

Bylaws Of

Friends of the Southern Michigan Railroad, Inc.

ARTICLE I: NONPROFIT PURPOSES

Section 1. Nonprofit Status. This Corporation is organized exclusively for one or more of the purposes as specified in Section 501(c)(3) of the Internal Revenue Code, including, for such purposes, the making of distributions to organizations which qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code. Specifically, it is organized as a Supporting Organization consistent with law, regulation and Articles of Incorporation.

Section 2. Purpose. This Corporation is a Supporting Organization, incorporated to assure and support the development of a world-class operating railway museum in Michigan, Northern Ohio or Northern Indiana. A railroad museum promotes the awareness of railroad history and technology through the preservation, operation, restoration, and display of antique, historic, or technically significant types of railroad equipment, other machinery, and memorabilia for the benefit of the public at large.

Section 3. Supported Organizations. This corporation supports exclusively those organizations specifically named in the Articles of Incorporation or these Bylaws, provided they continue to fit the criteria specified in the Articles and these Bylaws. That includes the following organizations:

- a. The Southern Michigan Railroad Society, Inc.; Clinton, Michigan.

Section 4. Reserved.

Section 5: Activities. The Corporation may engage in any activity which is intended to raise money or support a Supported Organization. It may buy, lease or sell physical assets or real property to support a Supported Organization.

Section 6: Accountability. The Corporation shall prepare an account of its activities and financial activity, upon reasonable demand of a Supported Organization.

Section 7: Independent Mind. The Corporation shall be responsive to the mission of the Supported Organization, but shall use an independent mind to remain loyal to its mission and that of the Supported Organization. The Corporation shall encourage performance, accountability, and alternative thinking in the Supported Organization.

ARTICLE II. GENERAL PROVISIONS

Section 1. Incorporation by Reference.

Section 1. Fiscal Year. The fiscal year of the Corporation shall end on the 30th day of June of each year.

Section 2. Corporate Seal. The corporation may have a seal in such form as the Board of Directors may determine. The seal may be used by causing it or a facsimile to be impressed, affixed, or reproduced.

Section 3: Members. The corporation is not a membership organization, and does not have members in the formal sense. The Corporation may offer ways for the public to be involved, which may resemble membership or even be called membership. However, this does not connote any authority, voting rights or legal standing. The corporation may conduct polls or surveys; these are not formal votes and are not legally binding.

ARTICLE III. DIRECTORS

Section 1. Qualifications. Directors shall comply with the qualifications in the Articles of Incorporation. Directors shall be accomplished persons of integrity, objectivity, and intelligence, with reputations for sound judgment, open minds and social responsibility, and a demonstrated capacity for fiscal responsibility and thoughtful group decision-making. Directors shall be persons with an understanding of the mission of the supported organization(s) and the potential impact of Corporation decisions on those supported organizations, and committed to the success of same. Directors shall be willing to serve as volunteers, without compensation other than the reimbursement of certain expenses, and shall be able to work and communicate in written and spoken English.

Section 2. Number and Term of Office. The Corporation is organized on a directorship basis. The property, business and affairs of the Corporation shall be managed by a Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are by statute, or by the Articles of Incorporation, or by these Bylaws, directed or required to be exercised or done by the Board of Directors. The number of Directors of the Corporation shall not be less than three (3) nor more than twenty (20). The number of Directors for each corporate year shall be fixed by vote at the annual directors meeting at which they are elected or, at a special meeting held for the purposes during such year, the Board may increase or decrease (within the limits above specified) the number of Directors as then fixed, and elect new Directors or complete the number so fixed or remove Directors to reduce the number of Directors to the number so fixed. Directors need not be residents of the State of Michigan.

Section 3. Election, Resignation, and Removal. The election of directors shall be by a two-thirds majority vote, and for candidates selected as governed by the Articles of Incorporation. A Director may resign at any time, orally or in writing, by notifying the Board of Directors or President. The acceptance of such a resignation by the Board of Directors shall be necessary to make it effective. Any member of the Board of Directors may be removed, either with or without cause, by the affirmative vote of a two-thirds majority of the other Directors then in office.

Section 4. Action By Unanimous Written Consent. Any action required or permitted to be taken pursuant to authorization voted at a meeting of the Board of Directors or a committee thereof, may be taken without a meeting if, before or after the action, all members of the Board of Directors or of the committee consent thereto in writing. The written consents shall be filed with the minutes of the proceedings of the Board of Directors or committee. The consent has the same effect as a vote of the board or committee for all purposes.

Section 5. Vacancies. Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining Directors, though less than a quorum of the Board of Directors.

Section 6. Executive and Other Committees. The Board of Directors may appoint committees as it sees fit. It may not assign the full powers and authorities of the Board to a committee regardless of the number of Directors on the committee. The Board may assign authority of limited and specified scope to a committee.

Section 7. Compensation. Directors shall serve as volunteers, without compensation other than the reimbursement of certain expenses, and bound by a Conflict of Interest policy and the Compensation rules in Article V.

ARTICLE IV: MEETINGS

Section 1. Annual Meeting. The Board of Directors shall meet each year at a time and place to be designated by the Board, for the purpose of considering such business that may properly be brought before the meeting. If less than a majority of the Directors appear for an annual meeting of the Board of Directors, the holding of such annual meeting shall not be required.

Section 2. Regular and Special Meetings. Regular meetings of the Board of Directors may be held at such times and places as the majority of the Directors may from time to time determine at a prior meeting or as shall be directed or approved by vote or written consent of all the Directors. Special meetings of the Board of Directors may be called by the Chairman of the Board (if such office is filled) or the President and shall be called by the President or Secretary upon the written request of any two Directors. If less than two Directors are in office, the sole Director then in office may direct the call of a special meeting.

Section 3. Notices. No notice shall be required for annual or regular meetings of the Board of Directors, or for meetings which have been adjourned to a specific time whether regular or special. Oral, telegraphic or written notice of the time and place of all special meetings of the Board of Directors shall be duly served on or sent, mailed, telegraphed, or electronically transmitted to each Director not less than six (6) nor more than thirty (30) days before the meeting. Any Director may waive notice of a special meeting. The attendance of a Director at a meeting shall constitute a waiver of notice of such meeting, unless the Director affirmatively states that he does not waive notice, and this shall be recorded in minutes. Neither the business to be transacted at nor the purpose of any special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

Section 4. Responsiveness. The Board of Directors is to be responsive to the needs of the Supported Organizations. The Board of Directors will place the item on the agenda at the request of a Supported Organization. A special meeting will be called if the circumstances reasonably require it. The Supported Organization may designate representatives, and those representatives are entitled to receive notice of the meeting as described in Section 3.

Section 5. Quorum and Vote. A majority of the Board of Directors then in office constitutes a quorum for the transaction of business, but if less than such majority is present at a meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice. The vote of a majority of the Directors present at any meeting at which there is a quorum shall constitute the acts of the Board, except as a larger vote may be required by the laws of the State of Michigan, Articles or Bylaws.

Section 6. Participation in Meetings. A member of the Board of Directors or of a committee designated by the Board of Directors may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting in this manner constitutes presence in person at the meeting.

Section 7. Presumption of Assent. A Director of the Corporation who is present at a meeting of the Board of Directors, or a committee thereof of which he is a member, at which action on any corporate matter is taken, shall be presumed to have assented to the action taken unless his dissent is entered in the minutes of the meeting or unless he shall file with the secretary of the meeting before the adjournment thereof or shall forward such dissent by certified mail to the Secretary of the Corporation promptly after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action. A Director who is absent from a meeting of the Board, or a committee thereof of which he is a member, at which any action is taken, is presumed to have concurred in that action unless he files his written dissent with the Secretary of the Corporation within a reasonable time after he has knowledge of the action.

Section 8: Parliamentary Authority. The procedures contained in Roberts Rules of Order, Newly Revised, current edition shall be employed in conducting meetings in all cases to which they are applicable, and in which they are not inconsistent with the laws of the State of Michigan, or of these bylaws or with any particular procedures which the Board of Directors may adopt. Proxies are prohibited.

ARTICLE V. OFFICERS

Section 1. Election or Appointment. The Board of Directors shall, as soon as is reasonably practicable after the annual election of the Directors, elect a President, a Secretary and a Treasurer of the Corporation. The Board at that time or from time to time may also choose a corporate structure and elect other officers as it sees fit. Any two or more of the above offices may be held by the same person, but no officer shall execute, acknowledge, or verify an instrument in more than one capacity if the instrument is required by law, the Articles of Incorporation, or the Bylaw to be executed, acknowledged, or verified by two or more officers. The President must be a member of the Board.

Section 2. Term of Office, Resignation, and Removal. An officer shall hold office for the term for which he is elected or appointed and until his successor is elected or appointed and qualified, or until he resigns or is removed. An officer may resign by written notice to the Corporation. The resignation is effective upon its receipt by the Corporation or at a subsequent time specified in the notice of resignation. An officer may be removed by the Board of Directors, with or without cause, and with or without notice, by the affirmative vote of a majority of the Directors then in office. The removal of an officer shall be without prejudice to his contract rights, if any. Election or appointment of an officer or agent shall not of itself create any contract rights.

Section 3. Vacancies. The Board of Directors may fill any vacancies in any office occurring for whatever reason.

Section 4. Authority. All officers, employees, and agents of the corporation shall have such authority and perform such duties in the conduct and management of the business and affairs of the corporation as may be designated by the Board of Directors and these By laws.

Section 5. Chairman of the Board. The Chairman of the Board, if such office is filled, shall be the chief executive officer of the corporation and shall preside at all meetings of the Board of Directors at which he is present. He shall see that all orders and resolutions of the Board are carried into effect, and he shall have the general powers of supervision and management usually vested in the chief executive officer of a corporation.

Section 6. Vice Chairman of the Board. The Vice Chairman of the Board, in the absence of the Chairman of the Board, shall preside at all meetings of the Board of Directors. He shall have such other powers and duties as may from time to time be prescribed by the Board of Directors.

Section 7. The President. If the office of Chairman of the Board is filled, the President shall be the Chief Operating Officer of the Corporation and shall have the general powers of supervising and managing the day-to-day operations of the Corporation. In the absence or disability of the Chairman of the Board, or if that office has not been filled, he also shall perform the duties and execute the powers of the Chairman of the Board as set forth in these Bylaws. The President may sign, with the Secretary or any other proper officer of the Corporation authorized by the Board of Directors, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed and executed.

Section 8. The Vice President. In the absence of the President or in the event of his death, inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated at the time of their election, or in the absence of any designation, then in the order of their election) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President.

Section 9. The Secretary. The Secretary shall: (a) keep the minutes of the proceedings of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records and of the seal, if any, of the Corporation and see that the seal of the Corporation is affixed to all documents the execution of which on behalf of the Corporation under its seal is duly authorized; (d) keep a register of the post office address of each Director which shall be furnished to the Secretary by such Director, and (e) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Chairman of the Board, President, or Board of Directors. The Secretary may delegate any of his duties, powers, and authorities to one or more Assistant Secretaries, unless such delegation is disapproved by the Board of Directors.

Section 10. The Treasurer. The Treasurer shall have custody of the funds and securities of the Corporation and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all monies and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the Corporation as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render to the President and Directors, whenever they may require it, an account of all his transactions as

Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, he shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board for the faithful performance of the duties of his office and for the restoration to the Corporation (in case of his death, resignation, or removal from office) of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation. The Treasurer may delegate any of his duties, powers, and authorities to one or more Assistant Treasurers unless such delegation is disapproved by the Board of Directors.

Section 11. Assistant Secretaries and Assistant Treasurers. The Assistant Secretaries, in order of their seniority, shall perform the duties and exercise the powers and authorities of the Secretary in case of his absence or disability. The Assistant Treasurers, in the order of their seniority, shall perform the duties and exercise the powers and authorities of the Treasurer in case of his absence or disability. The Assistant Secretaries and Assistant Treasurers shall also perform such duties as may be delegated to them by the Secretary and Treasurer, respectively, and also such duties as the Board of Directors may prescribe.

Section 12. Compensation. In establishing compensation for directors, officers, trustees, highest compensated employees and highest compensated independent contractors, the following practices will be used:

- a) The individuals that approve compensation arrangements will follow a conflict of interest policy;
- b) All compensation arrangements will be approved in advance of paying compensation; and
- c) The terms and date of any approved compensation arrangements shall be documented in writing;
- d) Decisions made by all individuals deciding or voting upon compensation arrangements shall be documented in writing;
- e) Approval of compensation arrangements shall be based upon information about compensation paid by similarly situated taxable or tax-exempt organizations for similar services, current compensation surveys compiled by independent firms, or actual written offers from similarly situated organizations; and
- f) All information upon which decisions regarding compensation arrangements and their source are based shall be documented in writing.

ARTICLE VI. CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1. Contracts and Other Documents. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute or deliver any conveyance or other instrument in the name of the Corporation, and such authority may be general or confined to specific instances. When the execution of any contract, conveyance, or other instrument has been authorized without specification of the officers authorized to execute, the same may be executed on behalf of the Corporation by the Chairman of the Board, the President or any Vice President, and the corporate seal, if any, may be thereto affixed and attested by the Secretary, an Assistant Secretary, the Treasurer, or an Assistant Treasurer.

Section 2. General Powers as to Negotiable Paper. The Board of Directors shall, from time to time, prescribe the manner of making, signature or endorsement of checks, drafts, notes, acceptances, bills of exchange, obligations and other negotiable paper or other instruments for the payment of money and designate the officer or officers, agent or agents, who shall from time to time be authorized to make, sign or endorse the same on behalf of the Corporation.

Section 3. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may select.

ARTICLE VII. INDEMNIFICATION OF OFFICERS AND DIRECTORS

Section 1. Indemnification. Except as otherwise provided by law, a volunteer Director or volunteer officer of the Corporation is not personally liable to the Corporation for monetary damages for a breach of the Director's or officer's fiduciary duty.

The Corporation assumes all liability to any person other than the Corporation for all acts or omissions of a volunteer Director incurred in the good faith performance of his or her duties as a Director other than liability for excise taxes imposed under chapter 42 of the Code and liability resulting from claims arising under state law for mismanagement of the Corporation's assets.

The Corporation assumes the liability for all acts or omissions of a volunteer officer, other than liability for excise taxes imposed under Chapter 42 of the Code, provided that:

- (a) the volunteer was acting or reasonably believed he or she was acting within the scope of his or her authority;
- (b) the volunteer was acting in good faith;
- (c) the volunteer's conduct did not amount to gross negligence or willful or wanton misconduct;
- (d) the volunteer's conduct was not an intentional tort; and
- (e) the volunteer's conduct was not a tort arising out of the ownership, maintenance or use of motor vehicle as described in Section 209(e)(v) of the Act.

The Corporation may purchase and maintain insurance on behalf of any such person against any liability (including penalties, taxes, expenses of correction, judgments, settlements or expenses) asserted against him or her and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of this Article or under the provisions of Sections 561 through 565 of the Michigan Nonprofit Corporation Act.

Section 2. Rights Continue. This indemnification will continue as to a person who has ceased to be a Director or officer of the Corporation. Indemnification may continue as to a person who has ceased to be a volunteer, employee or agent of the Corporation to the extent provided in a resolution of the Board of Directors or in any contract between the Corporation and the person. Any indemnification of a person who was entitled to

indemnification after such person ceased to be a Director, officer, volunteer, employee or agent of the Corporation will inure to the benefit of the heirs and personal representatives of that person.

ARTICLE VIII. BOOKS AND RECORDS

Section 1. Maintenance of Books and Records. The proper officers and agents of the Corporation shall keep and maintain such books, records, and accounts of the Corporation's business and affairs, minutes of the proceedings of its Board and committees, if any, and as shall be required by the laws of the State of Michigan and other states or jurisdictions empowered to impose such requirements. Books, records, and minutes may be kept within or without the State of Michigan in a place that the Board shall determine. If the Board does not determine a place that the books, records, and minutes shall be kept, such books, records, and minutes shall be kept at the registered office of the Corporation.

Section 2. Reliance on Books and Records. In discharging his duties, a Director or an Officer of the Corporation, when acting in good faith, may rely upon the opinion of counsel for the Corporation, upon the report of an independent appraiser selected with reasonable care by the Board, or upon financial statements of the Corporation represented to him to be correct by the President or the Officer of the Corporation having charge of its books of account, or stated in a written report by an independent public or certified public accountant or firm of such accountants fairly to reflect the financial condition of the Corporation.

ARTICLE IX. Conflict of Interest (IRS)

Section 1. Purpose of Conflict of Interest Policy. The purpose of this conflict of interest policy is to protect this tax-exempt corporation's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an Officer or Director of the corporation or any "disqualified person" as defined in Section 4958(f)(1) of the Internal Revenue Code and as amplified by Section 53.4958-3 of the IRS Regulations and which might result in a possible "excess benefit transaction" as defined in Section 4958(c)(1)(A) of the Internal Revenue Code and as amplified by Section 53.4958 of the IRS Regulations. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

Section 2. Definitions.

a. Interested Person. Any Director, principal Officer, member of a committee with governing Board delegated powers, or any other person who is a "disqualified person" as defined in Section 4958(f)(1) of the Internal Revenue Code and as amplified by Section 53.4958-3 of the IRS Regulations, who has a direct or indirect financial interest, as defined below, is an interested person.

b. Financial Interest. A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

1. An ownership or investment interest in any entity with which the corporation has a transaction or arrangement;
2. A compensation arrangement with the corporation or with any entity or individual with which the corporation has a transaction or arrangement; or

3. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the corporation is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. Under Section 3, paragraph B, a person who has a financial interest may have a conflict of interest only if the appropriate governing Board or committee decides that a conflict of interest exists.

Section 3. Conflict of Interest Avoidance Procedures

a. **Duty to Disclose.** In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the Directors and members of committees with governing Board delegated powers considering the proposed transaction or arrangement.

b. **Determining Whether a Conflict of Interest Exists.** After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the governing Board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Board or committee members shall decide if a conflict of interest exists.

c. **Procedures for Addressing the Conflict of Interest.** An interested person may make a presentation at the governing Board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.

The chairperson of the governing Board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

After exercising due diligence, the governing Board or committee shall determine whether the corporation can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.

If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing Board or committee shall determine by a majority vote of the disinterested Directors whether the transaction or arrangement is in the corporation's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination, it shall make its decision as to whether to enter into the transaction or arrangement.

d. **Violations of the Conflicts of Interest Policy.** If the governing Board or committee has reasonable cause to believe a Member has failed to disclose actual or possible conflicts of interest, it shall inform the Member of the basis for such belief and afford the Member an opportunity to explain the alleged failure to disclose.

If, after hearing the Member's response and after making further investigation as warranted by the circumstances, the governing Board or committee determines the Member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Section 4. Records of Board and Board Committee Proceedings.

The minutes of meetings of the governing Board and all committees with Board delegated powers shall contain:

- a. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the governing Board's or committee's decision as to whether a conflict of interest in fact existed.
- b. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

Section 5. Compensation.

- a. A voting member of the governing Board who receives compensation, directly or indirectly, from the corporation for services is precluded from voting on matters pertaining to that member's compensation.
- b. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the corporation for services is precluded from voting on matters pertaining to that member's compensation.
- c. No voting member of the governing Board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the corporation, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

Section 6. Annual Statements.

Each Director, principal Officer, and member of a committee with governing Board delegated powers shall annually sign a statement which affirms such person:

- a. has received a copy of the conflicts of interest policy;
- b. has read and understands the policy;
- c. has agreed to comply with the policy; and
- d. understands the corporation is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Section 7. Periodic Reviews.

To ensure the corporation operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's-length bargaining.
- b. Whether partnerships, joint ventures, and arrangements with management organizations conform to the corporation's written policies, are properly recorded, reflect reasonable

investment or payments for goods and services, further charitable purposes, and do not result in inurement, impermissible private benefit, or in an excess benefit transaction.

Section 8. Use of Outside Experts. When conducting the periodic reviews as provided for in Section 7, the corporation may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing Board of its responsibility for ensuring periodic reviews are conducted.

ARTICLE X. Compensation Approval Policies (Nolo)

When approving compensation for Directors, Officers and employees, contractors, and any other compensation contract or arrangement, in addition to complying with the conflict of interest requirements and policies contained in the preceding and following sections of this article as well as the preceding paragraphs of this section of this article, the Board or a duly constituted compensation committee of the Board shall also comply with the following additional requirements and procedures:

- a. the terms of compensation shall be approved by the Board or compensation committee prior to the first payment of compensation;
- b. all members of the Board or compensation committee who approve compensation arrangements must not have a conflict of interest with respect to the compensation arrangement as specified in IRS Regulation Section 53.4958-6(c)(iii), which generally requires that each Board member or committee member approving a compensation arrangement between this organization and a "disqualified person" (as defined in Section 4958(f)(1) of the Internal Revenue Code and as amplified by Section 53.4958-3 of the IRS Regulations):
 1. is not the person who is the subject of the compensation arrangement, or a family member of such person;
 2. is not in an employment relationship subject to the direction or control of the person who is the subject of the compensation arrangement;
 3. does not receive compensation or other payments subject to approval by the person who is the subject of the compensation arrangement;
 4. has no material financial interest affected by the compensation arrangement; and
 5. does not approve a transaction providing economic benefits to the person who is the subject of the compensation arrangement, who in turn has approved or will approve a transaction providing benefits to the Board or committee member.
- c. the Board or compensation committee shall obtain and rely upon appropriate data as to comparability prior to approving the terms of compensation. Appropriate data may include the following:
 1. compensation levels paid by similarly situated organizations, both taxable and tax-exempt, for functionally comparable positions. "Similarly situated" organizations are those of a similar size, purpose, and with similar resources;
 2. the availability of similar services in the geographic area of this organization;
 3. current compensation surveys compiled by independent firms;
 4. actual written offers from similar institutions competing for the services of the person who is the subject of the compensation arrangement;

As allowed by IRS Regulation 4958-6, if this organization has average annual gross receipts (including contributions) for its three prior tax years of less than \$1 million, the Board or compensation committee will have obtained and relied upon appropriate data as to

comparability if it obtains and relies upon data on compensation paid by three comparable organizations in the same or similar communities for similar services.

d. the terms of compensation and the basis for approving them shall be recorded in written minutes of the meeting of the Board or compensation committee that approved the compensation. Such documentation shall include:

1. the terms of the compensation arrangement and the date it was approved;
2. the members of the Board or compensation committee who were present during debate on the transaction, those who voted on it, and the votes cast by each Board or committee member;
3. the comparability data obtained and relied upon and how the data was obtained;
4. If the Board or compensation committee determines that reasonable compensation for a specific position in this organization or for providing services under any other compensation arrangement with this organization is higher or lower than the range of comparability data obtained, the Board or committee shall record in the minutes of the meeting the basis for its determination;
5. If the Board or committee makes adjustments to comparability data due to geographic area or other specific conditions, these adjustments and the reasons for them shall be recorded in the minutes of the Board or committee meeting;
6. any actions taken with respect to determining if a Board or committee member had a conflict of interest with respect to the compensation arrangement, and if so, actions taken to make sure the Member with the conflict of interest did not affect or participate in the approval of the transaction (for example, a notation in the records that after a finding of conflict of interest by a Member, the Member with the conflict of interest was asked to, and did, leave the meeting prior to a discussion of the compensation arrangement and a taking of the votes to approve the arrangement);
7. The minutes of Board or committee meetings at which compensation arrangements are approved must be prepared before the later of the date of the next Board or committee meeting or 60 days after the final actions of the board or committee are taken with respect to the approval of the compensation arrangements. The minutes must be reviewed and approved by the Board and committee as reasonable, accurate, and complete within a reasonable period thereafter, normally prior to or at the next Board or committee meeting following final action on the arrangement by the Board or committee.

ARTICLE XI. AMENDMENTS

Section 1. Amendments. These By laws may be amended, altered, or repealed, in whole or in part, or new Bylaws may be adopted in lieu thereof by the affirmative vote of a two-thirds majority of the Board of Directors then in office which are present in person or by proxy at any regular or special meeting of the Board at which there is a quorum; if a notice of the proposed amendment, alteration, repeal or substitution be contained in the notice of such meeting, and such notice given in writing at least 20 days in advance (25 if mailed). Any director may waive such notice.

The foregoing Bylaws were adopted by the Board of Directors of the corporation on the 30th day of October, 2011.

Robert MacDowell, Secretary