



To: SURA Board of Trustees

From: Elizabeth L. Lawson, Corporate Secretary

Subject: Notice of Proposed Bylaws Amendment

Date: September 27, 2004

In accordance with the SURA Bylaws, this notice is provided to members of the SURA Board of Trustees thirty days in advance of its meeting on November 4 & 5, 2004, for consideration of the proposed resolution to amend the SURA Bylaws.

Background

The SURA Executive Committee at its September 7, 2004 meeting passed a motion recommending the amendment of the quorum requirement of the Board of Trustees from "a majority" to "one-third."

Current SURA Bylaws, Section 4.06, Quorum, reads "A quorum for transaction of business of the Board of Trustees shall consist of a *majority* [emphasis added] of the whole Board, but less than a quorum shall have power to adjourn the meeting from time to time until a quorum is present."

SURA legal counsel, Jacqueline A. Henson, Esq., McKenna, Long and Aldridge, advises that:

"Pursuant to the Virginia Nonstock Corporation Act, a corporation's bylaws may allow for a quorum of its board of directors to consist of no fewer than one-third of the fixed or prescribed number of directors. Thus, a one-third quorum requirement for the Board of Trustees is permissible under Virginia law. A lower percentage (i.e., one-fourth (1/4th)) is not permitted."

Please also recall that legal counsel has been obtained with regards to the ability of a Trustee to vote by proxy. SURA legal counsel, Jacqueline A. Henson, Esq., McKenna, Long and Aldridge, advises that:

"...the Board of Trustees may not vote by proxy. It is a well-settled principle of corporate law that, unlike members, a corporation's directors or trustees cannot give another person a proxy to vote at a board meeting. The reason for this restriction is that trustees and directors are fiduciaries. Fiduciary duties are not delegable."

Please review the accompanying proposed resolution to amend the Board quorum requirement. Comments should be forwarded to the Corporate Secretary in writing prior to the vote at the Board meeting on November 4 & 5, 2004 in Arkansas.

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Proposed Resolution to Amend Bylaws

RESOLVED, that SURA modify its Bylaws in accordance with the proposed amendment below

Proposed Amendment

Section 4.06. Quorum. A quorum for transaction of business of the Board of Trustees shall consist of one-third of the whole Board, but less than a quorum shall have power to adjourn the meeting from time to time until a quorum is present.

and,

FURTHER RESOLVED, that the Secretary of the Corporation file said amended Bylaws effective immediately, with such parties who are, pursuant to law, required to receive or approve same.