Interest shall be provided to each Bar Official.
STATE BAR OF ARIZONA
CONFLICTS OF INTEREST DISCLOSURE STATEMENT

Name_________________________ Organization_____________________________________

Existing or Proposed Participation (circle all that apply):

a. Member, Board of Governors, SBA 
b. Member, Board of Directors, Arizona Foundation for Legal Services & Education
c. Bar member nominated or appointed to serve as a volunteer
d. Non-Bar member nominated or appointed to serve as a volunteer
e. Program speaker, panel participant or on-line content provider
f. Publication author or contributor
g. Vendor or prospective vendor
h. Other (describe) ____________________________________________________________

I have read the Policy Guidelines for Volunteer Participation and Conflicts Of Interest, and make the following response (check one selection):

___ Based upon the policy, no disclosure is necessary. (sign below and submit)
___ Based upon the policy, disclosure is necessary. (complete the following disclosure section)

Disclosure of Actual or Potential Conflicts of Interest and Relationships in Which Conflicting Interests May Arise: The following information would be relevant to determining any actual or potential conflicts of interest concerning my current or anticipated activity involving the SBA. (Attach additional sheets, if necessary. Once completed, sign below and submit.)

_____________________________________________________________________________
_____________________________________________________________________________

DISCLOSURE STATEMENT: To the best of my knowledge, I do not have any actual or potential conflicts of interest, nor relationships in which conflicting interests may arise, except those disclosed on this form. I am aware that all transactions of the State Bar of Arizona must be conducted on an arms-length basis. If at any time I become aware of a transaction or relationship which is in contravention of this statement, I will update and re-submit this disclosure.

Signed:_________________________________________ Date:__________________________

SUBMIT TO:

State Bar of Arizona
ATTN: CEO/Executive Director
4201 N. 24th Street, Suite 100
Phoenix, AZ 85016-6266

Date Received_________________________
General Counsel Review________________
CEO/Executive Director Review__________
Other Review (if needed)________________

Adopted 7/9/2010
Technical Revision 5/30/2014
IN THE SUPREME COURT OF THE STATE OF ARIZONA

In the Matter of: )
STATE BAR OF ARIZONA ) Administrative
Order PUBLIC MEETING POLICY ) No. 2017 - 34

The attached policy was submitted by the Board of Governors of the State Bar of Arizona pursuant to Rule 32 (m) of the Rules of the Supreme Court to promote openness by assuring that members of the State Bar and the public have an opportunity to attend meetings of State Bar boards and committees while providing flexibility to close meetings when appropriate as provided in the policy.

Therefore, pursuant to Article VI, Section 3, of the Arizona Constitution and,

IT IS ORDERED that the attached public meeting policy is adopted effective August 1, 2017.

Dated this 5th day of April, 2017.

FOR THE COURT:

SCOTT BALES
Chief Justice
STATE BAR OF ARIZONA
Public Meetings Policy

A. Policy. To promote openness by assuring that the members of the State Bar and the public have an opportunity to attend the meetings of State Bar boards and committees, as defined below, while providing flexibility to close meetings when appropriate.

B. Definitions. In this section, the following definitions apply:

“Board” means the State Bar of Arizona Board of Governors, Board of Legal Specialization, the Board of Trustees of the Client Protection Fund, or any other body with final and independent decision-making authority relating to the governance and policy of the State Bar of Arizona.

“Committees” means committees appointed by the Board of Governors to conduct the business of the Board, or established by Court Rule, Administrative Order of the Court, or by statute.

“Meeting” means gathering of the majority of the members of a board or committee, whether in person or electronically, for the purpose of discussing or conducting board or committee’s business.

“Legal advice” means communication to the board or committee by an attorney employed by or representing the State Bar of Arizona regarding facts and information that have legal ramifications, the legality of various legal options, a recommended course of action, and response to any questions about the communication.

“Bar” means the State Bar of Arizona.

“President” means the President of the State Bar of Arizona.

“Chief Executive Officer/Executive Director” means the person appointed by the State Bar of Arizona Board of Governors as Chief Executive Officer/Executive Director.

C. Procedures.

1. Meeting Notice.
   a  Posting. State Bar staff shall post meeting notices in the Phoenix office of the State Bar of Arizona in a public area and on the State Bar of Arizona website at least 24 hours prior to a meeting. Notice of an emergency meeting shall be provided as soon as possible after the meeting location, time and agenda are established.
b. Content. A notice shall identify the board or committee and the date, time and location of the meeting, specifying the name of the building, street address and room where the meeting is located. The notice shall identify a person or an office to contact to obtain a copy of the meeting agenda. The notice shall include the following statement: “Persons with a disability may request a reasonable accommodation, such as auxiliary aids or materials in alternative formats, by contacting (name of contact person) at (address, telephone, text telephone number).” A person requesting an accommodation should make the request as early as possible to allow time to arrange the accommodation.

2. Meeting Agenda.

a. Availability. The contact person for the board or committee identified in the meeting notice shall have the agenda available at least 24 hours prior to the meeting for distribution in response to requests from the public.

b. Content. The meeting agenda shall state each item to be addressed. The agenda shall also state, without breaching confidentiality, the general subject of an executive session item.

c. Adherence. All boards and committees shall adhere to the published meeting agenda unless by majority vote the board determines:

   (1) Deviation from the agenda is necessary to address a matter that the board or committee could not have reasonably anticipated, and
   (2) Delaying the matter until the next meeting would be detrimental to the work of the board or committee and/or the interests of the public, and
   (3) Addressing the matter without public notice would not significantly impair public awareness of the matter.

3. Public Comment. All agendas shall include a “Call to the Public” provision prior to meeting adjournment. The chair or president of the board or committee shall announce the opportunity for public comment regardless of whether a member of the public is in attendance or has expressed any desire to comment. The chair or president may impose reasonable time, place and manner limitations upon meeting participants including setting time limits, banning repetition and prohibiting profanity and disruptive behavior.

4. Public Access to Meetings. The public shall be permitted to attend meetings and listen to deliberations of boards or committees. The chair or president may permit public comment, other than during the call to the public, as appropriate. State Bar staff shall schedule meetings in locations reasonably accessible to the public, including persons with disabilities.
5. Executive Sessions. Upon a call by the chair or president with the concurrence of a majority of the members constituting a quorum, a board or committee may hold an executive session for the purposes stated below. The chair or president shall announce the general subject of the executive session and the specific provision of this rule authorizing the executive session without breaching confidentiality. Attendance shall be limited to members of the board or committee and additional persons whose presence is reasonably necessary for the board to perform its executive session responsibilities. An executive session may be held for any of the following purposes:

a. Discussion or consideration of hiring, assignment, appointment, job performance, promotion, demotion, dismissal, salary, discipline, resignation, ethical misconduct or alleged criminal conduct of an officer, member, appointee or employee of the State Bar of Arizona;

b. Discussion or consideration of applicants or candidates for commissions, committees, advisory boards or similar bodies, or judicial appointments;

c. Discussion or consideration of records, information or matters made confidential or privileged by statute, court rule, policies of the State Bar or this policy;

d. Discussion or consultation with an attorney employed by or representing the State Bar regarding legal advice, potential litigation or pending litigation;

e. Discussion or consultation with officers, members, appointees or employees of the State Bar regarding negotiations for the purchase or lease of real property or for contracting for goods or services;

f. Discussion or consideration of security or emergency response;

g. Discussion or consultation regarding relations with the courts or other governmental entities; or

h. Discussion or consultation in order to consider the position of the board and to inform staff regarding the position of the board regarding proposed or pending legislation, rule petitions, or petitions for refund of dues pursuant to Rule 32, Ariz. R. S. Ct.

D. Meeting Minutes.

1. Minutes shall be in writing or in other media, and shall include at a minimum:

   a. The meeting date, time and place;
b. The members attending;

c. The matters considered;

d. The results of all votes taken; and

e. The names of all persons who address the board or committee.

2. Availability. The contact person identified for each board or committee shall make the minutes available for public inspection, as soon as practicable but no more than 20 working days after the meeting.

3. Executive sessions. Executive session minutes shall identify persons present and include any instructions given by the board or committee. Persons present shall keep executive session discussions and minutes confidential except from personnel of the State Bar of Arizona who require access to perform their duties and other persons authorized by law or policy. The chair or president shall instruct persons who are present at an executive session regarding these confidentiality requirements.

E. Noncompliance.

1. Remedial Measures. All board or committee chairs or presidents and staff persons shall comply with the provisions of this policy as one of the duties of their positions. If noncompliance is discovered, the chair or president of the board or committee, or the Chief Executive Officer/Executive Director of the State Bar of Arizona or his/her designee shall take reasonable measures consistent with this policy to bring the board or committee into compliance. Such measures may include reconsideration of a matter at a subsequent meeting.

2. Validity. Failure to comply with this policy in any respect shall not be a basis for invalidation of any action of a board or committee.
APPENDIX 1

NOTICE OF MEETING

The (name of board) will hold a meeting on the (date) of (month) 20- .

at

(location)

The meeting will begin at (time) o'clock (am/pm)

An agenda of the items to be considered, discussed, or decided may be obtained from the State Bar of Arizona, 4201 N. 24th Street, Suite 100, Phoenix, Arizona 85016, at least 24 hours in advance of the meeting. Agendas will be available between the hours of 8:30 a.m. and 5:00 p.m., Monday through Friday. Persons with a disability may request a reasonable accommodation, such as auxiliary aids or materials in alternative formats, by contacting (name of contact person) at (address, telephone number). A person requesting an accommodation should make the request as early as possible to allow time to arrange the requested accommodation.
ATTACHMENT D
FINANCIAL POLICIES AND PROCESSES
MANUAL
Adopted by the Board of Governors
June 13, 2017
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I. Introduction

Purpose

The State Bar of Arizona (“SBA” or “Bar”) has a fiduciary responsibility to both its members and the Supreme Court of Arizona to account for, manage, invest and safeguard its financial resources. Accordingly, the SBA must plan adequately for the income and expenditures associated with the effective delivery of services to its members and to the public, consistent with its mission. In order to meet these fiduciary responsibilities, the Bar staff and the Board of Governors (“Board” or “BoG”) have developed and adopted this Financial Policies and Processes Manual (“Manual”).

Scope

The Manual covers finance related activities of the Bar. It replaces and/or supersedes any previous financial policy document not referenced herein. Any conflict or omissions will be referred to an appropriate Board Committee to recommend resolution by the Board. The policies herein apply to Bar staff, Board of Governors, and volunteers.

The term “volunteers” includes all members of the Bar participating in Bar programs, services, and activities. Specifically, all chairpersons of SBA sections and committees are required to comply with and support the policies and processes contained in this manual.

Review and Approval

The contents of the Financial Policies and Processes Manual shall be reviewed every three years or as deemed necessary to ensure sound financial policies by the Chief Financial Officer (“CFO”), the Chief Executive Officer/Executive Director (“CEO/ED”), and the Finance and Audit Committee (“F&A Committee” or “Committee”). The Committee shall report its findings and recommendations for changes to the Board. Any substantive changes must be approved and adopted by the Board.

Objective

The Manual will guide both staff and board members in the critical areas of financial management and governance. The Manual is intended to provide a clear, distinctive set of guidelines that can be used to make financial management decisions.

The following key governance requirements will support the implementation of the Manual:

1. The F&A Committee of the Board of Governors will monitor the implementation of the Manual and approve updates as required.
2. Adherence to the policy statements contained herein is an explicitly required job performance standard for both the CEO/ED and the CFO.
3. Any substantive deviations from the policy established in the Manual will require a timely and complete report by the CEO/ED and written approval of the Board of Governors.
II. Planning & Budgeting Policies

The Annual Budget process is one of the most critical financial management tools available to the Board and Bar staff. It is intended to provide:

1. The necessary financial and operational guidance to implement Board policies and directives,
2. An outline of the specific set of objectives, programs and action plans for the upcoming year, consistent with the Long-Range Plan,
3. An appropriation of the staff resources and expenditures required to implement the annual objectives, major programs and service offerings, and
4. An annual review of the Bar operating expenditures, performance indicators, service levels, etc.

Long-Range Planning Process

Along with the qualitative elements of the Five Year Vision (the long range plan developed by the Strategic Planning Committee and approved by the Board of Governors), a five-year financial projection will be developed to estimate the fiscal impact of major programs and capital projects that are anticipated today, but are not yet reflected in the current period financial statements.

1. The CFO will maintain a five-year financial projection that is consistent with and supports the SBA’s Five Year Vision. The projection will be updated and shared with the F&A Committee on a regular basis. The five-year projection will be presented to the entire Board on an annual basis as part of the annual budget approval process. The qualitative elements of the projection shall include as a minimum:
   a. Estimated annual revenue based on analysis of dues and non-dues income trends;
   b. Estimated operational expenses based on analysis of costs associated with each functional area of the SBA;
   c. Assessment of the major internal and external factors affecting the financial stability of the SBA.
2. The Planning Calendar will be reviewed by the Executive Council in May of each year to determine specific dates set for key deliverables.
3. The CFO will identify trends anticipated to have longer-term financial impact on programs and operations as part of the planning process and will adjust the five-year projection accordingly.

4. “Year 2” of the five-year projection submitted in the previous year will serve as the starting point in the annual budget process and will be submitted to the F&A Committee in August of each year with an initial assessment by the CEO/ED, CFO, and the senior leadership team regarding any expected material changes for the coming year.

Planning Calendar

<p>| | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>July</td>
<td>Board of Governors reviews and validates SBA goals and priorities as contained in the Five Year Vision (long range planning documents) at the annual retreat.</td>
</tr>
<tr>
<td>August</td>
<td>CEO/ED reviews Budget Guidelines and recommends changes as necessary to the F&amp;A Committee and HR Sub-committee. CFO provides proposed budget timeline (process) for the upcoming year to the F&amp;A Committee.</td>
</tr>
<tr>
<td>September</td>
<td>CEO/ED and CFO will provide to the F&amp;A Committee an assessment of expected material changes to current five year projection regarding the upcoming budget year.</td>
</tr>
<tr>
<td>October</td>
<td>CFO presents first draft of the Annual Budget to F&amp;A Committee.</td>
</tr>
<tr>
<td>November</td>
<td>CFO provides updated five year projection to F&amp;A Committee. F&amp;A Committee meets with Executive Council to review the proposed budget; Executive Council will approve and recommend proposed budget to the Board of Governors.</td>
</tr>
<tr>
<td>December</td>
<td>The Board approves the Annual Budget.</td>
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Annual Budget Process

The Annual Budget will contain the following essential elements:

1. Revenue forecasts by program, division/department, and major category
2. Expenditure forecasts by program, division/department, and major category
3. Personnel staffing levels by program, division/department, and major category
4. Projected total annual income statement results
5. Monthly projections of operating results
6. Contingency plans for shortfalls of resources, unexpected requirements, etc.
7. Key objectives, performance measures, productivity levels, targets, etc.
8. Description of major projects, programs and initiatives for the coming year
9. Updated five-year financial projection
10. Detailed capital expenditures budget; including a five-year projection of capital project costs

In addition:
1. The Annual Budget will be developed on a modified accrual basis, using Generally Accepted Accounting Principles (GAAP), consistent with the reporting of financial results.
2. The Annual Budget will establish the staffing levels and the financial resources necessary to conducting activities of the Bar.
3. The CEO/ED, CFO, and the Senior Leadership Team will ensure that all programs, projects, and service delivery requirements are adequately accounted for during the budgeting process.
4. The CFO will develop an internal process, timeline, and set of data requirements for the financial staff and divisions/departments to prepare budget projections.
5. The Annual Budget process and key parameters, assumptions, etc., will be reviewed with the HR Sub-committee and F&A Committees.
6. Alternatives for improving the efficiency and effectiveness of the Bar’s service delivery will be reviewed during the Annual Budget process.
7. The Executive Council will review the proposed budget after it has been approved by the F&A Committee and before it is submitted to the Board for action.
8. The F&A Committee shall provide budget guidelines to the staff that take into account the priorities and operational needs of the organization.

Budget Monitoring Requirements

The Annual Budget is an important tool for controlling expenditures and avoiding deficit spending. By monitoring actual income and expenditures versus the Annual Budget, the Board and SBA management can effectively assess overall financial performance and adjust operating plans as needed.

1. The F&A Committee shall work with the CEO/ED and CFO to monitor income and expenditures and to maximize revenue from all sources.
2. The CEO/ED and the CFO will take all measures necessary to ensure that actual financial activities adhere to the budget.
3. A Significant Year-To-Date Variance from Budget Report (variance report) will be provided to the F&A Committee monthly, and quarterly to the Board. At the discretion of the F&A Committee, additional significant variances will be provided to the Board outside of the quarterly reporting period. Beginning in July, the report shall include a forecast of the full year results. The purpose of the variance report is to compare, on a year-to-date basis, how the Bar is performing compared to the budget. Additionally, the annual budget approved by the Board should reflect monthly revenues and expenses. The monthly allocations should be realistic, based on experience and informed judgment. The CFO and senior management will review the monthly allocations for reasonableness to reduce the incidence of monthly “variances” due to predictable timing issues.
4. Staff leaders at every level are required to monitor revenues and control expenditures to prevent exceeding division/department budgets.
5. The CEO/ED and/or the CFO will advise the President and F&A Committee Chair in a timely manner of any excessive expenditure(s) beyond the budget or significant revenue shortfalls. The ability to effectively manage the budget and protect SBA resources shall be
included as an evaluation factor in the performance reviews of the CEO/ED, CFO, and all employees with budget responsibilities. Failure to comply with the financial policies or effectively manage financial functions may be grounds for remedial or disciplinary action.

6. Increases to the overall total expenditure level of the organization will be made only with the consultation of the F&A Committee, and only when resources are available.

7. Funding of annual expenditures through a draw upon reserves (an operating loss) will be made only if consistent with the SBA Five Year Vision and with prior approval of the Board.

III. Accounting & Financial Reporting Policies

Accounting and financial reporting by the Bar provides necessary financial information to Bar management and the Board of Governors. Timely and accurate reporting is essential to the ability to meet fiduciary responsibilities. The Accounting & Financial Reporting Policies provide guidance for the reporting of accounting and finance information.

Standards

Financial Accounting Standards
The SBA will comply with generally accepted accounting principles (GAAP) in its accounting and financial reporting, as contained in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Generally Accepted Accounting Principles
GAAP requires the accrual basis of accounting. Budgets and internal reports (monthly, quarterly, and annually) of actual results will be approved and prepared on a modified cash basis of accounting with the final audited financial statements prepared on the accrual basis.

Cash basis accounting will be used only for cash management purposes, internal to the Finance Division.

Managerial Cost Accounting
Managerial cost accounting is a tool to assist decision makers in analyzing and making decisions and judgments about various matters, including pricing products; starting, evaluating, or continuing programs; relocation of the Bar or Bar service centers; etc. The CFO is responsible for determining the best method of cost accounting to be used for various types of decisions and judgments, and for explaining the rationale for the method used.

Monthly Reporting Requirements

The monthly closing process shall be completed within ten (10) working days following the end of each month. Monthly financial reports shall be provided within fifteen (15) working days of the end of each month and shall consist of the following:

1. Condensed Operating Statement
2. Significant YTD Variance from Budget Report
3. Condensed Balance Sheet
4. Summary of investments, if applicable  
5. Status of investment accounts, if applicable  
6. Other financial information deemed appropriate by the CEO/ED, the CFO and the F&A Committee  
7. Any procurements that resulted in exceeding of budget line item in excess of 4%  

If the above timelines cannot be met, the CFO will inform the F&A Committee Chair and Senior Leadership Team of the reasons for delay and the anticipated completion date(s). Such notice will be given prior to the fifteenth (15) working day following the end of the prior month.

**Quarterly Reporting Requirements**

1. Same as monthly reporting requirements items 1-7 above.  
2. Client Protection Fund – same as monthly reporting requirements items 1-7 above.  
4. Any necessary budget amendments.  
5. Supplemental financial information, including but not limited to:  
   a. Vendor payments in excess of $10,000 per vendor year-to-date.  
   b. Significant contracts ($50,000 in value and/or more than a year in duration) listed by renewal expiration month.  
   c. Capital expenditures and variance from the capital budget for the quarter and year-to-date.  
   d. Sections’ budget status/summary.  
   e. Investment summary report.  
6. Certification Memorandum: The CEO/ED and CFO will provide a certification of financial statement and policy compliance.

**Annual Reporting Requirements**

1. Same as monthly and quarterly reporting requirements.  
2. Annual expense reimbursement and credit card expenditures for CEO/ED and CFO.  
3. Annual expense reimbursement report for Board members.  
4. Annual Section Carryover Balance schedule.  
5. Audited financial statements.  
6. Auditor’s management letter.  
7. Auditor’s report on internal controls based on the audit of the financial statements.  
8. CEO/ED and CFO Management letter.  
9. Client Protection Fund Chair of the Board of Trustees Management letter.  
10. The CEO/ED and the Chief Financial Officer shall review the Form 990 before it is filed, and shall provide a copy of it to the Board prior to filing every year.  
11. The Form 990 will also be posted on the SBA’s website.

**Quinquennial Review**
Beginning in 2020 and every five years thereafter, the BoG shall conduct a financial review of projected revenues and expenses and report the results of that review to the Arizona Supreme Court. The report will include recommendations with respect to changes in fee amounts and structure.

**Reporting of Significant Events**

The CEO/ED and the CFO shall promptly report the following events, and any other items deemed significant, to the F&A Committee and the Board of Governors:

1. Changes in key personnel (which should also be reported to the Human Resources Committee).
2. Scheduled or unscheduled draws upon reserves.
3. Real property transactions.
4. Long-term contractual obligations.
5. High dollar value contractual obligations.
6. Indebtedness and/or contingent liabilities.
7. Late payments and/or defaults on obligations.
8. Contingent liabilities, litigation, and threatened claims or assessments.
9. Fraud, misappropriations, or unethical conduct.
10. Any significant breakdown in internal controls.
11. Delayed or modified tax filings, reports, or other regulatory/compliance anomalies.

**IV. The Audit Package and Antifraud Programs**

**Audit Standards**

The annual audit of the SBA will be conducted in accordance with auditing standards generally accepted in the United States of America.

1. Independent auditor’s report.
2. Financial statements.
3. Independent auditor’s report on compliance and internal control over financial reporting.
4. Reportable conditions letter, if applicable.
5. Management letter, if applicable.

The audit firm may be retained to prepare required income tax returns.

The F&A Committee, the CEO/ED and/or the CFO may determine that certain items or areas of the business need to be added to the scope of the audit (audit plan).

**Qualifications of the Audit Firm**

The audit firm selected shall demonstrate qualifications and experience in performing audits for comparably sized nonprofit entities and preparing required income tax returns.
The audit firm shall not be retained for consulting engagements which would impact the independence of the firm to conduct the audit.

The audit firm will not be retained for more than a five-year period; the same firm may be retained beyond five years, provided it is selected via a competitive process by the F&A Committee. Under no circumstances will the same audit firm be retained for successive periods beyond a total of ten years.

**Management of Antifraud Programs and Controls**

1. The F&A Committee should evaluate management’s identification of fraud risks, implementation of antifraud measures, and creation of the appropriate climate of stewardship and accountability within the organization. Active oversight by the F&A Committee can help to reinforce management’s commitment to creating a culture with zero tolerance for fraud. The F&A Committee also ensures that the CEO/ED and CFO implement appropriate fraud deterrence and prevention measures to better protect members, employees, and other stakeholders.

2. The F&A Committee’s evaluation and oversight not only helps to ensure that senior management fulfills its responsibility, but also can serve as a deterrent to senior management’s engaging in fraudulent activity by ensuring an environment is created in which any attempt by senior management to involve employees in committing or concealing fraud would lead promptly to reports from such employees to appropriate persons, including the F&A Committee. Given the fact that management can be in a position to initiate, participate in, or direct the commission and concealment of a fraudulent act, the F&A Committee must oversee the activities of senior management and consider the risk of fraudulent financial reporting involving the override of internal controls or collusion.

3. In exercising this oversight responsibility, the F&A Committee should consider the potential for management override of controls or other inappropriate influence over the financial reporting process and, in particular, the ability of management to override information processed by the Bar’s financial reporting system (for example, the ability for management or others to initiate or record nonstandard journal entries). In addition, information received in communications from the independent auditors can assist the F&A Committee in assessing the strength of the Bar’s internal controls and the potential for fraudulent financial reporting.

4. The F&A Committee will assist management in developing a mechanism to encourage employees to report concerns about unethical behavior, actual or suspected fraud, or violations of the Bar’s code of conduct or ethics policy. The committee should then receive periodic reports describing the nature, status, and eventual disposition of any suspected fraud or unethical conduct.

**Senior Management**

If the CEO/ED is believed to be involved in fraud, misappropriation, or other conduct detrimental to the SBA, a system for reporting such conduct shall be in place to ensure Board leadership is informed. Any employee shall report such conduct directly to the President or President-Elect of the Board of Governors.
For such conduct involving employees below the CEO/ED level, the CEO/ED will ensure a system of reporting exists to enable the CEO/ED to take appropriate action, to include informing Board leadership.

For conduct involving the CEO/ED, the President will confer with the Executive Council to determine whether the alleged conduct should be investigated. Depending on the seriousness and complexity of the allegations, the President has the authority to retain legal, accounting, and other professional advisors as needed to assist in the conduct of an investigation. A summary of the activity, follow-up and disposition shall be provided to the Board of Governors.

**Employee Handbook**

The Bar shall include in the provisions of the Employee Handbook, a clear policy for employees to report concerns involving financial matters including the circumstances under which such concerns should be reported to Board leadership.

**Annual Management Presentation**

Concurrent with the presentation of the annual audit by the third party audit firm, the CEO/ED and CFO will present a report to the F&A Committee that addresses the following:

1. Practices and procedures to identify fraud;
2. Methods to deter and prevent fraud;
3. Programs to encourage and emphasize stewardship and accountability;
4. Management’s commitment to zero tolerance for fraud;
5. Potential for overriding internal management controls; and
6. Demonstration of commitment to and methods to encourage and emphasize employee reporting.

**V. Internal Controls Policies**

**Guiding Principles**

Internal control is a process, affected by the Board of Governors, management, and other personnel, designed to provide reasonable assurance about the achievement of objectives in the following categories:

1. Reliability of financial reporting;
2. Compliance with laws and regulations;
3. Effectiveness and efficiency of operations; and
4. Safeguarding assets.

The five interrelated components of internal controls are:

1. **Control Environment** – The tone of an organization influences the control consciousness of its personnel. Factors that contribute to the control environment include the attention and
direction of the Board of Governors and the F&A Committee; the integrity and ethical values of management; management’s commitment to competence; management’s philosophy and operating style; the organizational structure; the assignment of authority and responsibility; and human resource policies and practices.

2. **Risk Assessment** – An organization’s assessment, identification, analysis, and management of risks are relevant to the preparation of GAAP-based financial statements. Factors that may contribute to organizational risks include changes in the operating environment, new personnel, new or updated information systems, rapid growth, new technology, new business activities, corporate restructuring, and accounting pronouncements.

3. **Control Activities** – The policies and procedures that help ensure that the organization’s directives and control policies are carried out. Control activities have various objectives and occur throughout the organization at all levels and all functions. Activities relevant to achieving reliable financial reporting include performance reviews, controls over data center operations and system software, application controls over transactions, security of assets, and segregation of duties.

4. **Information and Communication** – The organization’s information systems, including the accounting system, require timely identification, capture, and communication of internal and external information to enable the organization’s personnel to perform their responsibilities.

5. **Monitoring** – Monitoring is important to assess if controls are operating as intended over time and whether they are modified as appropriate for changes in condition.

It is important to remember that internal controls are not a panacea and do not guarantee reliability and compliance, but may provide reasonable assurance. The external auditors will consider internal controls over financial reporting as a basis for designing audit procedures for expressing an opinion on the financial statements. They do not express an opinion on the effectiveness of the internal controls. However, they do note significant deficiencies or material weaknesses in internal controls over financial reporting during their consideration of SBA’s internal controls, and are required to inform those charged with governance and management of those deficiencies or material weaknesses.

**Internal Control Safeguards**

The SBA, under the direction of the CEO/ED and the financial management of the CFO, will maintain the following safeguards against potential fraud and embezzlement:

1. Maintain detailed financial management and accounting procedures to ensure, but not limited to the following:
   a. Proper safeguarding and processing of checks and cash collections;
   b. Proper safeguarding and processing of credit card transactions, to include compliance with Payment Card Industry Data Security Standards (PCI);
   c. Financial and criminal background checks and drug-testing for persons hired for positions involving financial management and accounting;
   d. Time-off policies for employees handling financial transactions;
   e. Prompt payment of invoices and bills (within 10 business days of receipt);
   f. Proper procedures for account signature cards and check signing;
   g. Regular review of disbursements, bank and credit card statements, and cancelled checks;
   h. Appropriate segregation of duties and oversight of employees involved in
financial matters; and
i. Legal review of procurement contracts, leases, and other documents obligating the SBA.

2. SBA reimbursement and credit card expenditure review and approval:
   a. The President of the Board of Governors will review and approve all credit card expenditures of and reimbursements to the CEO/ED.
   b. The CEO/ED will approve all credit card expenditures of and reimbursements to senior leaders.
   c. The Chair of the F&A committee will review and approve the expenditures of and reimbursements to the President and Board members with the exception of recurring travel reimbursements for monthly board meetings.
   d. The Chair of the F&A committee will review and approve the expenditures of and reimbursements to the President and Board members with the exception of recurring travel reimbursements for monthly board meetings.

VI. Procurement, Contracts, and Commitments Policies

Guiding Principles

The SBA acquires quality products and services at a competitive rate through a fair, open and efficient procurement process.

Procurement decisions will consider best value when contracting for goods and services. Best value may not always be the lowest price. In determining best value, the experience and qualifications of the vendor, the ability to deliver timely and reliable performance, security considerations, and overall cost shall be considered. The basic criteria for vendor selection for the SBA shall be:

1. Proposal Price/Value;
2. Statement of Work/Product or Service Description;
3. Statement of Qualifications;
4. Vendor References; and
5. Past Performance.

Procurement Requirements

The following procurement policies assume that in each case procurement is necessary to implement the mission of the SBA and the associated commitment of SBA funds is fairly included in the annual budget approved by the Board of Governors.

Procurement Authority

The CEO/ED has authority to approve all procurement of goods or services that meet all of the following requirements:

1. Value does not exceed $250,000;
2. Contract duration does not exceed three years; and
3. Amount and requirement are within the annual budget approved by the Board.

Such authority may be delegated to division/department heads for contracts of a total value of $15,000 or less.

Regardless of delegation, authorizing officials will remain responsible for ensuring that receipts, invoices and any other documentation regarding transactions are properly filed and retained. The CFO will establish procedures and internal controls for the processing of payments for goods and services.
### Additional Procurement Guidelines

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<tr>
<th>Procurement/Contract</th>
<th>Procedure</th>
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| Procurements of $15,000 or less | a. Standard purchases of $15,000 or less require the approval of Division head. Division heads will ensure that standard orders: 1- support the approved activities of the SBA, 2- are consistent with Division/Department budget and 3-funds are available.  
  b. The CFO will maintain copies of all paid invoices in accordance with its internal record retention policy. |
| Contracts $50,000 or less | a. The CEO/ED and CFO will ensure that where competition is practical, at least two vendors shall be considered.  
 b. Contracts shall be signed by the CEO/ED or his/her designee (designation to be in writing) upon written verification by the CFO that the contracted amount is within the approved budget and that funds are available. |
| Contracts in excess of $50,000, but under $100,000 | a. The CEO/ED and CFO will ensure that a competitive process is followed, which as a general rule should involve consideration of at least three vendors.  
 b. Sole source contracts should be avoided unless justified based on a bona fide business need of the SBA and approved by the CEO/ED. Such procurements will include written justification maintained as part of the procurement record.  
 c. Contracts shall be signed by the CEO/ED after legal review by General Counsel, and upon written verification by the CFO that the contracted amount is within the approved budget and that funds are available. |
| Contracts in excess of $100,000 | a. The CEO/ED and CFO will use a request for proposal process that meets the following requirements:  
 i. written proposal from competing vendors, letter of intent, agreement or RFP response that specifies the goods and services to be received by the SBA and the cost, terms and conditions of the agreement;  
 ii. must advance an identifiable policy or long-range goal of the Board within the budget applicable to the contract period;  
 iii. verification of references from the vendor (recommend minimum of 3), if a first time vendor;  
 iv. disclosure of any relationships with existing vendors and/or principals of vendors and any employees of the SBA;  
 v. vendor documentation outlining how the best value for the Bar will be delivered under the contract;  
 vi. appropriate performance benchmarks can be established to measure the delivery of best value;  
 vii. appropriate provision for mediation of disputes and disengagement exist; and  
 viii. verification from the CFO or his/her designee that the procurement is included in the Annual Budget.  
 b. Sole source contracts should be avoided unless justified based on a bona fide business need of the SBA and approved by the CEO/ED. Such procurements will include written justification maintained as part of the procurement record.  
 c. Contracts shall undergo legal review by General Counsel. Contracts... |
shall be signed by **both** the CEO/ED and CFO. If the proposed contract
**Procurements Exceeding CEO/ED Authority or Annual Budget Limits**

Procurements that exceed the CEO/ED’s authority as outlined above require review and approval by the F&A Committee prior to obligating the Bar. Procurements in excess of $700,000 in value or of a duration in excess of five years require approval by the full Board before obligation.

Authority to negotiate and sign agreements that exceed the limits above may be delegated to the CEO/ED in advance by the body having review and approval authority.

Consistent with the procurement guidelines above, the CEO/ED may approve procurements that result in exceeding an approved line item in the annual budget by no more than 4%. Any procurement that may result in a variance greater than 4%, must be approved by the F&A Committee or Board (for procurements in excess of $700,000) before obligating the Bar.

In an emergency situation, the CEO/ED may approve procurement in violation of this policy to protect the employees and property of the Bar. Any procurement must be reported immediately to the President and Chair of the F&A Committee.

**CFO Responsibilities**

General. The CFO serves as the chief procurement official for the SBA and will establish procedures for processing all procurements to ensure transparency and accountability. Such procedures will also promote competition in contracting and performance measures.

Conflict of Interest. The CFO will ensure that all SBA staff involved in procurement activities are educated on the risks associated with potential conflicts of interest. A conflict of interest acknowledgement statement for all SBA employees engaged in procurement activities will be maintained in the personnel records held by the Human Resources Department.

**General Counsel Responsibilities**

The General Counsel shall conduct a legal review of all procurements in excess of $50,000, prior to authorization, and will retain records of legal reviews for a period consistent with legal and regulatory requirements. The review shall include an assessment of compliance with all requirements of this policy and such legal review shall be documented. Significant contracts of $50,000 or less may warrant legal review as deemed necessary by the CFO. Division heads or designees may also request legal review of all contracts.

Record Keeping. The General Counsel shall maintain records of all contracts for a period consistent with legal and regulatory requirements, and the organization’s record retention policy.
Reporting

The CFO shall report quarterly to the F&A Committee the status of the vendor payments of $10,000 or more and all significant contracts (see Section III, quarterly reporting requirements)

Prohibition

No new contract or renewal shall be executed without the required approvals and the proper signature(s) described above. Any contract having renewal term(s) shall contain a provision allowing the SBA the option not to renew the contract for any additional term upon appropriate prior written notice. No oral contract shall be permitted for any reason, and no employee of the Bar or volunteer shall hold himself or herself out as having independent or single authority to execute a contract or otherwise legally bind the Bar to a financial obligation. The Board of Governors and F&A Committee have the right to disapprove any proposed agreement under this policy and have the discretion to waive any specific provision of this policy as it deems necessary to fulfill its fiduciary obligations to the SBA.

VII. Reserve and Investment Policies

Reserve Policy

In those fiscal years when the SBA experiences a cash surplus (i.e., revenues exceed expenses), the surplus shall be applied in accordance with the policy at Appendix A.

Investment Policy

The primary investment objectives of the State Bar of Arizona are:

- Preservation and safeguarding of the principal amount invested;
- Maintenance of liquidity to meet operating cash flow needs; and
- Maximization of return consistent with the above two objectives. These objectives are to be accomplished in accordance with Appendix B.

Management and Delegation

The F&A Committee shall execute and direct investment policies and will regularly report on investments to the Board of Governors. In carrying out its responsibilities, the Committee and its Advisors and agents will act in accordance with the policies contained herein, the investment strategy at Appendix A, and all applicable law and regulations. The Board reserves the exclusive right to revise the policies at any time and to terminate any third party advisors.

Management responsibility for the investment program is delegated to the CFO, who shall prepare and recommend for the CEO/ED's and F&A Committee's approval, the written procedures for investment transactions in accordance with this investment policy. Such procedures shall include
explicit delegation of authority for transactions. No person may engage in an investment transaction except as provided herein.

Upon approval by the F&A Committee, the CFO may engage one or more fee-for-service investment managers to delegate individual investment decisions that fall within the policy guidelines. The CFO shall be responsible for all transactions and shall establish a system of controls to regulate the activities of subordinate employees or third parties involved in investment activities.

**Investment Objectives and Strategies**

**Risk Tolerance**
The portfolio shall pursue its investment objective subject to adequate provisions for overall preservation of the portfolio’s capital. Portions of the portfolio may be exposed to loss of principal in order to seek capital appreciation from investments exposed to low to moderate market risk.

**Diversification**
It is the policy of SBA to diversify its investment portfolio. Assets shall be diversified to eliminate the risk of loss resulting from over concentration in a specific maturity, a specific issuer, or a specific class of securities. In times of uncertainty or market volatility the Committee may revise the asset allocation as a defensive strategy to mitigate capital loss.

**Custodial or Safekeeping**
All security transactions entered into by SBA shall be conducted on a delivery-versus-payment (DVP) or receipt-versus-payment (RVP) basis. To prevent fraud or embezzlement, all securities will be held in street name by a third party, specifically an authorized financial dealer or institution.

**Authorized Financial Dealers and Institutions**
The CFO will maintain a list of financial institutions approved and authorized by the F&A Committee to provide investment services. In addition, a list will also be maintained of approved security broker/dealers and banks. No deposit shall be made except in a qualified public depository as established by state law.

Periodically, the F&A Committee will evaluate the services and performance of these institutions, using due diligence to determine that they are meeting all objectives and standards of the SBA.

**Strategies**
The investment strategy is contained in Appendix B. The F&A Committee will review the strategy on an annual basis and make recommendations for changes, as appropriate, to the Board of Governors. Any changes to the strategy require approval by the Board of Governors.

**Monitoring and Reporting of Investments**
The CFO shall be responsible for monitoring all investment transactions of the SBA, ensuring that all such activity is accurately and timely recorded in the financial records according to generally accepted accounting principles (GAAP).
Where applicable, investments will be market-to-market monthly and unrealized appreciation/depreciation and income will be timely recognized. Any additional realized gains or losses will be recognized at time of sale. Reconciliations of third party statements to the records of the SBA for transactions, income, and current value shall be performed monthly.

The CFO will provide quarterly reports to the F&A Committee and the Board of Governors that will include an Investment Summary Report that contains, at a minimum, the description of each investment held, current market value, percentage of total investments, current and effective yield, and weighted average maturity. The Investment Summary Report shall be included in the quarterly financial statement package.

VIII. Risk Management Policies

Strategy

The risk management function encompasses the identification, assessment, reduction, transfer, and funding of actual and potential accidental events that could result in a loss to an organization arising from:

1. Injury or death of personnel;
2. Loss or damage to physical assets and any resulting inability to provide products or services; and
3. Erosion of the organization's financial base resulting from claims by third parties.

Review of State Bar Insurance Policies

At least annually the CFO, General Counsel, and the F&A Committee shall review all insurance policies held by the Bar to determine if risks are properly covered or managed. The Committee is authorized to engage the services of qualified risk management consultants if it so desires.

IX. Financial Oversight of Compensation and Benefits

Purpose

Payroll is the largest expenditure of the State Bar. The Board is responsible for making sure that compensation and benefits are objectively reasonable and that conflicts of interest in setting compensation, particularly for key employees, are scrupulously avoided.

Scope

This chapter covers the key financial oversight responsibilities concerning compensation and benefits. The following provisions are to be applied consistently with existing SBA policies, procedures and agreements relating to Human Resources, including the Compensation Philosophy, the Employee Handbook, and any employment arrangements in effect between the SBA and the CEO/ED.
1. There shall be an Executive Compensation Council that shall consist of the officers of the Board and the chairs of the HR Sub-committee and F&A Committee. The immediate past-president shall also serve as a non-voting, ex officio member of the Executive Compensation Council. The President may also appoint other members as appropriate. The chair of this Council shall be the President. The Council and Board shall complete its work during the fourth quarter of each year to allow for all compensation decisions to be included in the annual budget. The Council may meet at other times during the year as needed.

2. CEO/ED’s Compensation and Benefits:
   a. No staff should participate in the CEO/ED’s compensation process, except as otherwise requested by the Executive Compensation Council.
   b. The CEO/ED should not automatically be entitled to the annual market adjustments provided to the rest of the staff. Rather, his or her compensation should be reviewed annually or as provided in the CEO/ED’s terms of employment with the Board.
   c. The CEO/ED’s overall compensation must be objectively reasonable and market-based, and the Executive Compensation Council should document how it reaches its conclusion.
      i. Outside Advisors: The Council may seek assistance from independent outside advisors to determine what is objectively reasonable and market-based. The Council shall determine whether outside advisors engaged by staff to perform other work for the Bar are sufficiently independent.
      iii. Examples of appropriate data include:
         a) compensation paid by similar organizations, both taxable and tax-exempt for “functionally comparable positions”;
         b) information on whether similar services are available in the organization’s geographic area;
         c) “independent firms;” and
         d) actual written job offers from similar institutions competing for the person in question.

3. Documentation of decision making process: Upon consideration of the Executive Compensation Council’s recommendation, the Board of Governors shall make the final decision regarding CEO/ED compensation and shall document its decision concerning CEO/ED’s compensation at the time the decision is made. This documentation should be prepared by the next meeting of the Board after the meeting where final action is taken. Such documentation shall be maintained within the Human Resources Department as part of the CEO/ED’s confidential personnel file.

4. Staff Compensation and Benefits:
   a. The HR Sub-committee shall commission a professional study of staff compensation and recommend salary ranges every three to five years, or more frequently as necessary. The Sub-committee’s recommendations as to salary ranges shall be market-based, consistent with the Compensation Philosophy, and subject to Board approval.
   b. The CEO/ED shall make recommendations as to compensation and benefits as part of the annual budgeting process.
   c. Staff compensation and benefits shall be recommended by the HR Sub-committee and approved by the Board as part of the annual budget process.
d. The CEO/ED shall set individual staff compensation within salary ranges approved by the Board, and pursuant to the staff payroll budget approved by the Board. The CEO/ED shall set individual staff benefits within the limitations of the personnel budget approved by the Board as part of the annual budget process. The CEO/ED is authorized to deviate from established salary ranges and may make other adjustments to compensation based on the business needs of the organization so long as such deviations/adjustments can be implemented within the approved budget. Any such deviation or adjustment shall be documented and maintained by the HR Director in the appropriate record.

e. The CEO/ED may authorize additional compensation based on a Board-approved budgeted pool for performance-based staff compensation.

f. The Executive Compensation Council will conduct an annual review of the SBA’s deferred compensation Plan and will make recommendations to the Board regarding employee participation and employer contributions as part of the annual budget process.

6. 401(k) Plan

a. The Board of Governors shall appoint a Retirement Fiduciaries Group (Review Group).

b. On an annual basis, the Review Group will review the SBA’s employee 401(k) plan to ensure the plan meets all legal and policy requirements, as well as plan objectives;

c. The Retirement Fiduciaries Group Charter and the Retirement Plan Investment policy are at Appendix C.
Appendix A. Reserves Policies

In the event the Bar acquires a cash surplus at the end of the fiscal year, any such surplus shall be added to a reserve account. The reserve account shall be divided into two sub-accounts:

1. Capital Reserve
2. Dues Reserve

Annual surpluses shall be deposited into the reserve account by direction of the Board of Governors on the recommendation of the Finance and Audit Committee as soon as practicable after the close of the Bar’s fiscal year. The Committee will make specific recommendations for each sub-account.

Capital Reserve
The intent of establishing a capital reserve is to reduce, to the greatest extent possible, borrowing from the building’s line of credit. Annual operating surpluses shall be used to create the reserve over time. Capital purchases shall be paid from the reserve. Capital purchases shall be depreciated based on the life of the item, in accordance with GAAP. Assuming the availability of sufficient surplus funds, and consistent with sound financial management principles, an amount equal to the annual depreciation deducted from operating expenses shall be deposited into the reserve.

Dues Reserve
The dues reserve shall be used to help reduce and/or delay the need to increase dues in a future year(s) when the Bar would otherwise incur an annual operating budget deficit(s).

Policy Administration
The current practice of using operating surpluses to pay for unanticipated operation expenses and Board-approved capital expenses, and to pay off the remaining balance on the line of credit secured by the building, shall be actively monitored by the F&A Committee to ensure that the management of Bar surpluses balances the immediate financial needs of the Bar with the requirement to establish a Reserve Account sufficient to meet the policies established above.
Appendix B. Investment Guidelines

Scope
The Investment Policy (“the Policy”) is set forth in order to establish a clear understanding of the policies, objectives, and guidelines to be employed in the management of SBA assets. It is the intent of the Policy to establish an attitude and/or philosophy to guide the Investment Sub-committee (“ISC”) and any investment advisors employed at the discretion of the ISC. It is intended that objectives be sufficiently specific to be meaningful and flexible enough to be practical.

Investment Objective
The primary objectives of the State Bar of Arizona are:
- Preservation and safeguarding of the principal amount invested;
- Maintenance of liquidity to meet operating cash flow needs; and
- Maximization of return consistent with the above two objectives.

Investment Sub-committee
The F&A Committee shall appoint the ISC which shall include: the CEO/ED, the CFO, and up to two additional members with investment experience as determined by the Committee. The Board of Governors is responsible for establishing and reviewing the investment objectives, policies, and guidelines. The F&A Committee is responsible for implementing the investment policies; approving the selection of investment options pursuant to the investment guidelines; reviewing performance and compliance with the policies; and reporting results to the Board on a regular basis.

Guidelines
The ISC should select investment vehicles after a careful review of performance and risk. All investments will be in compliance with any controlling state and/or federal statutes. The portfolio may include both short-term (ST) and long-term (LT) funds.

- Short-Term (ST) Funds. The purpose of ST Funds is to meet capital and unanticipated activities needs over the next one to three years. The investment objectives should be preservation of capital and liquidity. ST investments may include (1) Cash management account; (2) Money market funds that invest in U.S. Government-backed securities; (3) U.S. federally-insured certificates of deposits not to exceed the federally-insured amount per institution (including CDARs); and (4) Direct obligations of the U.S. Government, its agencies and instrumentalities. The ST Funds shall have a weighted average maturity of three years or less. The maximum maturity for ST Funds shall be five years. Investments must maintain liquidity sufficient to meet three to four months of anticipated needs. As defined herein, liquidity shall represent cash and investments with a remaining maturity of ninety days or less, including all funds available to SBA to meet current operational needs.

- Long-Term (LT) Funds. The purpose of LT Funds is to enhance the purchasing power of funds held for future expenditures, to maintain the financial stability of SBA, and to realize an acceptable total return on investment given a moderate risk tolerance. The investment objectives should be to provide long-term growth of capital and income to offset inflation and preservation of capital. LT investments may include: (1) U.S. Government or Agency
Notes and Bonds; (2) Corporate Bonds (AAA) – having no imbedded options (call or put features)
with a Standard & Poor’s or Moody’s rating of a least an A; (3) mutual funds; (4) Exchange- traded funds (ETFs); and (5) Publicly traded Real Estate Investment Trusts (REITs). Other than REITs, investments shall not include other direct real estate ownership other than currently owned real estate. The LT Funds shall have a weighted average maturity of five years or less. The maximum maturity for the LT Fund shall be seven years. The fund should be invested to provide a total return through balance of interest and dividend income and moderate capital appreciation.

An effort is to be made to minimize downside results within each calendar year. In order to achieve the Policy, the following guidelines are set forth:

- **Review of Investments** - Performance reports will be compiled at least quarterly by the CFO and communicated to the FAC. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration will be given to the extent to which the investment results are consistent with the investment policies, objectives, and guidelines set forth in this Policy.

- **Delegation of Authority** - The Board shall delegate the day-to-day management of investments to the CFO. Client Protection Fund (CPF) investments are the responsibility of the CPF Trustees as delegated by the Board pursuant to the Declaration of Trust.
Appendix C. Retirement Fiduciaries Group

Charter

1. The Retirement Fiduciaries Group (“Group”) shall be composed of individuals appointed by the President of the State Bar of Arizona Board of Governors. The Group shall act pursuant to authority delegated by the Board, subject at all times to the right of the Board to withdraw such delegation and undertake the responsibilities previously delegated to the Group directly.

2. The purposes of the Group are to act pursuant to delegated authority by the Board to satisfy the obligations of the Board under the Employee Retirement Income Security Act of 1974, as amended as follows:
   a. Establishing and maintaining the Retirement Plan Investment Policy statement;
   b. Selecting investment options;
   c. Selecting investment managers;
   d. Periodically evaluating the Plan’s investment performance and recommending investment option changes; and
   e. Overseeing plan participant investment education and communication.

3. The Group shall follow all the policies and procedures set forth in the Retirement Plan Investment Policy statement (the “Investment Policies”) of the Plan, as from time to time amended by the Group subject to approval by the Board. In case of any conflict between the terms of this Retirement Fiduciaries Group Charter (the “Charter”) and the terms of the Investment Policies, the terms of the Investment Policies shall take precedence over the terms of this Charter and shall govern the activities of the Group.

4. The Group shall consist of: one member of the Board of Governors appointed by the President, the CEO/ED, General Counsel, CFO, and Human Resources Director.

5. At any time the Group is required to act pursuant to the Investment Policies, the chair or its designee shall convene a meeting of the Group.

6. Two members of the Group shall constitute a quorum for any action to be taken by the Group at a meeting. A majority of the members participating in the meeting may take any action or make any determination at a meeting of the Group; provided, however, that both members participating in the meeting must agree to take any action or make any determination in the case of a meeting consisting of only two members. Members of the Group may participate in a meeting of such Group by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time, and participation by such means shall constitute presence in person at a meeting.

7. The Group shall provide information to the Service Providers to assist them in preparing all necessary documents.

8. The Group shall have the resources and authority appropriate to discharge its responsibilities, including the authority to consult counsel to the Plan and other experts or consultants at the
expense of the Plan.
9. This Charter may be amended by action of a majority of the members of the Group at a meeting or by the Board; providing that, if amended by the Group, the Group shall present such Charter, as amended, to the Board at its next regularly scheduled meeting.

**ADMINISTRATIVE DUTIES:**

- Confirm that all Plan operations, administrative and otherwise, are being carried out as prescribed by the Plan.
- Maintain reports from each service provider associated with the Plan (Investment Advisor/consultant, record keeper, custodian/corporate trustee, actuary, legal counsel).
- Adopt any necessary amendments or restatements to the Plan.
- Review results of compliance testing annually and document any resulting recommendations and activities.
- Review general Plan provisions annually and implement appropriate changes (with Board approval).
- Review fiduciary file to ensure that documents are current in compliance with legal and regulatory requirements.
- Review applicable legislative updates and significant pending legislation.
- Confirm that all necessary reporting to participants, vendors and appropriate governmental agencies is accomplished and documented on a timely basis.
- Review and confirm current regulatory compliance status and initiate any appropriate corrections to ensure compliance.
- Review and document all ERISA Section 404(a) & (c), compliance related activities as well as general fiduciary guidelines.
- Oversee Plan and document all participant education/communications activities.
- Review, confirm and document competitiveness of Plan expenses and services for each Plan vendor.
- Provide for Group fiduciary training as necessary.
- Report to the Board any potential elective increase in Plan expenditure exceeding $50,000.
- Review and confirm maintenance of all fiduciary practice standards.
- Confirm that the Group and Board have adhered to the Exclusive Benefit Rule of ERISA Section 404(a).
- Report to the Board, at least annually, on all significant issues affecting the Plan.

**Retirement Plan Investment Policy Statement**

**Part I. THE PLAN**

The Bar sponsors a defined contribution plan (the “Plan”) for the benefit of its employees and their designated beneficiaries. The Bar appoints a Group (Retirement Fiduciaries Group) to serve as the Plan fiduciary. The Plan is intended to provide participating employees long-term accumulation of savings through contributions to individual participant accounts and the earnings thereon.
The Plan is a qualified employee retirement Plan intended to comply with all applicable federal laws and regulations, including section 401(a) of the Internal Revenue Code of 1986, as amended, and the Employee Retirement Income Security Act of 1974 (ERISA), as amended. In addition, the Plan is intended to comply with ERISA Section 404(c).

The Plan’s participants and beneficiaries are expected to have different investment objectives, time horizons, and risk tolerances. To meet these varying investment needs, participants and beneficiaries will be able to direct their account balances among a range of investment options to construct diversified portfolios that reasonably span the risk/return spectrum. Participants and beneficiaries alone bear the risk of investment results from the options and their asset allocation.

Part II. THE PURPOSE OF THE RETIREMENT INVESTMENT POLICY STATEMENT

This Retirement Investment Policy Statement is intended to assist the Plan’s fiduciaries by establishing guidelines for making investment-related decisions in a prudent manner. It outlines the underlying philosophies and processes for the selection, monitoring and evaluation of the investment options offered by the Plan.

Specifically, this Retirement Investment Policy Statement:

- Defines the Plan’s investment objectives.
- Defines the roles of those responsible for the Plan’s investments.
- Describes the criteria and procedures for selecting the investment options.
- Establishes investment procedures, measurement standards and monitoring procedures.
- Describes corrective actions the Group can take should investment options and investment managers fail to satisfy established objectives.
- Describes the types of educational materials to be provided to Plan participants and beneficiaries.
- Describes ways to comply with fiduciary obligations and applicable laws and regulations.

The Retirement Fiduciaries Group will periodically review the Retirement Investment Policy Statement, and, if appropriate, may amend the Policy to reflect changes in the capital markets, plan objectives, or other factors relevant to the Plan.

Part III. INVESTMENT OBJECTIVES

The Group will select the Plan’s investment options based on criteria deemed relevant, from time to time, by the Group. These criteria may include, but are not limited to, the following:

- Maximization of return within reasonable and prudent levels of risk.
- Provision of returns comparable to returns for similar investment options.
- Provision of exposure to a wide range of investment opportunities in various asset classes and vehicles.
- Provision of appropriate diversification within investment vehicles.
- Investment manager’s adherence to stated investment objectives and style.
Part IV. ROLES AND RESPONSIBILITIES

Subject to the terms of the Plan document, the Group is responsible for making recommendations to the Board of Governors for: the selection of the trustee(s); hiring the record keeper; and hiring an investment consultant (if appropriate). The Group is responsible for selecting the investment options(s), and selecting an investment(s) for default(s) when a participant or beneficiary fails to provide investment direction. The Group is also responsible for:

- Establishing and maintaining the Retirement Investment Policy Statement.
- Periodically evaluating the Plan’s investment performance and recommending investment option changes.
- Periodically monitoring the service providers and investment consultants.
- Periodically monitoring Plan costs and recommending Plan fees and/or cost changes.
- Voting proxies on investment options selected.
- Overseeing the provision of Plan participant investment education and communication.

In executing its responsibilities, the Group will make decisions solely in the interest of Plan participants and beneficiaries, for the exclusive purpose of providing Plan benefits and defraying reasonable administrative costs. All investments selected by the Group are intended to meet requirements of ERISA section 404(c).

Part V. MONITORING OF SERVICE PROVIDERS

Service providers should be monitored on a regular basis or more frequently if applicable. Administrative and/or recordkeeping service providers may be benchmarked against, but not limited to, industry averages and/or other provider quotes. Monitoring for these service providers should include, but not be limited to, the provider’s:

- Investment offerings and services
- Recordkeeping technology and services
- Compliance services and support
- Technology
- Participant access and communications
- Total Plan costs

The monitoring of the Plan provider(s) is to ensure that total plan costs and services are competitive and reasonable.

Investment consultant service providers (Plan and participant level) should be monitored regularly and should include, but not be limited to, the provider’s:

- Investment due diligence processes
- Fiduciary guidance and services
Part VI. SELECTION OF INVESTMENT OPTIONS

The selection of investment options offered under the Plan is among the Group’s most important responsibilities. Set forth below are the considerations and guidelines employed in fulfilling this fiduciary responsibility.

The Plan intends to provide an appropriate range of investment options that may span the risk/return spectrum. Further, the Plan’s investment options are intended to allow Plan participants to construct portfolios consistent with their unique individual circumstances, goals, time horizons and tolerance for risk. Major asset classes to be considered may include, but are not limited to:

Conservative Investments
Cash and liquid investments including, but not limited to, money market, stable value, and guaranteed interest accounts.

Income Investments
Income oriented investments including, but not limited to, low, medium, and high quality bond funds, with short, intermediate, and/or long term duration. Management styles may be indexed and actively managed international, global, and domestic styles.

Equity Investments
Funds that invest in equity securities, both domestic and foreign, including, but not limited to, small, medium, and large market capitalization, with value, blend, and growth investment objectives, which may be actively managed or indexed.

Asset Allocation Investments
Funds or accounts that invest in a combination of conservative, income, and equity investments, “fund of funds” accounts combining several of the above investments into one or a series of investments, and “manager of managers” accounts combining several different investment styles and fund managers into one account or a series of accounts.

Other Investments
Other appropriate investments in other styles or asset classes offered through vehicles such as commingled trusts, insurance company separate accounts through a group annuity contract, and mutual funds. Notwithstanding the foregoing, the Group may consider, but is not required, to include
in the investment menu any specific investment asset class, option, or style.

Default Investment(s). The Retirement Fiduciaries Group will evaluate and choose an investment or set of investments to serve as the default investment(s) for the Plan. The default investment(s) will be the designated investment for dollars contributed to the Plan by participants and/or the employer for which the Plan has not received investment direction. The default investment will be selected to comply with the requirements of ERISA section 404(c)(5) and the regulations promulgated thereunder as a qualified default investment alternative ("QDIA").

After determining the desired asset classes, the Group will evaluate and choose the desired investment option(s) for the Plan’s investment menu. If an investment manager (responsible for the management of the underlying investment vehicle, such as a mutual fund, commingled account or separate account) is chosen as the investment option, the following minimum criteria should be considered:

1. The investment manager should be a bank, insurance company, investment management, mutual fund company or an investment advisor under the Registered Investment Advisors Act of 1940;
2. The investment manager should operate in good standing with regulators. All relevant quantitative and qualitative information on the fund manager and fund should be made available by the manager and/or vendor.

In addition to the minimum criteria above, all investments under consideration should meet the following standards for selection:

1. Investment performance should be competitive with an appropriate style-specific benchmark and the median return for an appropriate, style-specific peer group (where appropriate and available, long-term performance of an investment manager may be inferred through the performance of another investment with similar style attributes managed by such investment manager);
2. Specific risk and risk-adjusted return measures should be reviewed by the Committee and be within a reasonable range relative to appropriate, style-specific benchmark and peer group;
3. The investment manager should demonstrate adherence to the stated investment objective, without excess style drift over trailing performance periods;
4. Fees and fee structures should be competitive compared with similar investments reasonably available to the Plan;
5. The investment manager should exhibit attractive qualitative characteristics, including, but not limited to, acceptable manager tenure; and
6. The investment manager should be able to provide performance, holdings, and other relevant information in a timely fashion with specified frequency.

Furthermore, investment managers (to be used interchangeably with the term “fund” throughout the Investment Policy Statement) will be evaluated and selected utilizing an investment manager “score card” method as recommended by the investment advisor and approved by the Group.

Part VII. INVESTMENT MONITORING AND REPORTING
The ongoing monitoring of investments is a regular and disciplined process. Monitoring confirms that the criteria remain satisfied and that an investment option continues to be appropriate. The process of monitoring investment performance relative to specified guidelines will be consistently applied. Frequent change of investments is neither expected nor desired.

The Group will bear in mind any and all political, social, economic or other changes that may potentially require more frequent review and consideration of investments. The following are some, but not all, general factors that may be considered in ongoing monitoring:

- Current regulatory environment,
- Current state of capital markets,
- Performance of investment alternatives,
- Utilization of accounts by Plan demographic,
- Prudent applicability of this Investment Policy Statement as written, in light of prevailing facts and circumstances.

Unusual, notable, or extraordinary events will be communicated by the investment advisor and/or vendor on a timely basis to the Group. Examples of such events include portfolio manager or team departure, violation of investment guidelines, material litigation against the investment management firm, or material changes in firm ownership structure and announcements thereof.

If overall satisfaction with the investment option is acceptable, no further action is required. If areas of dissatisfaction exist, the investment manager must take steps to remedy the deficiency. If over a reasonable period the manager is unable to resolve the issue, removal of the investment option may result.

For supported asset classes, an investment manager “score card” will be maintained and documented to substantiate acceptable levels of manager performance and appropriate style characteristics. Based upon objective criteria, each fund will receive a score reflecting its overall performance.

If a fund fails to meet the criteria standards, as determined by its score, it will be placed on a “watch list.” (In the event a fund receives a score which is below that of “watch list” status, or experiences extraordinary circumstances which may render it inappropriate to maintain, it may be considered for removal at the earliest administratively reasonable date.) If this fund continues to remain on “watch list” for the following three quarters, or four of the following seven quarters, the fund should be considered for possible removal. If the fund meets criteria standards for four consecutive quarters, it may be removed from the watch list.

Asset Allocation funds and/or accounts (risk-based or age-based) will be scored and monitored using the previously described guidelines. Unlike other funds which are monitored and scored individually, these funds should be evaluated as a group. Due to the unique importance of these professionally managed and diversified vehicles for participants in the Plan, funds or accounts failing to achieve criteria standards will be carefully reviewed before removal from the Plan (in the absence of a reasonable alternative). In addition, funds with short time history should be evaluated qualitatively.

Target-Date (age-based) funds or accounts will have strategies that allow the funds or accounts to
grow more conservative over time until a certain retirement date or life expectancy date. This roll
down process is commonly referred to as a “glide path”. The glide path associated with a set of
target- date funds should be reviewed to make sure it is appropriate, and continues to be
appropriate, for the Plan and Plan’s participants.

Investments where no score is applied due to specialty focus, short time history or other unique
circumstances should be reviewed using a qualitative framework.

The foregoing investment monitoring criteria shall not, under any circumstances, be taken as
definitive, conclusive, or controlling for removal, termination, or continuation of an investment
option. All determinations should be made by the Group, in its sole discretion, taking into
consideration all relevant facts and circumstances.

Part VIII. MANAGER REMOVAL

An investment manager (i.e., fund) may be removed when the Group has lost confidence in the
manager’s ability to:

□ Achieve performance, style, allocation, and/or risk objectives;
□ Maintain acceptable qualitative standards (e.g., stable organization, compliance guidelines).

If the investment manager has failed to adhere to and/or remedy one or both of the above
conditions, the fund should be considered for removal from the Plan.

Any decision by the Group to remove such a fund will be made on an individual basis, and will be
made based on all the known facts and circumstances, including, but not limited to:

□ The objective analysis (described above);
□ Administrative impact on the Plan;
□ Timing;
□ Employee communication issues;
□ Availability of other (potential replacement) managers;
□ Underwriting and Plan provider limitations;
□ Financial considerations (hard and soft dollar fees);
□ Professional or client turnover;
□ A material change in the investment process;
□ Other relevant factors.

Considerable judgment should be exercised in the manager removal decision-making process. A
manager should be removed using one of the following approaches:

□ Remove and replace (map assets) with an alternative manager;
□ Freeze the assets managed by the removed manager and direct new assets to an
alternative manager;
□ Phase out the manager over a specific time period;
□ Remove the manager and do not provide a replacement manager;
Replacement of a removed manager follows the criteria outlined in Part VI (Selection of Investment Options).

Part IX. PARTICIPANT EDUCATION AND COMMUNICATION

The Plan should communicate to employees that they can direct their own investments and investment changes. Investment communications materials, educational materials, and enrollment support should be available to help Plan participants make educated and informed choices, including:

1. Periodic enrollment and investment education, through one or more of the following: on-site meetings, phone conference, web conference, Internet, phone (voice-response and live representatives), and written materials;
2. ERISA Section 404(c) disclosure;
3. Summary Plan Description made available to all participants;
4. General information regarding investment risk, inflation, potential taxation impact, investment earnings, and asset classes;
5. Other investment tools (e.g., investment risk profile questionnaire) to assist participants and beneficiaries in making educated and informed investment decisions; and
6. All additional information required for disclosure by ERISA, the Internal Revenue Code of 1986, and all other Federal and state statutes and all regulations promulgated hereunder, and all regulatory guidance provided thereto.

Notwithstanding the foregoing, all investment education provided by the Plan and/or Group, and all communications connected thereto, is not intended, nor shall it be construed, as investment advice to Plan participants.

Part X. COORDINATION WITH THE PLAN DOCUMENT

Notwithstanding the foregoing, if any term or condition of this Investment Policy Statement conflicts with any section of ERISA or the Internal Revenue Code, or regulations promulgated hereunder, or any term or condition in the Plan document, the terms and conditions of ERISA, the Internal Revenue Code, and the Plan document shall control.

Part XI. ERISA 404(c)

The Bar and the Group intend for the Plan to comply with ERISA Section 404(c) and the regulations there under. Each participant/beneficiary is provided the opportunity to exercise control and to give instructions over his/her account with a frequency that is appropriate for each investment option and, finally, to choose from a broad range of investment options. Plan fiduciaries are thus relieved from liability for investment performance directly resulting from investment decisions made by Plan participants.

The intention to comply with ERISA Section 404(c), and the regulations promulgated hereunder, will be communicated to employees in writing.

Part XII. INVESTMENT INFORMATION AND ADMINISTRATIVE SUPPORT
The Group should require the investment manager and/or service provider (administrator, record keeper) to offer the following administrative information and support:

1. Daily valuation of all investments;
2. Daily access to account information via toll-free number and Internet access;
3. The ability to make investment transfers for both existing and future individual account balances on a daily basis (non-business days and holidays excluded). Certain trading practices may be limited to comply with market timing, excess trading, liquidity driven and/or related policies and procedures of the service provider and/or specific investment options;
4. Participant account investment reports produced no less frequently than annually, with similar information available via the Internet at least quarterly; and
5. Quarterly investment performance updates available for participant review via the Internet.

Part XIII. REVIEW PROCEDURES

This Retirement Investment Policy Statement will be periodically reviewed and amended, if appropriate, at any time and without notice, by action of the Group.

It is not expected that this Investment Policy Statement will change frequently. In particular, short-term changes in the financial markets should not require amendments to this Investment Policy Statement.
Appendix D. Finance-Related Responsibilities

The Chief Executive Officer/Executive Director (CEO/ED)

Key responsibilities of the CEO/ED include, but are not limited to the following:
1. Assists the Board in developing and implementing both its strategic planning and budgeting process.
2. Prepares various options for program development and the budget implications, and presents recommendations to the F&A Committee.
3. Reviews the draft budget proposals and makes resource allocation decisions.
4. Presents the recommended budget to the F&A Committee, and explains its provisions and implications.
5. Hires, supervises, and directs the CFO. Hiring and terminating employment of the CFO will be done in consultation with the SBA President and F&A Committee Chair.
6. Reports significant events to the Board of Governors.
7. Establishes and maintains a comprehensive system of internal controls, antifraud controls, and accurate, timely financial reporting.
8. Makes sure that financial and accounting policies and procedures are enforced.
9. Establishes a culture of stewardship and internal controls among all SBA employees.

The Chief Financial Officer (CFO)

The CFO is responsible for safeguarding the Bar’s assets, maintaining internal controls over monetary transactions and record-keeping, maximizing return on assets, ensuring the accuracy of the financial statements, maintaining the comprehensive internal and external financial processes, monitoring office safety, and safeguarding the Bar’s assets. Additionally, the CFO is responsible for insuring that financial accounting matters are reported timely and accurately to the F&A Committee and the Board of Governors.

The CFO’s duties include, but are not limited to:
1. Enforces financial policies and procedures.
2. Creates the budget Planning Calendar and ensures that deadlines are met.
3. Communicates and oversees division/department compliance with budgeting policies and procedures.
4. Evaluates draft budget proposals received from department managers.
5. Provides the CEO/ED and F&A Committee with options for resource allocation.
6. Ensures the completeness and accuracy of financial reporting.
7. Provides the day-to-day oversight for performance against budget objectives and related reporting.
8. Provides financial forecasts of SBA results to the Board of Governors and recommends countermeasures as needed.
9. Develops and implements comprehensive internal controls and risk management programs which adequately safeguard the assets of the SBA.
10. Monitors potential economic implications for SBA investment policy and direction.
11. Maintains banking relationships.
12. Monitors and maintains investments.
13. Hires, trains and supervises the accounting, financial, and facilities staff in accordance with applicable policies and procedures.

14. Works directly with the F&A Committee and the Board of Governors on all finance, budget, reporting and audit related matters, as needed.

15. In concert with the CEO/Executive Director, establishes a culture of stewardship and internal controls.

The Board of Governors (BoG)

The Board of Governors’ duties include, but are not limited to:

1. Internal controls.
   a. Establishes that there are comprehensive internal controls and information systems in place to safeguard the assets of the Bar and to produce reliable financial information to the Board and Management.

2. Financial Statement and Budgets.
   a. Reviews, evaluates, approves and, if necessary, modifies the Bar’s Annual Budget.
   b. Reviews and evaluates the Bar’s quarterly and annual financial statements and variance reports, and submits the annual audited financial statements to the Supreme Court.
   c. Requests supplemental analysis and reports, if necessary.
   d. Reviews and evaluates financial forecasts and other financial reports provided by the CEO/ED and CFO.

3. Audits.
   a. Authorizes the F&A Committee to select the Bar’s auditor to conduct an audit of the Bar’s annual financial statements and the Client Protection Fund.
   b. Meets with the auditors at least once a year to receive the annual audit report, and reports, if any, on deficiencies in internal controls; the Board may delegate this meeting to the F&A Committee.


5. Recommends an appropriate level of membership dues to the Arizona Supreme Court, as needed to sustain the resources required to operate the SBA.

6. Retains outside experts to assist the Board, if necessary, with respect to financial and accounting issues.

The Finance & Audit (F&A) Committee

The F&A Committee oversees the budgeting process, recommends financial decisions to the Board, monitors compliance with the Bar’s financial policies in relation to the budget, the five-year vision, and other Board policies. The F&A Committee also oversees the audit process and is responsible for recommending an audit firm to the Board, setting its compensation, and overseeing the auditor’s activities. It is also responsible for oversight of the Bar’s Antifraud Programs and Controls, as set forth in Part IV of this Manual. The Committee reports to the Board. Continuity of membership should be a significant factor in selecting the membership of the F&A Committee.

In appointing the members of the F&A Committee, the President should endeavor to appoint members who have significant financial experience.
The Chair(s) should be appointed by the President and selected from among the Board members based on expertise and qualifications in subjects such as accounting, finance, and auditing, budgeting, and internal controls. The Chair of the committee should, ideally, serve for two years or more. The Treasurer should serve as Vice-Chair of the committee to become familiar with the finances of the Bar, and the audit and internal control practices.

To some extent, the Committee exercises delegated authority of the Board of Governors and should comprise only Board members. Non-Board members may, at the discretion of the Committee, serve as non-voting advisors, as appropriate. The CFO serves in an advisory role, and shall work with and report to the Committee as indicated in the Manual, but shall not vote. Other Bar staff designated by the CFO or CEO/ED shall provide staff support for the Committee and may also serve in an advisory capacity, as appropriate.

Access to Bar Staff and Records: The Committee shall have unrestricted access to any members of the staff and any records of the Bar as they may deem necessary or convenient to the performance of their duties.

The F&A Committee’s duties include, but are not limited to:

1. Ensures that adequate minutes are taken for each meeting.
2. Reviews the monthly financial statements and financial performance indicators for the SBA on a monthly basis, as well as a budget to forecast beginning in July and for the remainder of the year; analyzes any significant variances between operating results, as reflected in the financial statements and the annual budget approved by the Board, and reports to the Board on a quarterly basis the results of the foregoing review and analysis, and recommends to the Board any actions that should be considered to deal with any significant variances or any issues raised by the budget forecasts.
3. Establishes written Budget Guidelines annually and presents the guidelines to the Board for approval.
4. Monitors the preparation of a proposed budget for the following calendar year, reviews the proposed budget with the CEO/ED and CFO to ensure it reflects an accurate estimation of revenues and expenses for that calendar year, and presents it to the Board of Governors for approval.
5. Reviews the Financial Policies and Procedures Manual every three years or when staff or the F&A Committee deems necessary to ensure that it contains sound financial policies for the SBA.
6. Insures that IT infrastructure is adequate to meet the mission requirements of the SBA.
7. Implements a program for five-year projections to be prepared under the direction of the CFO and presented to the Board, on an annual basis, for information. The projection should include an explanation of the underlying assumptions and performance indicators and shall be complete after the audit and before the August Annual Budget preparation cycle.
8. Selects, evaluates, and replaces the external auditor. The external audit firm is accountable to the F&A committee and the Board of Governors. The Committee will annually evaluate the quality of the audit and services performed by the firm and make a recommendation to the Board for retaining or replacing the firm.
9. Reviews the external audit plan. The Committee will meet with the external auditors prior to the audit to discuss the scope of the proposed audit, the planned audit procedures, and fees to be charged.

10. Evaluates the annual audited financial statements. The Committee will discuss the audited annual financial statements with the CFO and the external auditors prior to dissemination. The discussion should include any changes or new accounting policies, significant fluctuations or unusual transactions, differences in presentation format, accounting estimates or reserves, disagreements with management about accounting matters or disclosures, audit adjustments, quality of accounting principles, Management Letter itemizing reportable conditions and overall level of impression concerning internal controls.

11. Oversees the external audit process and audit results.
   a. The Committee will conduct, as necessary, private meetings with the CFO and external auditors focusing on departures from the audit plan and impact on audit scope.
   b. During the meeting with management, the Committee will discuss the degree of cooperation, management’s assessment of the auditors’ service and quality of the audit, and the auditors’ knowledge of the organization, industry and its business risk.
   c. During the meeting with the auditors, the Committee will discuss the degree of cooperation, any deficiencies in internal controls, capabilities of the organization’s management staff, including accounting and other personnel, and any practice not found in similar organizations.

12. Monitors the external auditors’ independence.
   a. The Committee will annually review the auditors’ written disclosure of independence and ensure that no non-audit services and non-tax services have been performed by the audit firm.

13. Oversees internal control over financial reporting
   a. The Committee will periodically review the internal controls with the CFO and CEO/ED and engage external auditors to provide an agreed-upon procedure relating to controls identified for testing.

14. Takes and processes complaints as provided for in Section IV of this manual, relating to potential or actual fraud and financial irregularities.
   a. The Committee shall have the authority to take complaints or reports concerning accounting and internal control practices, and suspected fraud or irregularities that affect the finances of the Bar. It shall also have authority to investigate such complaints or reports as the Committee deems appropriate. The Committee shall have the authority to retain outside expert assistance for any such investigation, as the Committee deems appropriate. For matters implicating the CEO/ED, refer to Section IV, Senior Management.
   b. The Committee will develop and adopt a written policy specifically designed to foster prompt reporting and investigation of potential accounting, internal control or other financial improprieties, and to protect those who bring those issues to the attention of the Committee so that they may do so without fear of retribution. The Committee will conduct such investigations as discreetly as possible under the circumstances, but will report the outcome of any such investigation that results in adverse findings to the President and the Board.

15. Oversees the SBA’s anti-fraud program.
POLITICAL ACTIVITIES POLICY

It is the policy of the State Bar of Arizona that the Board of Governors, State Bar employees and Section, Task Force and Committee members (hereinafter collectively referred to as “Bar Leaders”) shall not engage in political activity on behalf of the State Bar of Arizona. Political activity refers to: partisan activities; campaigns; ballot referendums; elections involving primaries, partisan ballots, or partisan activities; and any other political activity.

This Policy does not prohibit or restrict the following lawful activities or uses of SBA Resources:

The lawful and permitted activities of lobbying, funding and supporting activities of a political or ideological nature that are reasonably related to the Bar’s core purposes, as outlined in the State Bar’s Bylaws at Article XIII, Sections 13.01 and 13.02, and as approved by the Board of Governors.

Bar Leaders and all others acting on the State Bar’s behalf must comply with the State Bar’s bylaws and policies, which generally prohibit the use of Bar resources to support or oppose candidates or political committees. Except for the lawful political contributions and activities described below, the SBA does not allow political campaign or partisan political activities at any SBA workplace or facility, and does not permit the use of the SBA name, logo or other resources including computers, telephones, e-mails, or employee work time for political campaigning, fund-raising, or partisan political activities.

SBA employees and Bar leaders have the right to participate individually in the political process, and to make voluntary contributions of their nonworking time and personal resources to support candidates and political parties of their choice. The SBA encourages employee involvement in the political process, but these activities must not in any way suggest SBA support or use SBA resources. SBA employees and bar leaders who choose to become candidates for a political office have the right to state that he or she is a member in good standing with the State Bar and may also list the ways in which he or she served the bar.

Adopted by the Board of Governors on March 19, 2010.
ATTACHMENT F
BOARD OF GOVERNORS
Reporting Form

Please begin typing in the shaded box.

NAME: __________ PHONE: __________

EMAIL ADDRESS: __________

REPRESENTING: __________

BOARD MEETING DATE: __________

WISH TO APPEAR BEFORE THE BOARD? ________ YES ________ NO

SUBJECT: __________

BACKGROUND OF ISSUE:

________

ISSUE(S) (please be specific):

________

DISCUSSION/ANALYSIS:

________

RECOMMENDED BOARD ACTION:

________
VOTE OF THE COMMITTEE/SECTION (if applicable):

WAS A QUORUM PRESENT FOR THE VOTE?       YES       NO
VOTE WAS:       UNANIMOUS       TO       

IF YOUR COMMITTEE OR SECTION HAS A BREAKDOWN AMONG MEMBERS OF DEFENSE/PROSECUTION OR PLAINTIFF/DEFENSE COUNSEL, OR IF ANY OTHER SPLIT EXISTS, HOW WAS THE VOTE SPLIT AMONG THOSE GROUPS?

WAS THE ISSUE VETTED TO COMMITTEES/SECTION/STAKEHOLDERS?      YES       NO

IF SO, WHAT COMMITTEE/SECTION/STAKEHOLDERS?


HOW WILL THIS PROPOSAL IMPACT THE STATE BAR’S BUDGET? STATE BAR STAFF?


IS THE RECOMMENDED ACTION CONSISTENT WITH THE KELLER DECISION?


DOES THIS ISSUE RELATE TO (check any that apply):


(Warning: Keller v. State Bar of California, 496 U.S. 1 (1990), prohibits the expenditure of mandatory bar dues on political or ideological matters unrelated to these objectives.)

WHICH GOAL/OBJECTIVE OF THE STATE BAR’S STRATEGIC PLAN IS ADVANCED BY THE RECOMMENDED ACTION?
IF NONE, WHY SHOULD THE BOARD OF GOVERNORS FOLLOW THE RECOMMENDATION?


IS THERE A CURRENT BOARD POLICY THAT RELATES TO THE MATTER BEING PRESENTED? _____YES  __________NO

THERE IS A POLICY AND IT STATES THE FOLLOWING:

